# Jayden Resources Inc.

# Condensed Interim Consolidated Financial Statements For the period March 31, 2018


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Condensed Consolidated Interim Financial Statements
Three Months Ended March 31, 2018

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

The accompanying unaudited condensed interim consolidated financial statements of Jayden Resources Inc. for the three months ended March 31, 2018 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

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

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of the condensed interim financial statements by an entity's auditor.

# Jayden Resources Inc.
## Consolidated Statements of Operations and Comprehensive Loss
## (Expressed in Canadian dollars)

| | Notes | | Three Months Ended March 31 2018 | | 2017 |
|---|---|---|---|---|---|
| **Expenses** | | | | | |
| Administrative expenses | 4 | $ | (76,546) | $ | (169,833) |
| Operating loss for the year | | | (76,546) | | (169,833) |
| **Other income** | | | | | |
| Interest income | | | 2 | | 501 |
| **Net loss for the year** | | | **(76,544)** | | **(169,332)** |
| **Other comprehensive loss** | | | | | |
| **Item that may be reclassified subsequently to profit or loss :** | | | | | |
| Unrealized gain on available-for-sale investments | | | - | | 2,086 |
| **Comprehensive loss for the year** | | **$** | **(76,544)** | **$** | **(167,246)** |
| **Loss per share** | | | | | |
| - Basic and diluted (cents) | | $ | (0.09) | $ | (0.20) |
| **Weighted average number of common shares outstanding** | | | | | |
| - Basic and diluted | | | 88,161,746 | | 84,193,246 |

**The accompanying notes are an integral part of these consolidated financial statements.**

# Jayden Resources Inc.
## Consolidated Statements of Financial Position
## (Expressed in Canadian dollars)

| As at | Notes | March 31, 2018 | December 31, 2017 |
|---|---|---|---|
| | | $ | $ |
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 407,309 | 571,285 |
| Other receivables | | 40,293 | 37,416 |
| Prepaid expenses and deposits | | 10,052 | 17,540 |
| | | 457,654 | 626,241 |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | 77,605 | 78,024 |
| **Total Assets** | | 535,259 | 704,265 |
| **Liabilities and Shareholders' Equity** | | | |
| **Current liabilities** | | | |
| Bank indebtedness | | - | 79,556 |
| Amounts due to related parties | 9 | 29,779 | 29,779 |
| Payables and accruals | | 4,320 | 17,226 |
| **Total Liabilities** | | 34,099 | 126,561 |
| **Shareholders' Equity** | | | |
| Share capital | 8 | 46,233,799 | 46,233,799 |
| Reserves | | 2,359,449 | 2,359,449 |
| Accumulated losses | | (48,092,088) | (48,015,544) |
| **Total equity** | | 501,160 | 577,704 |
| **Total Liabilities and Shareholders' Equity** | | 535,259 | 704,265 |

**Approved on Behalf of the Board**

*"Denise Lok"* Director
Denise Lok

*"Savio Chiu"* Director
Savio Chiu

**The accompanying notes are an integral part of these consolidated financial statements.**

# Jayden Resources Inc.
## Consolidated Statements of Changes in Equity
## (Expressed in Canadian dollars)

| | Number of issued shares | Share capital | Share-based payments reserve | Fair value reserve for available-for-sale investments | Accumulated losses | Total |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| **Balances, January 1, 2017** | 84,193,246 | 45,862,579 | 2,359,449 | 18,931 | (46,891,812) | 1,349,147 |
| Increase in fair value of available-for-sale investments | - | - | - | 2,088 | - | 2,088 |
| Loss for the period | - | - | - | - | (169,332) | (169,332) |
| **Total comprehensive loss for the period** | - | - | - | 2,088 | (169,332) | (167,244) |
| **Balances, March 31, 2017** | 84,193,246 | 45,862,579 | 2,359,449 | 21,019 | (47,061,144) | 1,181,903 |
| **Balances, January 1, 2018** | 88,161,746 | 46,233,799 | 2,359,449 | - | (48,015,544) | 577,704 |
| Loss for the period | - | - | - | - | (76,544) | (76,544) |
| **Total comprehensive loss for the period** | - | - | - | - | (76,544) | (76,544) |
| **Balances, March 31, 2018** | 88,161,746 | 46,233,799 | 2,359,449 | - | (48,092,088) | 501,160 |

