CHIMATA GOLD CORP

# Financial Statements
# Three and Nine Months Ended September 30, 2018

(Unaudited - Expressed in Canadian dollars)

**NOTICE TO READER**

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

The accompanying unaudited condensed interim financial statements have been prepared by management, and were not reviewed by the Company's independent auditor.

## CHIMATA GOLD CORP.

**Statements of Financial Position**

(Expressed in Canadian Dollars)

| | Note | September 30, 2018 (Unaudited) | December 31, 2017 (Audited) |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| **Current assets** | | | |
| Cash | | 4,209 | 704,117 |
| Marketable Securities | 4 | 300,000 | – |
| Prepayments | | 376,004 | 84,773 |
| Sales tax receivable | | 12,651 | – |
| | | 692,864 | 788,890 |
| **Non-current assets** | | | |
| Equipment | 6 | 1,896 | – |
| Exploration and evaluation assets | 5 | 835,077 | 364,000 |
| Total assets | | 1,529,837 | 1,152,890 |
| **Liabilities and Shareholders' Deficiency** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 7 | 705,868 | 215,636 |
| Deposits received | 14 | 185,500 | – |
| Due to related parties | 6 | 30,750 | – |
| | | 922,118 | 215,636 |
| **Long-term liabilties** | | | |
| Long-term payable | 5(b) | – | 150,000 |
| **Shareholders' deficiency** | | | |
| Share capital | 9 | 2,937,616 | 2,451,406 |
| Share-based reserve | 9 | 377,228 | 298,058 |
| Loan reserve | | 61,994 | 61,994 |
| Deficit | | (2,769,119) | (2,024,204) |
| | | 607,719 | 787,254 |
| **Total shareholders' deficiency and liabilities** | | 1,529,837 | 1,152,890 |

*Nature and continuance of operations (Note 1)*
*Commitments (note 13)*

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

Approved and authorized for issuance by the board of directors on November 29, 2018

*"Robert Rosner"* *"Richard Groome"*

Robert Rosner, Director Richard Groome, Director

**CHIMATA GOLD CORP.**

**Statements of Comprehensive Loss**

(Unaudited - Expressed in Canadian Dollars)

| | Note | Three months ended September 30, 2018 | Three months ended September 30, 2017 | Nine months ended September 30, 2018 | Nine months ended September 30, 2017 |
|---|---|---|---|---|---|
| **Expenses** | | $ | $ | $ | $ |
| Advertising and promotion | | 2,500 | – | 38,896 | – |
| Amortization | | 113 | – | 334 | – |
| Consulting | | 130,027 | 4,500 | 391,747 | 223,500 |
| Exploration and evaluation | 5 | 30,666 | – | 114,468 | 23,291 |
| Foreign exchange (gain)/loss | | 476 | – | 1,206 | – |
| Management fees | | – | – | – | 7,877 |
| Listing and filing fees | | 8,406 | 4,382 | 36,281 | 42,135 |
| Office and administration | | 303 | – | 1,744 | 58,285 |
| Occupancy fees | | 2,000 | 4,500 | 26,073 | 4,067 |
| Professional fees | | (1,916) | 4,400 | 46,051 | 9,047 |
| Recovery of sales taxes receivable previously written-off | | (35,980) | – | (35,980) | – |
| Share-based compensation | 7 | – | – | 79,170 | 74,645 |
| Travel | | 11,644 | – | 94,243 | – |
| Loss before the following: | | (148,239) | (17,782) | (794,233) | (442,847) |
| Finance fees | | (71) | (1,720) | (682) | (7) |
| Unrealized gain (loss) on held for trading investments | 4 | (20,000) | – | – | – |
| Gain on farm-out of mineral property interest | 5(b)(ii) | – | – | 50,000 | – |
| Loss and comprehensive loss | | (168,310) | (19,502) | (744,915) | (442,854) |
| **Loss per share, basic and diluted** | | (0.00) | (0.00) | (0.02) | (0.04) |
| **Weighted average number of common shares outstanding** | | 36,229,390 | 7,829,800 | 36,941,408 | 10,623,348 |

