



**AsiaBaseMetals Inc.**

**INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED  
MARCH 31, 2018 and 2017**

(UNAUDITED – PREPARED BY MANAGEMENT)

# **ASIABASEMETALS INC.**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by CPA Canada for a review of interim financial statements by an entity's auditors.

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**ASIABASEMETALS INC.****INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION****AS AT MARCH 31, 2018 AND SEPTEMBER 30, 2017**(Unaudited - Expressed in Canadian Dollars)

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	<b>March 31, 2018</b>	<b>September 30, 2017</b>
<b>ASSETS</b>		
Current		
Cash	\$ 266,255	\$ 422,768
Amounts receivable	7,891	2,092
Prepaid expenses	4,153	153
	278,299	425,013
Exploration and evaluation assets (Note 3)	22,129	21,330
	\$ 300,428	\$ 446,343
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 20,981	\$ 24,100
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 4)	2,824,422	2,809,669
Share-based payment reserves	676,549	664,891
Accumulated deficit	(3,221,524)	(3,052,317)
	279,447	422,243
	\$ 300,428	\$ 446,343

CORPORATE INFORMATION AND NATURE OF CONTINUANCE OF OPERATIONS (Note 1)

Approved by the Board on May 15, 2018:

"Raj Chowdhry"  
Director

"Ioannis Tsitos"  
Director

(The accompanying notes are an integral part of these interim condensed financial statements.)

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**ASIABASEMETALS INC.****INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE LOSS****FOR THREE AND SIX MONTHS ENDED MARCH 31, 2018 AND 2017**

(Unaudited - Expressed in Canadian Dollars)

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	<b>Three months ended March 31,</b>		<b>Six months ended March 31,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>EXPENSES</b>				
Exploration, net	\$ 402	\$ 357	\$ 22,459	\$ 672
Management fees	39,582	44,813	80,888	87,263
Professional fees	9,226	16,436	19,956	30,228
Regulatory and transfer agent fees	8,734	12,085	10,015	17,904
Travel	1,431	1,854	1,431	7,085
Office, administration and miscellaneous	10,515	5,342	13,212	7,855
Share-based payments (Note 5)	-	163,207	11,658	163,207
Interest and bank charges	292	114	443	254
Foreign exchange loss (gain)	(11)	11	(56)	(18)
<b>LOSS FROM OPERATIONS</b>	<b>(70,171)</b>	<b>(244,219)</b>	<b>(160,006)</b>	<b>(314,450)</b>
<b>OTHER ITEMS</b>				
Write-off of mineral property (Note 3)	-	29,552	9,201	29,552
Gain on debt settlement (Note 6)	-	-	-	(14,547)
<b>COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(70,171)</b>	<b>(273,771)</b>	<b>(169,207)</b>	<b>(329,455)</b>
<b>BASIC AND DILUTED LOSS PER SHARE</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<b>24,198,685</b>	<b>23,587,462</b>	<b>24,004,739</b>	<b>17,656,672</b>

(The accompanying notes are an integral part of these interim condensed financial statements.)

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**ASIABASEMETALS INC.****INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY****FOR THE SIX MONTHS ENDED MARCH 31, 2018 AND 2017**(Unaudited - Expressed in Canadian Dollars)

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	Common Shares (Note 4)		Share-based Payments Reserves	Accumulated Deficit	Total
	Number of Common Shares	Amount			
Balances at October 1, 2016	15,275,115	\$ 1,945,539	\$ 441,684	\$ (2,467,670)	\$ (80,447)
Private placement, net of issuance costs	1,850,000	243,880	-	-	243,880
Warrants exercised for common shares	6,658,570	554,000	-	-	513,875
Share-based payments	-	-	163,207	-	163,207
Loss and comprehensive loss	-	-	-	(329,455)	(329,455)
Balances at March 31, 2017	23,783,685	2,743,419	604,891	(2,797,125)	551,185
Balances at October 1, 2017	24,133,685	\$ 2,809,669	\$ 664,891	\$ (3,052,317)	\$ 422,243
Private placement, net of issuance costs	65,000	14,753	-	-	14,753
Share-based payments	-	-	11,658	-	11,658
Loss and comprehensive loss	-	-	-	(169,207)	(169,207)
Balances at March 31, 2018	24,198,685	2,824,422	676,549	(3,221,524)	279,447

(The accompanying notes are an integral part of these interim condensed financial statements.)