**The accompanying notes are an integral part of these consolidated financial statements.**

# Jayden Resources Inc.
## Consolidated Statements of Cash Flows
## (Expressed in Canadian dollars)

| | Three Months Ended March 31, 2018 | 2017 |
|---|---|---|
| | $ | $ |
| **Cash flows from operating activities** | | |
| Loss for the period | (76,544) | (169,332) |
| Adjustments for: | | |
| Depreciation | 419 | 436 |
| Bank interest income | (2) | (501) |
| Operating loss before working capital changes | (76,127) | (169,397) |
| Decrease (increase) in other receivables | (2,877) | 552 |
| Decrease (increase) in prepaid expenses and deposits | 7,488 | (4,862) |
| Decrease in bank indebtedness | (79,556) | - |
| Decrease (increase) in payables and accruals | (12,906) | 5,108 |
| Net cash used in operating activities | (163,978) | (168,599) |
| **Cash flows from investing activities** | | |
| Interest received | 2 | 501 |
| Net cash generated from (used in) investing activities | 2 | 501 |
| **Cash flows from financing activities** | | |
| Net cash generated from financing activities | - | - |
| **Net increase in cash and cash equivalents** | (163,976) | (168,098) |
| Cash and cash equivalents, beginning of the period | 571,285 | 1,265,859 |
| Cash and cash equivalents, end of the period | 407,309 | 1,097,761 |

**The accompanying notes are an integral part of these consolidated financial statements.**

## 1. Nature of operations and going concern

(a) Nature of operations

Jayden Resources Inc. (the “Company”) was incorporated under the laws of the Province of British Columbia. On October 15, 2015, the Company’s common shares ceased trading on the TSE and began trading on the TSX Venture Exchange under the symbol JDN. On August 8, 2012, the Company changed its place of jurisdiction and was registered in the Cayman Islands as an exempted company with limited liability by way of continuation. Its subsidiary, Jayden Resources (Canada) Inc. (“Jayden Canada”) still remains a BC Company. The Company is principally engaged in the business of acquiring, exploring and developing interests in mining projects. To date, the Company has not generated revenues from its principal activities and is considered to be in the exploration stage.

The head office and principal address of the Company are located at Zephyr House, Mary Street, PO Box 709, Grand Cayman KY1-1107, Cayman Islands. The registered and records office are located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

(b) Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a “going concern”, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operation, and 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 the accompanying condensed interim consolidated financial statements.

The Company has not generated any revenues and has incurred accumulated losses of $48,092,088 (December 31, 2017: $48,015,544) since inception. The Company is not expected to generate cash inflow from its operation during the next twelve months and therefore must rely on securing additional funds from either debt or equity financings for cash consideration. The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. While the Company is expanding its best efforts to achieve the above plan, there is no assurance that any such activity will generate sufficient funds for future operations.

The continuation of the Company as a going concern is depend upon the Company’s ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interest. The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. The Company’s continuing operations, and the recoverability of the amounts shown for mineral properties are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests. These matters and conditions, primarily as a result of the conditions described above, indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as going concern. If the going concern assumption is not appropriate, material adjustments to the consolidated financial statements could be required.

## 2. Basis of presentation

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Boards ("IASB"), on a basis consistent with the significant accounting policies disclosed in the recent annual financial statements. These condensed interim consolidated financial statements were approved by the board of directors for issue on May 30, 2018.

(b) Basis of measurement

These condensed interim consolidated financial statements have been prepared on a going concern basis, under the historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss that have been measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Basis of consolidation

The condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Jayden Canada. The Company consolidates the subsidiary on the basis that it controls the subsidiary. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through the power over the investee. All the intercompany transactions and balances have been eliminated on consolidation.

(d) Critical accounting judgements, estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations as of future events that are believed to be reasonable under the circumstances.

**Critical accounting judgements, estimates and assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Deferred taxes*
The Company recognizes the deferred tax benefit related to deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in the future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

## 2. Basis of presentation (continued)

(d) Critical accounting judgments, estimates and assumptions (continued)

**Critical judgments in applying the Company's accounting policies**

The following is the critical judgment, apart from those involving estimations that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements.