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

## CHIMATA GOLD CORP.

**Statements of Changes in Shareholders' Deficiency**

(Expressed in Canadian Dollars except for number of shares)

| | Number of Outstanding Shares | Share Capital | Loan Reserve | Warrant reserve | Share-based reserve | Deficit | Shareholders' equity (deficiency) |
|---|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ | $ |
| **Balance, December 31, 2016** | 10,329,800 | 833,802 | 61,994 | 62,500 | – | (972,382) | (14,086) |
| Private placement | 15,851,636 | 72,509 | – | 799,331 | – | – | 871,840 |
| Share-based payment | – | – | – | – | 74,645 | – | 74,645 |
| Share issuance costs | – | (37,600) | – | 16,856 | – | – | (20,744) |
| Comprehensive loss for the period | – | – | – | – | – | (442,854) | (442,854) |
| **Balance, September 30, 2017** | 26,181,436 | 868,711 | 61,994 | 878,687 | 74,645 | (1,415,236) | 468,801 |
| | | | | | | | |
| **Balance, December 31, 2017** | 33,788,936 | 2,451,406 | 61,994 | 81,431 | 216,627 | (2,024,204) | 787,254 |
| Private placement at $0.15 per unit | 1,303,334 | 195,500 | – | – | – | – | 195,500 |
| Share issuance costs for private placement at $0.15 per unit | – | (20,165) | – | – | – | – | (20,165) |
| Exercise of warrants at $0.075 | 4,145,000 | 310,875 | – | – | – | – | 310,875 |
| Share-based compensation | – | – | – | – | 79,170 | – | 79,170 |
| Comprehensive loss for the period | – | – | – | – | – | (744,915) | (744,915) |
| **Balance, September 30, 2018** | 39,237,270 | 2,937,616 | 61,994 | 81,431 | 295,797 | (2,769,119) | 607,719 |

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

**CHIMATA GOLD CORP.**

**Statements of Cash Flows**

(Unaudited - Expressed in Canadian Dollars)

| | Nine months ended September 30, 2018 | 2017 |
|---|---|---|
| | $ | $ |
| **Operating activities** | | |
| Loss for the period | (744,915) | (442,854) |
| Items not involving cash: | | |
| Share-based compensation | 79,170 | 74,645 |
| Amortization | 334 | – |
| Other non cash interest | – | (1) |
| Gain on farm-out of mineral property interest | (50,000) | – |
| Changes in non-cash operating working capital | | |
| Sales tax receivable | (12,651) | (29,496) |
| Prepayments | (291,231) | (29,161) |
| Due to related parties | 30,750 | – |
| Accounts payable and accrued liabilities | 340,232 | 37,495 |
| Cash used in operating activities | (648,311) | (389,372) |
| **Investing activities** | | |
| Deposits receipts | 185,500 | – |
| Acquisition of equipment | (2,230) | – |
| Acquisition of mineral properpties | (721,077) | – |
| Cash provided by financing activities | (537,807) | – |
| **Financing activities** | | |
| Net proceeds from units issued for cash | 486,210 | 851,096 |
| Cash provided by financing activities | 486,210 | 851,096 |
| **(Decrease) in cash** | (699,908) | 461,724 |
| **Cash, beginning of year** | 704,117 | 23,205 |
| **Cash, end of period** | 4,209 | 484,929 |

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Chimata Gold Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on November 16, 2010 as Maxtech Resources Inc. and changed its name to Chimata Gold Corp. on February 10, 2011. The common shares of the Company began trading on TSX Venture Exchange ("TSXV") on September 16, 2011 under the symbol "CAT", and on the Frankfurt Exchange on July 29, 2014 under the symbol "8CH". The Company's principal activity is the acquisition and exploration of mineral properties.

The registered records office and place of business of the Company is 1015 – 789 West Pender Street, Vancouver, BC V6C 1H2.

These financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon the successful identification of an exploration and evaluation asset, its ability to raise equity capital, to obtain loans from related parties, and to attain profitable operations to generate funds and meet current and future obligations. As at September 30, 2018, the Company had not advanced any exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, loans from related parties and/or private placement of common shares.

## 2. STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, certain disclosures required in annual financial statements have been condensed or omitted. These condensed interim financial statements are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these condensed interim financial statements be read in conjunction with the most recent audited annual financial statements of the Company for the year ended December 31, 2017.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of measurement

These condensed interim financial statements have been prepared using the same accounting policies and methods of computation as were applied in our most recent audited annual financial statements for the year ended December 31, 2017. The Company has not adopted new accounting policies since then.