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**ASIABASEMETALS INC.****INTERIM CONDENSED STATEMENTS OF CASH FLOWS****FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2018 AND 2017**(Unaudited - Expressed in Canadian Dollars)

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	<b>Three months ended March 31,</b>		<b>Six months ended March 31,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>CASH PROVIDED BY (USED IN):</b>				
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (70,171)	\$ (273,771)	\$ (169,207)	\$ (329,455)
Items not involving cash				
Write-off of mineral property	-	29,552	9,201	29,552
Share-based payments	-	163,207	11,658	163,207
Change in non-cash working capital items				
Amounts receivable	(3,367)	1,928	(5,799)	(4,343)
Prepaid expenses	-	(9,682)	(4,000)	(18,492)
Accounts payable and accrued liabilities	(2,703)	(7,920)	(3,119)	(77,298)
Gain on debt settlement	-	-	-	(14,547)
Due to related party	-	-	-	(8,408)
Cash used in operating activities	(76,241)	(96,686)	(161,266)	(259,784)
<b>INVESTING ACTIVITY</b>				
Acquisition of Gnome property	-	(9,814)	(10,000)	(9,814)
Acquisition of Jean property	-	-	-	-
Cash used in investing activities	-	(9,814)	(10,000)	(9,814)
<b>FINANCING ACTIVITY</b>				
Private placement, net of issuance costs	(2,066)	-	14,753	243,880
Proceeds from exercise of warrants	-	40,125	-	554,000
Director loan	-	-	-	(11,000)
Cash provided by/(used in) financing activities	(2,066)	40,125	14,753	786,880
<b>INCREASE (DECREASE) IN CASH DURING THE PERIOD</b>	<b>(78,307)</b>	<b>(66,375)</b>	<b>(156,513)</b>	<b>517,282</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>344,562</b>	<b>588,548</b>	<b>422,768</b>	<b>4,891</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 266,255</b>	<b>\$ 522,173</b>	<b>\$ 266,255</b>	<b>\$ 522,173</b>

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(The accompanying notes are an integral part of these interim condensed financial statements.)

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**ASIABASEMETALS INC.****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2018 AND 2017**

(Unaudited - Expressed in Canadian Dollars)

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**1. CORPORATE INFORMATION AND NATURE OF CONTINUANCE OF OPERATIONS**

AsiaBaseMetals Inc. (the "Company") was incorporated on August 11, 2009 under the laws of British Columbia. The Company's principal business activities include the acquisition, exploration and development of resource property. The address of the Company's corporate office and principal place of business is 6153 Glendalough Pl., Vancouver, British Columbia, V6N 1S5, Canada.

At March 31, 2018, the Company had not yet determined whether its property contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition of the resource property. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

These interim condensed financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

**2. SIGNIFICANT ACCOUNTING POLICIES****a) Statement of compliance**

These interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34 – *Interim Financial Reporting*. For these purposes, IFRS comprise the standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies applied in these interim condensed financial statements are consistent with those applied in the preparation of, and disclosed in, the Company's audited annual financial statements for the year ended September 30, 2017, except as discussed in Note 2(d).

**b) Basis of presentation**

The condensed interim financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**c) Going Concern**

These interim financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception, has working capital of \$257,318 and had an accumulated deficit of \$3,221,524 at March 31, 2018. Management has determined that the Company will be able to continue as a going concern for a reasonable period of time, and realize its assets and discharge its liabilities and commitments in the normal course of business.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Changes in accounting standards

Accounting standards issued but not yet effective

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

New accounting standards effective for annual periods on or after October 1, 2018:

*IFRS 9 - Financial Instruments*

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013, new general hedge requirements were added to the standard.