*Going concern*
Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its condensed interim consolidated financial statements for the period ended March 31, 2018. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded the ultimate appropriateness of the use of accounting principles applicable to a going concern.

Impairment of exploration and evaluation assets
Exploration and evaluation assets are considered for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Assessment of impairment indicators involves the application of a number of significant judgment over the internal and external factors. External factors include future commodity prices, investors' sentiment and changes in environmental and mineral tenure regulations. Internal factors include technical data interpretation of the mineral resources estimates and the Company's exploration plans for the properties. As new data comes up and economy and market continually change, the recoverable amounts of the assets and the impairment loss might be different from these judgments and estimates. Management has determined to impair the entire carrying value of the exploration and evaluation assets as at December 31, 2015 (see note 7).

Impairment of available-for-sale investments
The Company follows the guidance of IAS 39 to determine when an available-for-sale equity investment in impaired. This determination requires significant judgement in evaluating if a decline in fair value is significant or prolonged, which triggers an impairment loss. In making this judgement, the Company's management evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the volatility of the investment and the business outlook. Management has determined to write down the available-for-sale investment to fair value and the loss is recognized in the consolidated statement of operations and comprehensive loss as of December 31, 2015 (see note 6).

## 3. Significant accounting policies

(a) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short term money market instruments with an original maturity of three months or less when acquired, which are readily convertible into a known amount of cash and which are subject to an insignificant risk of change in value. The cash and cash equivalents are mainly denominated in Canadian dollars and Hong Kong dollars. At March 31, 2018 and December 31, 2017, the cash and cash equivalents held by the Company comprised bank balances and cashable guaranteed investment certificates ("GICs"). GICs are matured in one year and are eligible for immediate cancellation after a 30 day hold period with interest earned to the date of cancellation. The GICs earn respective interest prime – Nil (2017: 2.10% and 0.6% per annum).

**3. Significant accounting policies (continued)**

(b) Interest income

Interest income from financial assets is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's carrying amount.

(c) Financing costs

The costs related to equity transactions are deferred until the closing of the equity transactions. These costs are accounted for as a deduction from equity. Transaction costs of abandoned equity transactions are recognized in profit or loss.

(d) Property, plant and equipment

Property, plant and equipment, other than land, is recorded at cost less accumulated depreciation. The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

Depreciation is calculated using the declining balance method to write off the cost of asset, less the estimated residual value, at the following rates:

| | |
|---|---|
| Computer equipment | 30% |
| Other equipment | 20% |
| Software | 100% |
| Building | 4% |

Land is stated at acquisition cost less any impairment losses. Land is not depreciated.

The asset's residual values, depreciation method and useful lives are reviewed and adjusted if appropriate at each reporting date.

An item is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain and loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognize in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

**3. Significant accounting policies (continued)**

(e) Exploration and evaluation interests

Exploration and evaluation interests include the purchase price of mineral properties and any costs incurred for mineral properties not classified as exploration and evaluation expenses. When economically viable reserves have been determined, technical feasibility has been determined, and the decision to proceed with development has been approved, the capitalized mineral property interest for that project are reclassified as mining properties, a component of property, plant and equipment ("PP&E").

Exploration and evaluation expenses are comprised of costs that are directly attributable to:

- Researching and analyzing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and
- Activities in relation to evaluating the technical feasibility and commercially viability of extracting a mineral resource.

All exploration and evaluation expenditures are expensed until properties are determined to contain economically viable reserves. When economically viable reserves have been determined, technical feasibility has been determined and the decision to proceed with development has been approved, the subsequent costs incurred for the development of that project are capitalized as mining properties, a component of property, plant and equipment.

Development expenditures are net of the proceeds of the sale of ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

The costs of removing overburden to access ore are capitalized as pre-production stripping costs and classified as mineral interest.

(f) Impairment of non-current assets

Property, plant and equipment and exploration and evaluation assets are assessed for impairment when events or circumstances indicate that the carrying amounts of the assets may not be recoverable. An impairment loss is recognized for any amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is determined as the present value of the estimated future pre-tax cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal. The Company reviews impairment on non-financial assets for possible reversal when events or circumstances warrant such consideration.