(Unaudited - Expressed in Canadian dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Significant estimates and assumptions**

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability and measurement of deferred tax assets.

**Significant judgments**

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the classification of expenditures as exploration and evaluation expenditures or operating expenses.

***Accounting standards issued but not yet effective***

***Effective for annual periods commencing on or after January 1, 2019***

On January 13, 2016, IASB issued IFRS 16, *Leases* ("IFRS 16"), which superseded IAS 17, Leases ("IAS 17"). IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value. Lessor accounting, however, remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. IAS 17, as revised, now prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors.

The Company anticipates that the adoption of IFRS 16 and revised IAS 17 will have no material impact on its financial statements given the extent of its current use of leases in the ordinary course of business.

## 4. MARKETABLE SECURITIES

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| | $ | $ |
| Emgold Mining Corporation | 300,000 | - |
| | 300,000 | - |

At September 30, 2018 and December 31, 2017, the Group's available-for-sale financial assets consist of common shares of Emgold Mining Corporation ("Emgold"), a Canadian public company.

## 5. EXPLORATION AND EVALUATION ASSET

a) Zimbabwe Lithium or {"ZIM"}

On February 14, 2018, the Company has entered into a binding letter of intent (the "**LOI**") with Zimbabwe Lithium Company (Mauritius) Limited ("**Zimbabwe Lithium**", or "**ZIM**"), a privately held company incorporated under the laws of Mauritius.

The purpose of the LOI is to confirm the Company's intention to proceed with a proposed reverse take-over (the "Transaction") or similar type of transaction between the Company and ZIM which has the right to develop mining properties located in Zimbabwe (the "Properties") whereby upon successful reaching of the milestone defined by the LOI, ZIM would ultimately become a wholly owned subsidiary of the Company.

Pursuant to the terms of the LOI, the Transaction is defined into two distinctive phases: First Phase and Second Phase.

**First Phase**

Pursuant to the terms of the LOI, the Company will allocate certain number of common shares of the share capital of the Company resulting in ZIM shareholders holding 19% of the current outstanding shares of the Company (the "Initial Shareholding"). The Initial Shareholding will be calculated based on the share capital basis of the Company what would be effective following the closing by the Company of the Concurrent Financing of an amount up to $2,000,000 (the "First Phase Concurrent Financing").

The Company has committed to advance the amount of US$ 500,000 to ZIM allowing ZIM to cover historical test work and consultant expenditures that have been incurred bringing the project to its current state as well as expenditures as they are gradually incurred, project expenditures and exploration on the Properties, including potential license and option payments to the Zimbabwe Mining Development Corporation ("ZMDC"), salaries and consultancy fees, drilling and assaying on the Properties along with the completion of a National Instrument 43-101 ("NI 43-101") compliant resource estimate of the Properties (the "Estimate"). As at September 30, 2018, the Company has advanced $721,077 or US$ 560,000. These advances are non-refundable and are recorded as deferred acquisition costs included in the balance of Exploration and Evaluation Assets.

**Second Phase**

The proceeding to the Second Phase of the Transaction will be subject to the Estimate revealing that the resource contains a minimum of 11,111,000 cubic meters of tailings material at minimum 0.60 percent Lithia ($Li_2O$ with the majority of the mineralization consisting of Spodumene) (the "Threshold Percentage") which is subject to an independent valuation certified by a Qualified Person under NI 43-101.

Should the Estimate reach the Threshold Percentage, ZIM shall be entitled to an additional share allocation of 51% or whatever amount necessary of the then current issued and outstanding shares of the Company, necessary to bring ZIM's shareholdings to a total of 70% on a fully diluted basis (the "Resulting Shareholding") at the time of reporting of this independent resource. It is understood that such Resulting Shareholding will be post the First Phase Concurrent Financing up to $2,000,000.

ZIM and the Company agreed that should the Estimate be lower or higher than the minimum 0.60 percent Lithia by more than a 20% variance, ZIM and the Company may mutually agree to adjust downward or upward the Resulting Shareholding proportionally to the Estimate (the "Alternative Shareholding").

Upon proceeding with the Second Phase, the Company agrees to grant the Shareholders of ZIM an overall 3% Net Smelter Royalty (NSR) for the tailings project on the percentage share of beneficiated lithium materials attributable to the Company or its subsidiaries in Zimbabwe. The Company will have the buy-back right 1.5% of the NSR for a cash amount of US$ 2,000,000 at the Company's discretion.