In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

*IFRS 15 – Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.



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**ASIABASEMETALS INC.****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED MARCH 31, 2018 AND 2017**

(Unaudited - Expressed in Canadian Dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)****d) Changes in accounting standards**

New accounting standards effective for annual periods on or after October 1, 2019:

**IFRS 16 – Leases**

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

The Company is currently evaluating the impact the adoption of these standards and interpretations may have on the consolidated financial statements of the Company.

**3. EXPLORATION AND EVALUATION ASSETS****Gnome Zinc, B.C.**

On September 30, 2009, Tintina Resources Inc. (“Tintina”) transferred its interest in the Gnome Zinc project and \$500,000 in cash to the Company as part of its reorganization. Tintina also transferred its right, title and interest in the Gnome Zinc project to purchase a 1% NSR royalty for \$2,000,000 up to the period ending on March 11, 2020. The transaction was recorded as a shareholder transfer at Tintina’s carrying value of the Gnome Zinc project of \$146,748 and an increase in cash of \$500,000.

During the year ended September 30, 2017, the Company forfeited 12 mineral claims and re-staked 11 mineral claims. As a result of the forfeited claims the Company recorded a write down of \$29,552 on the property during the year.

As at March 31, 2018, the Gnome Zinc Property consists of 11 mineral claims covering 5,237 hectares of land. On December 31, 2017, 10 of the 11 claims were dropped and subsequently re-staked on January 2, 2018.

Expenditure for the six months ended March 31, 2018 and the year ended September 30, 2017 is as follows:

	<b>October 1, 2017</b>	<b>Acquisition Costs</b>	<b>Impairment</b>	<b>March 31, 2018</b>
Gnome Zinc	\$ 9,814	\$ 10,000	\$ (9,201)	\$ 10,613

  

	<b>October 1, 2016</b>	<b>Acquisition Costs</b>	<b>Impairment</b>	<b>September 30, 2017</b>
Gnome Zinc	\$ 29,552	\$ 9,814	\$ (29,552)	\$ 9,814

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**ASIABASEMETALS INC.****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2018 AND 2017**

(Unaudited - Expressed in Canadian Dollars)

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**3. EXPLORATION AND EVALUATION ASSETS (continued)****Jean Property, ON**

On April 24, 2015, the Company entered into a purchase agreement (the "Agreement") with Great Lakes Resources Ltd. ("Great Lakes") to acquire an undivided 100% right, title and interest in the Jean Iron Ore Project ("Jean Property") from Great Lakes for 25,000 common shares. The Jean Property is an iron ore exploration property consisting of 17 claims totalling 1,824 hectares located in the Thunder Bay Mining District of Ontario. The Agreement was approved by the TSX Venture Exchange ("TSX.V") on May 12, 2015 and 25,000 common shares were issued to Great Lakes to complete the purchase.

As part of the Agreement the Company and Great Lakes terminated the previous option agreement entered into on August 25, 2014 and approved by the TSX.V on November 12, 2014 under which Great Lakes had granted the Company an option to acquire the Jean Property. Consideration under the terminated option agreement was 6,250 common shares (issued on November 13, 2014) and a total exploration work permit of \$160,000 on or before September 30, 2016.

On November 16, 2016, the Company forfeited four mineral claims covering 272 hectares of land. On March 14, 2017, the Company staked one additional claim covering 16 hectares of land.

As at March 31, 2018, the Jean Property consists of 15 mineral claims covering 1,584 hectares of land.