## 3. Significant accounting policies (continued)

(g) Decommissioning and rehabilitation liabilities

Decommissioning and rehabilitation liabilities are recognized for future obligations to retire long-lived assets which include dismantling, removing facilities and restoring the affected areas to normal operations. The provision for future restoration costs is the best estimate of the present value of the cash flows required to settle the restoration obligation at the reporting date.

Upon initial recognition of the decommissioning and rehailitation liability, the amount is capitalized to the carrying value of the related asset and amortized as an expense over the economic life of the asset. The liability increases in following periods as the accretion expenses are accounted for. The liability is adjusted annually for changes to factors such as expected amount of cash flows required to discharge the liability, the timing of such cash flows and the discount rate.

The Company did not have any significant decommissioning and restoration obligations at the reporting dates.

(h) Share-based payment transactions

The share option plan allows the Company employees (including directors and senior executives) and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit for a period recognized in profit or loss represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve. No expense is recognized for awards that do not ultimately vest.

**3. Significant accounting policies (continued)**

(h) Share-based payment transactions

At the time when the share options are exercised, the amount previously recognized in share option reserve is transferred to share capital. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share option expenses is transferred to accumulated losses.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to five years, which vest immediately and priced at the previous day's closing price.

(i) Warrants issued in equity financing transactions

The Company engages in equity financing transaction to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common share and a certain number of warrant. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction.

The carrying amount of the warrants that are part of units is determined based on any difference between gross proceeds and the estimated fair market value of the shares and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for agency fee or other transactions costs are accounted for as share-based payments.

(j) Loss per share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding used in the calculation of diluted loss per share assumes that the deemed proceeds received from the exercise of stock options, share purchase warrants and their equivalents would be used to repurchase common shares of the Company at the average market price during the period.

Existing stock options and share purchase warrants have not been included in the computation of diluted loss per share as to do so would be anti-dilutive. Accordingly, basic and diluted loss per share are the same.

## 3. Significant accounting policies (continued)

(k) Translation of foreign currencies

The functional and presentation currency of the Company and its subsidiary are Canadian dollar as this is the principal currency of the economic environment in which they operate. Transactions in foreign currencies (currencies other than Canadian dollars) are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

(l) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories:

(i) Financial assets and liabilities at fair value through profit or loss (“FVTPL”):

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of operations. Gains and losses arising from changes in fair value are presented in the consolidated statement of operations within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

The Company has classified its cash and cash equivalents as FVTPL.

(ii) Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company’s loans and receivables are comprised of cash and cash equivalents, short-term investments, receivables, and deposits and amounts due from related parties.

Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iii) Available-for-sale financial assets:

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other categories.

Available-for-sale assets are initially recorded at fair value plus transaction costs, and are subsequently carried at fair value. All unrealized gains and losses arising from changes in the fair value of assets classified as available-for-sale are recognized directly in other comprehensive income, except for unrealized foreign exchange gains or losses on monetary financial assets and impairment losses which are recognized in the consolidated statement of operations. Any reversal of a previously recognized impairment loss on a non-monetary asset is recognized directly in other comprehensive income. Realized gains and losses from the derecognition of available-for-sale assets are recognized in the consolidated statement of operations in the period derecognized with any unrealized gains or losses being recycled from other comprehensive income.

(iv) Financial liabilities at amortized cost:

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

The Company has classified payables and accruals, amounts due to related parties and convertible debenture in this category.

(n) Impairment of Financial instruments

At each reporting date, the Company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired.

The criteria used to determine if objective evidence of impairment exists include:

(i) significant financial difficulty of the obligor;

(ii) delinquencies in interest and principal payments; and

(iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

Financial assets carried at amortized cost:

If evidence of impairment exists, the Company recognizes an impairment loss as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument’s original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost and available-for-sale debt instruments are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

## 3. Significant accounting policies (continued)

(o) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(p) New and Revised IFRS Issued but Not Effective

Standards issued but not yet effective up to the date of issuance of the Company's condensed interim consolidated financial statements are listed below except those which the Company does not expect any impacts on the condensed interim consolidated financial statements.