First Amendment to LOI with Zimbabwe Lithium

On May 30, 2018, the Company and ZIM entered into the first amendment of the LOI. The key amendments are summarized as follows:

(i) U$ 99,905 the remaining balance of the U$ 500,000 advance from the Company to ZIM is required to be made within five business days from May 30th, 2018. Upon completion of the U$ 99,905 advance, Phase I is deemed to be completed with the exception of the concurrent financing and both ZIM and the Company will enter into Phase II;

(ii) The Company will work towards the completion of the Concurrent Financing, to a maximum of $2,000,000 and to a minimum of $1,800,000 whereby $800,000 to be raised by the Company no later than July 30th, 2018 or two weeks from the date of completion and publication of the Estimate (Note 4(a)) whichever is the latter, and the remaining balance of $1,000,000 to be raised by the Company no later than (a) August 30, 2018 or (b) six weeks from the date of completion and publication of the Estimate (Note 4(a)) whichever is the latter.

(iii) The Closing of the Definitive Agreement shall be completed no later than September 30, 2018.

Share Exchange Agreement

On October 17, 2018, Chimata has entered into a definitive share exchange agreement (the "**Agreement**") with ZIM. As per the terms of the Agreement, Chimata shall, pursuant to the first phase of the contemplated transaction, issue to ZIM shareholders an amount of 9,185,039 common shares from its share capital, representing an aggregate of nineteen percent (19%) of the current issued and outstanding share capital of Chimata, and in return, ZIM shall issue to Chimata 755 ZIM shares, representing an aggregate of nineteen percent (19%) of the current issued and outstanding share capital of ZIM.

The second phase of the contemplated transaction has been triggered with the production of the Resource Estimate by ZIM in respect of the Kamativi Tailings (the "**Resource Estimate**") published on September 20th, 2018. The results of this Resource Estimate in combination with the financing referenced below will determine the ultimate resulting shareholding of ZIM shareholders in Chimata which will be between 70 and 80 %. Concurrently, the second phase of the transaction will result in ZIM becoming a wholly owned subsidiary of Chimata and Chimata will then be entitled, through the joint venture entity, to the exclusive development rights for the Kamativi Tailings.

b) Troilus North

*i) Acquisition by Chimata*

On October 12, 2017, the Company acquired a 100% undivided interest in the Troilus North Property. The property is made up of 139 contiguous claims totalling 7,502.6 hectares located 160 km north of the town of Chibougamau in the province of Quebec.

The total purchase price is two hundred and fifty thousand dollars ($250,000) with an initial payment of $25,000 due to the Vendor upon closing, $25,000 due within ninety (90) days following signing of the Agreement, $50,000 due on or before September 30, 2018, $50,000 due on or before March 31, 2019, $50,000 due on or before September 30, 2019, and $50,000 due on or before March 31, 2020. In addition, the Company has granted a 1.5% Net Smelter Royalty to the Vendor; 0.5% of which can be repurchased by the Company for $500,000.

On May 14, 2018, the Company concluded the acquisition of a 100% undivided interest in the Troilus North Property.

*ii) Option Agreement with Emgold Mining Corporation*

On June 27, 2018, the Company and Emgold Mining Corporation ("Emgold") has entered into a definitive option, earn-in, and joint venture agreement giving the Emgold the right to acquire up to a 100% interest in the Troilus North Property (the "First Option Agreement for Troilus North").

The terms of the First Option Agreement for Troilus North provide that Emgold will have the exclusive right and first option (the "First Option") to acquire an 80% interest in the Troilus North Property over a two year period (the "Troilus North Transaction") for consideration of Shares ("Shares Payment for First Option"), and completion of C$750,000 in exploration expenditures to be incurred within two years of closing of the Troilus North Transaction.

The share issuance schedule for the Shares Payment for First Option comprises of (i) of 2,000,000 shares of Emgold issued to the Company on June 27, 2018, (ii) 1,000,000 shares of Emgold to be issued to the Company at the first anniversary date, and (iii) 1,000,000 shares of Emgold to be issued to the Company at the second anniversary date.