Expenditure for the six months ended March 31, 2018 and the year ended September 30, 2017 is as follows:

	<b>October 1, 2017</b>	<b>Acquisition Costs</b>	<b>March 31, 2018</b>
Jean Iron Ore	\$ 11,516	\$ -	\$ 11,516

  

	<b>October 1, 2016</b>	<b>Acquisition Costs</b>	<b>September 30, 2017</b>
Jean Iron Ore	\$ 11,516	\$ -	\$ 11,516

**4. SHARE CAPITAL**

- a) Authorized: The Company is authorized to issue an unlimited number of common shares without par value.
- b) Issued and outstanding as at March 31, 2018: 24,198,685 (2017 – 23,783,685) common shares.
  - i. On November 18 2016, the company completed a private placement of 1,850,000 units ("Units") at a price of \$0.135 per Unit for gross proceeds of \$249,750. The Company incurred share issuance costs of \$5,870 which consists solely of legal fees. Each Unit consists of one common share of the company and one warrant to purchase an additional common share at a price of \$0.175 per share for a period of five years. All securities are subject to a four month hold period which expires on March 19, 2017.
  - ii. On December 13, 2016 the Company issued 5,485,000 common shares on the exercise of warrants raising gross proceeds of \$434,875. Included in the common shares issued were 985,000 common shares that are not eligible to be traded until March 19, 2017.

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**ASIABASEMETALS INC.****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2018 AND 2017**

(Unaudited - Expressed in Canadian Dollars)

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**4. SHARE CAPITAL (continued)****b) Issued and outstanding as at March 31, 2018: (continued)**

- iii. On December 22, 2016 the Company issued 808,570 common shares on the exercise of warrants raising gross proceeds of \$79,000. Included in the common shares issued were 308,570 common shares that are not eligible to be traded until March 19, 2017.
- iv. On January 17, 2017, the Company issued 175,000 common shares on the exercise of warrants for proceeds of \$18,750.
- v. On February 2, 2017, the Company issued 145,000 common shares on the exercise of warrants for proceeds of \$12,875.
- vi. On February 9, 2017, the Company issued 45,000 common shares on the exercise of warrants for proceeds of \$8,500.
- vii. On August 24, 2017, the Company issued 50,000 common shares on the exercise of warrants for proceeds of \$10,000.
- viii. On September 14, 2017, the Company issued 300,000 common shares on the exercise of warrants for proceeds of \$56,250.
- ix. On October 24, 2017, the Company closed a non-brokered private placement of 65,000 flow-through shares at a price of \$0.30 per share, raising gross proceeds of \$19,500. The Company incurred share issuance costs of \$2,681. The shares are subject to a 4 month hold which expired on February 25, 2018.

Current year additions to issued and outstanding shares summarized in the table below:

	<b>Number of Shares</b>
Balance at September 30, 2017	24,133,685
Private Placement , October 24, 2017	65,000
Balance at March 31, 2018	24,198,685

See Interim Condensed Statements of Changes in Equity for details.

**5. STOCK OPTION PLAN AND SHARE- BASED PAYMENTS**

The Company adopted a rolling stock option plan (the "Plan") to grant options to directors, senior officers, employees, independent contractors and consultants of the Company. The Plan reserves for issuance up to 10% of the issued and outstanding share capital of the Company from time to time, and provides that it is solely within the discretion of the Board or, if the Board so elects, by a committee consisting of not less than two of its members appointed by the Board, to determine who should receive options and in what amounts.

Options granted under the Plan for a term not to exceed 10 years from the date of their grant and are exercisable at a price not less than the discounted market price (which is the market price less a discount of 25% for a closing price of up to \$0.50, a discount of 20% for a closing price of \$0.51 to \$2.00, and a discount of 15% for a closing price above \$2.00, subject to a minimum of \$0.10).

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**ASIABASEMETALS INC.****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2018 AND 2017**

(Unaudited - Expressed in Canadian Dollars)

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**5. STOCK OPTION PLAN AND SHARE- BASED PAYMENTS (continued)**

On January 17, 2017, the Company granted directors and advisory board a total of 550,000 stock options exercisable at a price of \$0.30 per share for a period of 2 years. On January 23, 2017, the Company issued a further 150,000 stock options exercisable at \$0.35 per share for a period of 2 years. All options vest on grant date.