<u>IFRS 9 Financial Instruments</u>
IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 Financial instruments: Recognition and measurement. The standard requires the classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The two categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity's "own credit risk" is now recognized in other comprehensive income instead of in profit or loss. This new standard will also impact disclosures provided under IFRS 7 Financial instruments: disclosures.

In November 2013, the IASB amended IFRS 9 for the significant changes to hedge accounting. In addition, an entity can now apply the "own credit requirement" in isolation without the need to change any other accounting for financial instruments. The standard was initially effective for annual periods beginning on or after January 1, 2013, but the complete version of IFRS 9, issued in July 2014, moved the mandatory effective date to January 1, 2018. The Company does not expect this amendment to have a material impact on its condensed interim consolidated financial statements

(q) Change in Accounting Policy

Under IFRS 6 – "Exploration and Evaluation of Mineral Resources" ("IFRS 6"), the Company had historically capitalized its expenditures on exploration and evaluation ("E&E") activities.

On January 1, 2017, the Company adopted a voluntary change in accounting principle, as permitted and accepted under IFRS, with respect to exploration and evaluation assets. Previously, the Company capitalized exploration and evaluation expenditures directly related to specific mineral properties, net of recoveries received. Under the new policy, exploration and evaluation costs incurred prior to the determination of the economic feasibility of mining operations and a decision to proceed with development are expensed as incurred. Expenditures incurred subsequent to a development decision are capitalized and will be amortized on the unit of production method based upon estimated proven and probable reserves. The Company had determined that such a voluntary change in accounting policy results in financial statements providing more reliable and more relevant information. Management believes that this treatment provides a more accurate depiction of the asset base of the Company prior to establishing the economic feasibility of its resource base.

(Expressed in Canadian Dollars)

**3. Significant accounting policies (continued)**

(q) Change in Accounting Policy (continued)

The change in accounting policy is consistent with the accounting conceptual framework for the recognition of assets, and is an accepted accounting practice in the mining industry. This change in accounting policy has been applied to all of the Company's exploration activities for all properties

As provided by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Company has accounted for this change on a retrospective basis. As the assets were written off during December 31, 2015, there is no retrospective impact on the December 31, 2016 financial statements.

**4. Administrative expenses**

| | Years Ended Three Months Ended March 31, 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Depreciation (note 5) | 419 | 436 |
| Corporate administration | 29,738 | 31,423 |
| Exploration costs | 19,101 | 117,329 |
| Regulatory and shareholder services | 9,271 | 8,282 |
| Consulting Fees | 18,017 | 12,363 |
| | 76,546 | 169,833 |

**5. Property, plant and equipment**

| | Computer equipment | Other equipment | Software | Building | Land | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | |
| As at December 31, 2017 and March 31, 2018 | 6,652 | 12,597 | 4,145 | 59,100 | 36,138 | 118,632 |
| **Accumulated depreciation** | | | | | | |
| As at December 31, 2016 | 6,652 | 12,597 | 4,145 | 15,496 | - | 38,890 |
| Depreciation | - | - | - | 1,718 | - | 1,718 |
| As at December 31, 2017 | 6,652 | 12,597 | 4,145 | 17,214 | - | 40,608 |
| Depreciation | - | - | - | 419 | - | 419 |
| As at March 31, 2018 | 6,652 | 12,597 | 4,145 | 17,633 | - | 41,027 |
| **Net book value** | | | | | | |
| As at December 31, 2017 | - | - | - | 41,886 | 36,138 | 78,024 |
| As at March 31, 2018 | - | - | - | 41,467 | 36,138 | 77,605 |

(Expressed in Canadian Dollars)

### 6. Available-for-sale investments

| | Shares | 2018 | 2017 |
|---|---|---|---|
| | | $ | $ |
| Mountain Boy Minerals Ltd. | - | - | 21,068 |
| Great Bear Resources Ltd. | - | - | 3,880 |
| | | - | 24,948 |

The fair values of the above investments have been determined by reference to their quoted bid prices at the respective reporting dates.