Upon completing the First Option, Emgold would have a further option (the "Second Option") to acquire an additional 20% interest (total 100% interest) in the Troilus North Property by issuing the Company a further 1.0 million shares. The Company would retain a 1% Net Smelter Royalty for Troilus North, half of which (i.e. 0.5%) could be purchased by Emgold at any time for C$500,000. Emgold will be assigned the Company's rights and obligation under the mining property acquisition agreement entered into by the Company with Greg Exploration Inc. and other vendors (collectively referred to as the "Vendors") on September 18, 2017 along with the amending agreement to such acquisition agreement entered on March 19, 2018 (collectively referred to as the "Acquisition Agreement"), which shall include but not be limited to remaining payments which are left outstanding to the Vendors but also the right by Emgold to purchase the NSR that is granted to the Vendors under the Acquisition Agreement in lieu and place of the Company. The following are the remaining payments outstanding pursuant to the Acquisition Agreement between the Company and Greg:

1) Fifty thousand dollars ($50,000) to be paid on or prior September 30, 2018;
2) Fifty thousand dollars ($50,000) to be paid on or prior to March 31, 2019;
3) Fifty thousand dollars ($50,000) to be paid on or prior to September 30, 2019; and
4) Fifty thousand dollars ($50,000) to be paid on or prior to March 31, 2020.

Exploration Expenditures shall include, but not be limited to, claim fees, property taxes, advance claim or advance royalty payments or other holding costs including property payments to underlying claim owners, exploration expenditures, permitting expenditures, reclamation expenditures, and reasonable administrative costs. Excess expenditures, made in any given year, will be credited to future years of exploration of the Troilus North Property. Emgold will be deemed to be the operator of the Troilus North Property during the First Option Period and retain full discretion as to the nature, extent, timing, and scope of all work and exploration expenditures to be undertaken on the Troilus North Property. Note that the payments outlined above to be paid to the Vendors as part of the Acquisition Agreement are therefore part of the C$750,000 in exploration expenditures required to complete the First Option. Two years after the date of closing of the Troilus North Transaction or upon completion of the First Option requirements, whichever occurs first, and should Emgold decide not to exercise the Second Option; Emgold and the Company would establish an industry standard Joint Venture Operating Agreement to operate a joint venture entity between them (the "Joint Venture Entity"). Emgold will be the initial operator of the Joint Venture Operating Agreement and shall retain full discretion as to the nature, extent, timing, and scope of all work on the Troilus North Property. After the Joint Venture Operating Agreement takes effect, Emgold and the Company will be required to contribute to the Joint Venture Entity based on their respective ownership percentages of the Joint Venture Entity, or be diluted. After forming the Joint Venture Operating Agreement, if the Company does not to contribute to the Joint Venture Entity and its interest in the Joint Venture Entity falls below ten percent (10%) ownership at any given time, the Company's interest in the Property would be converted into a Net Smelter Interest of one percent (1.0%). Emgold shall retain the option to purchase 50% of this NSR for C$ 500,000.

The fair value of the consideration shares issued by Emgold to the Company on the date of issuance was $300,000. The excess of the fair value of the shares in the amount of $50,000 over the carrying value at $250,000 of the mineral property related to Troilus North is recognized as gain on farm-out option in the statement of loss and comprehensive

c) <u>BAM</u>

On December 1, 2017, the Company acquired a 100% interest in the Bam mineral property. The property is comprised of 1052 hectares located in the Pacific Golden Triangle mining district approximately 80 Km south of Telegraph Creek in the Liard mining division of northwest British Columbia, Canada.

(Expressed in Canadian dollars)

Under the terms of the purchase agreement, the Company will pay $60,000 cash and issue six hundred thousand common shares to Bearclaw. The initial $15,000 cash payment was provided to Bearclaw and six hundred thousand common shares issued to Bearclaw on Nov 16, 2017 with a fair value of $54,000 based on closing share price at $0.09/share. The claims comprising the mineral property have been transferred to the Company. The balance of the cash payments will be provided in three equal installments of $15,000 over a twelve-month period. Bearclaw will retain a 2% Net Smelter Royalty on the property, of which 1% may be purchased by the Company for $1,000,000 at any time.