On May 29, 2017, the Company granted an advisory board member 100,000 stock options exercisable at a price of \$0.35 per share for a period of 2 years. All options vest on grant date.

On June 19, 2017, the Company issued a further 100,000 stock options to an advisory board member exercisable at \$0.35 per share for a period of 2 years. All options vest on grant date.

On July 29, 2017, 100,000 options were forfeited from the June 20, 2016 grant.

On August 31, 2017, the Company granted an advisory board member 100,000 stock options exercisable at a price of \$0.36 per share for a period of 2 years. All options vest on grant date.

On October 23, 2017, the Company granted a board member 50,000 stock options exercisable at a price of \$0.36 per share for a period of 2 years. All options vest on grant date.

The Company uses the Black-Scholes option valuation model to value stock options. The Black-Scholes model estimates the fair value of stock options that have no vesting restrictions and are fully transferable. For purposes of the calculations, the following weighted average assumptions were used under the Black-Scholes model:

	<b>2017</b>	<b>2016</b>
Exercise price	\$ 0.36	\$ 0.30
Share price at grant date	0.30	0.27
Risk free interest rate	1.45%	0.57%
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%
Expected stock price volatility	159%	153%
Expected life of options	2 years	2 years

The fair value of the options at grant dates: January 17, 2017 \$0.23, January 23, 2017 \$0.26, May 29, 2017 \$0.20, June 19, 2017 \$0.21, August 31, 2017 \$0.19 and the October 23, 2017 grant date was \$0.23.

**ASIABASEMETALS INC.****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2018 AND 2017**

(Unaudited - Expressed in Canadian Dollars)

## 5. STOCK OPTION PLAN AND SHARE- BASED PAYMENTS (continued)

Stock option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance at September 30, 2016	750,000	\$ 0.30
Issued	550,000	\$ 0.30
Issued	350,000	\$ 0.35
Issued	100,000	\$ 0.36
Expired	(100,000)	\$ 0.30
Balance at September 30, 2017	1,650,000	\$ 0.31
Issued	50,000	\$ 0.36
Balance at March 31, 2018	1,700,000	\$ 0.31

The following table summarizes stock options outstanding and exercisable at March 31, 2018:

Exercise Price \$	Options Outstanding			Options Exercisable		
	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price \$	Number Exercisable	Weighted Average Exercise Price \$	
0.30	650,000	.22	0.30	650,000	0.30	
0.30	550,000	.80	0.30	550,000	0.30	
0.35	150,000	.82	0.35	150,000	0.35	
0.35	100,000	1.16	0.35	100,000	0.35	
0.35	100,000	1.22	0.35	100,000	0.35	
0.36	100,000	1.42	0.36	100,000	0.36	
0.36	50,000	1.56	0.36	50,000	0.36	
	1,700,000	1.03	0.31	1,700,000	0.31	

The stock options outstanding at March 31, 2018 will expire on June 20, 2018, January 17, 2019, January 23, 2019, May 29, 2019, June 19, 2019, August 31, 2019 and October 23, 2019.

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance at September 30, 2016	5,500,000	\$ 0.06
Issued	1,850,000	\$ 0.175
Exercised	(4,950,000)	\$ 0.05
Exercised	(500,000)	\$ 0.20
Exercised	(1,558,570)	\$ 0.175
Balance at September 30, 2017 and March 31, 2018	341,430	\$ 0.157

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**ASIABASEMETALS INC.****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2018 AND 2017**

(Unaudited - Expressed in Canadian Dollars)

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**5. STOCK OPTION PLAN AND SHARE- BASED PAYMENTS (continued)**

The warrants issued during the year ended September 30, 2016 expire on April 13, 2021 and have an exercise price of \$0.05. The warrants issued during the year ended September 30, 2017 expire on November 17, 2021 and have an exercise price of \$0.175. The balance of unexercised warrants as at March 31, 2018 is composed of 50,000 warrants at \$0.05 and 291,430 at \$0.175.