### 7. Exploration and evaluation assets

| Canada | Silver Coin and Kansas | Other | Total |
|---|---|---|---|
| | $ | $ | $ |
| At December 31, 2015 | 16,044,125 | 22,401 | 16,066,526 |
| Surveying, geological, geochemical and geophysical | 43,313 | - | 43,313 |
| Land maintenance | 1,084 | - | 1,084 |
| Impairment of mineral exploration property | (16,088,522) | (22,401) | (16,110,923) |
| At December 31, 2017 and 2016 | - | - | - |
| At March 31, 2018 | - | - | - |

Throughout 2004 to 2011, the Company entered in to option agreements to acquire various interests in the Silver Coin and Kansas Property.

In 2015, the Company impaired exploration and evaluation assets for $16,110,923 given the fact that the Company has not invested any significant expenditures on the property and the management has intention to abandon the properties.

The Company made project reclamation deposits of $67,300 for the mineral properties. Such deposits will not be recovered and has been fully written off together with the exploration and evaluation assets as of December 31, 2015.

(Expressed in Canadian Dollars)

## 8. Share capital and stock options

(a) Share capital

The authorized share capital of the Company is 5,000,000,000 shares without par value.

On September 30, 2016, the Company closed a non-brokered private placement consisting of 15,000,000 units (the "Units") at a price of $0.08 per Unit for gross proceeds of $1,200,000. Each Unit consists of one common share of the Company (a "Share") and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one additional Share (a "Warrant Share") of the Company at a price of $0.12 per Warrant Share until September 30, 2019. The fair value of the common share component of the Units at the date of issuance was $0.185, being lower than market price therefore the Company allocated the entire $1,200,000 to common shares and $nil to warrants. The Company paid a finder's fee in the amount of $96,000 and 1,200,000 finder's warrants at a price of $0.12 per Warrant Share until September 30, 2018 (see note 9c).

(b) Stock options

The Company has a stock option plan whereby the maximum number of shares subject to the plan, in the aggregate, shall not exceed 10% of the Company's issued and outstanding shares. The maximum term of any option will be ten years and the vesting is at the direction of the board, however, options granted to consultants performing "investor relations' activities" must at a minimum vest in stages over a period of not less than twelve months, with no more than ¼ of the options vesting in any three month period or such longer period as the board determines. The exercise price shall be no less than the discount market price as determined in accordance with TSX-V policies.

Stock option transactions and the number of stock options outstanding and exercisable as at March 31, 2018 are summarized as follows:

| | Three Months Ended March 31, 2018 | |
|---|---|---|
| | Number of Options | Weighted average exercise price |
| | | $ |
| Options outstanding, beginning of the year | 1,425,000 | 0.43 |
| Expired | - | 1.50 |
| Options outstanding | 1,425,000 | 0.11 |
| Options exercisable | 1,425,000 | 0.11 |

March 31, 2018

| Options outstanding and exercisable | | |
|---|---|---|
| Number outstanding | Expiry date | Exercise price |
| | | $ |
| 1,425,000 | April 4, 2019 | 0.11 |
| 1,425,000 | | 0.11 |

(Expressed in Canadian Dollars)

## 8. Share capital and stock options (continued)

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessary provide reliable measure of the fair value of the Company's stock options.

(c) Share purchase warrants

The finders' warrants were valued at $186,116 using the Black-Scholes pricing model with an expected volatility of 179.81%, an expected term of two (2) years, a risk-free interest rate of 0.51%, and a dividend yield of 0%.

Share purchase warrant transactions and the number of share purchase warrants outstanding as at September 30, 2017, and December 31, 2016 are summarized as follows:

| | Number of Warrants | | Weighted Average Exercise Price |
|---|---|---|---|
| **Balance, December 31, 2016** | 23,500,000 | $ | 0.11 |
| Excercised During the Year | (3,968,500) | | 0.09 |
| Expired During the Year | (3,800,000) | | 0.09 |
| **Balance, December 31, 2017** | 15,731,500 | $ | 0.12 |
| **Balance, March 31, 2018** | 15,731,500 | $ | 0.12 |

On August 21, 2017, the warrant holders exercised 3,500,000 warrants into shares at the price of $0.09, which resulted in the issuance of 3,500,000 common shares and proceeds of $315,000.

## 9. Related party balances and transactions

(a) Related party balances

The amounts due from (to) related parties were:

| | Notes | As at March 31, 2018 | 2017 |
|---|---|---|---|
| | | $ | $ |
| **Amounts due to related companies/ directors** | | | |
| - Baron Global Financial Canada Ltd. | (1) | - | - |

(Expressed in Canadian Dollars)

## 9. Related party balances and transactions (continued)

(b) Related party transactions

The Company entered into the following material related party transactions during the following periods:

| Services provided for the year ended March 31, 2018 | Management services |
|---|---|
| | $ |
| Baron Global Financial Canada Ltd. (1) | 15,000 |

| Services provided for the year ended December 31, 2017 | Management services |
|---|---|
| | $ |
| Baron Global Financial Canada Ltd. (1) | 60,000 |

(1) Mr. Herrick Lau Mong Tak, officer of the Company, is the managing director of Baron Global Financial Canada Ltd.

(c) On January 6, 2014, a previous director of the Company, provided a credit facility of up to approximately $2,061,855 to the Company to support the funding of the Company. Any drawdown would be non-interest bearing and none of the Company's assets are pledged as security. As at March 31, 2018, the Company owed 29,780 to the individual.

## 10. Financial instruments

The Company is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company does not have any written risk management policies and guidelines. However, the board of directors meets regularly and co-operates closely with key management to identify and evaluate risks and to formulate strategies to manage financial risks. The Company has not used any derivatives or other instruments for hedging purposes and does not hold or issue derivative financial instruments for trading purposes. The most significant risks to which the Company is exposed to are described below.

(i) Currency risk

Some of the operating expenses and cash & equivalents held are denominated in foreign currencies and as such are subject to currency risk. The Company does not enter into derivative financial instruments to mitigate this risk but the Company does not believe its net exposure to foreign exchange risk is significant as most funds are held by the Company in CAD.

**10. Financial instruments (continued)**

(ii) Credit risk

The Company's cash & cash equivalent is held in authorized Canadian financial institutions. The Company does not have any asset-backed commercial paper. Management believes that the credit risk concentration with respect to its financial instruments is minimal.

The Company adopts conservative investment strategies. Usually investments are in liquid securities quoted on recognized stock exchanges. No margin trading is allowed. Loans and financial guarantees to individuals on non-Group entities have to be approved by the board of directors. The board monitors the Company's overall investment position and exposure on a day to day basis.

The credit and investment policies have been followed by the Company since prior years and are considered to have been effective in limiting the Company's exposure to credit risk to a desirable level.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash at banks and GICs carried at floating interest rates with reference to the market and non-interest bearing director's loans. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Company is considered minimal. The Company has no interest bearing borrowings.

The policies to manage interest rate risk have been followed by the Company since prior years and are considered to be effective.

(iv) Liquidity risk

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the board of directors are actively involved in the review, planning and approval of significant expenditures and commitments.

The liquidity policies have been followed by the Company since prior years and are considered to have been effective in managing liquidity risk.

(v) Other price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Company is exposed to change in market prices of listed equity in respect of its investments classified as available-for-sale investments (Note 6).

The policies to manage other price risk have been followed by the Company since prior years and are considered to be effective.

## 10. Financial instruments (continued)

(vi) Fair value measurements

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following three levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets;
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorized in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The cash and cash equivalent and available-for-sale investments measured are grouped into level 1 as at March 31, 2018 and December 31, 2017.

There have been no significant transfers between levels 1 and 2 in the respective reporting periods. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods. The listed equity securities are denominated in Canadian dollars. Fair values have been determined by reference to their quoted bid prices at the reporting dates.

The fair value of the Company's amounts due to related companies and payables and accruals approximates its carrying values.

## 11. Capital risk management

The Company's capital management objectives are to insure the Company's ability to continue as a going concern so as to benefit from its operations to provide an adequate return for its shareholders.

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties. The Company defines capital that it manages as its shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements.

## 12. Commitment

The Company entered into consulting contracts providing the following services:

| | Monthly Fee | Service Provided |
|---|---|---|
| | $ | |
| Baron Global Financial Canada Ltd. | 5,000 | Coporate Advisor |
| Andrew Michaels & Company | 6,000 | Consultant |