**6. RELATED PARTY BALANCES AND TRANSACTIONS**

During the periods ended March 31, 2018 and 2017, the following amounts were incurred or paid to officers and directors and/or their related companies:

- i) The Company incurred \$Nil (2017 - \$1,425) for CFO fees to a company controlled by common directors.
- ii) The Company incurred \$5,888 (2017 - \$10,838) for Consulting Fees payable to the CFO.
- iii) The Company incurred \$75,000 (2017 - \$75,000) for management fees to a company controlled by an officer.

As at March 31, 2018 and 2017, the following balances were due to officers and directors and/or related companies:

- i) Included in accounts payable and accrued liabilities is \$1,669 owed to the CFO (2017 \$1,200) and \$Nil (2017: \$Nil) due to a company controlled by the CEO. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

On December 6, 2016 the Company entered into a Debt Settlement Agreement (“the Agreement”) with SolidusGold Inc. (“Solidus”), a related party, to settle \$24,547 of debt owed by the Company as at October 31, 2016. The terms of the agreement state the Company will pay \$10,000 cash by December 20, 2016 and Solidus will write off the remaining balance of \$14,547 owed. Payment was made to Solidus on December 13, 2016 and having fulfilled the conditions of the Agreement, the debt is paid in full and the Company recorded a gain on debt settlement of \$14,547.

On April 1, 2015 the Company entered into an agreement with a contractor to provide Chief Executive Officer services at a rate of \$12,500 per month (\$150,000 per year) for an indefinite term. The agreement can be terminated without cause by the Company with a fourteen (14) month cash payment in the amount of \$175,000.

**Key management personnel compensation:**

Key management personnel include the Chief Executive Officer (“CEO”), Chief Financial Officer, and directors of the Company.

The remuneration of directors and officers of the Company is as follows:

	<b>Six months ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Management fees	\$ 75,000	\$ 75,000
CFO Fees	5,888	12,263
<b>Total remuneration</b>	<b>\$ 80,888</b>	<b>\$ 87,263</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED MARCH 31, 2018 AND 2017**

(Unaudited - Expressed in Canadian Dollars)

6. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

**Key management personnel compensation: (continued)**

Key management personnel receive compensation in the form of short-term employee benefits and share-based payments. Short-term benefits include management fees paid to the CEO and the interim CFO of the Company for their services in their roles.

7. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject to.

The Company considers the aggregate of its equity as capital. As at March 31, 2018, the Company had capital resources consisting of cash and amounts receivable. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from operations.

The Company expects its current capital resources will be sufficient to carry its exploration plans and operations through its current operating year.

8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

*Financial Instruments and Fair Value Measurements*

IFRS 13 – *Fair Value Measurement*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assets measured at fair value on a recurring basis were presented on the Company's balance sheet as of March 31, 2018 as follows:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash	\$ 266,255	\$ –	\$ –	\$ 266,255

8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

*Financial Risk*

(i) Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's maximum credit risk is primarily attributable to its cash. The Company limits its exposure to credit loss for cash by placing such instruments with high credit quality financial institutions.

As at March 31, 2018, the Company's maximum exposure to credit risk is the carrying value of cash of \$266,255.

(ii) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient financial resources to meet liabilities when due. As at March 31, 2018, the Company had working capital of \$257,318. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(iii) Interest Rate Risk

In management's opinion, the Company's interest rate risk is minimal as the Company does not have any bank indebtedness or loans payable that bear interest at fixed or variable rates.

(iv) Foreign Currency Risk

The Company is exposed to currency fluctuations in the acquisition of foreign currencies. The Company holds balance in cash in foreign currencies (US dollars) and is therefore exposed to gains or losses on foreign exchange. A significant change in the currency exchange rate between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

As at March 31, 2018 and 2017, a change of 10%+/- in US dollar would not result in a significant impact to the statements of loss and comprehensive loss.

(v) Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities may be subject to risks associated with fluctuations in the market price of commodities.