Mineral Properties Interest:

| | **Troilus North** | **BAM** | **Zimbabwe Lithium** |
|---|---|---|---|
| | $ | $ | $ |
| December 31, 2017 | 250,000 | 114,000 | - |
| Deferred Acquisition Costs (Note 5(a) | - | - | 721,077 |
| Farm-out options | (250,000) | - | - |
| June 30, 2018 | - | 114,000 | 721,077 |

Exploration expenditures charged to profit and loss during the nine months ended September 30, 2018:

| | **Troilus North** | **BAM** | **Zimbabwe Lithium** |
|---|---|---|---|
| | $ | $ | $ |
| December 31, 2017 | 173,235 | - | 36,182 |
| Incurred | 18,011 | 30,666 | 65,040 |
| September 30, 2018 | 191,246 | 30,666 | 101,222 |

## 6. EQUIPMENT

| | **Software** | **Total** |
|---|---|---|
| **Cost** | | |
| Balance at December 31, 2017 | $ - | $ - |
| Additions | 2,230 | 2,230 |
| Balance at September 30, 2018 | 2,230 | 2,230 |
| | | |
| **Accumulated amortization** | | |
| Balance at December 31, 2017 | $ - | $ - |
| Changes | 334 | 221 |
| Balance at September 30, 2018 | 334 | 334 |
| | | |
| Net carrying amount | | |
| Balance at December 31, 2017 | $ - | $ - |

(Expressed in Canadian dollars)

| | | |
|---|---|---|
| Balance at September 30, 2018 | $ 1,896 | $ 1,896 |

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| | $ | $ |
| Trades payable | 449,368 | 168,454 |
| Acquisition cash payment payable for Troilus North | 225,000 | - |
| Acquisition cash payment payable for BAM | 30,000 | - |
| Accrued liabilities | 1,500 | 47,182 |
| | 705,868 | 215,636 |

## 8. RELATED PARTY TRANSACTIONS

During the nine months period ended September 30, 2018, the Company incurred $90,000 (2017 - $Nil) in consulting fees to the Company's Chief Executive Officer ("CEO"), $53,000 in consulting fees (2017 - $Nil) to the Company's Chief Financial Officer ("CFO"), and $24,000 (2017 - $Nil) in consulting fees to the Company's Corporate Secretary.

As at September 30, 2018, the Company's accounts payable balance owing to the Company's CEO is $32,965 (2017 - $Nil).

(a) The Company and an entity controlled by the CEO entered into a consulting agreement whereby the Company is committed to pay a monthly consulting fee of $10,000 to the CEO over a term of 24 months commencing from February 1, 2018. The monthly consulting fee will be increased to $20,000 upon successful completion by the Company of its first major acquisition of $5 million or greater in value.

As at September 30, 2018, the Company owes $30,750 (2017 - $NIL) to an entity controlled by the Company's CFO. These balances were related to consulting fees of arms-length third party consultants paid by the entity controlled by the CFO on behalf of the Company.

(b) The Company and an entity controlled by the Company's Chief Financial Officer (the "CFO") entered into a consulting agreement whereby the Company is committed to pay a monthly consulting fee of $10,000 to the CEO over a term of 23 months commencing from May 1, 2018. The monthly consulting fee will be increased to $20,000 upon successful completion by the Company of its first major acquisition of $5 million or greater in value.

## 9. SHARE CAPITAL

Authorized share capital:
Unlimited common shares and preferred shares without par value

On August 28, 2018, the company issued 80,000 common shares from the exercise of warrants with $0.075 share purchase price resulted in gross proceeds of $6,000.

(Expressed in Canadian dollars)

On July 10, 2018, the company issued 5,000 common shares from the exercise of warrants with $0.075 share purchase price resulted in gross proceeds of $375.

On May 18, 2018, the company issued 415,000 common shares from the exercise of warrants with $0.075 share purchase price resulted in gross proceeds of $31,125.

On May 14, 2018, the company issued 3,010,000 common shares from the exercise of warrants with $0.075 share purchase price resulted in gross proceeds of $225,750.

On May 11, 2018, the company issued 70,000 common shares from the exercise of warrants with $0.075 share purchase price resulted in gross proceeds of $5,250.

On May 2, 2018, the Company issued 70,000 common shares with $0.15 share purchase price resulted in gross proceeds of $10,500.00 from the private placement announced on February 14, 2018.

On February 7, 2018, the company issued 181,000 common shares from the exercise of warrants with $0.075 share purchase price resulted in gross proceeds of $13,575.

On February 20, 2018, the company issued 334,000 common shares from the exercise of warrants with $0.075 share purchase price resulted in gross proceeds of $25,050.

On March 6, 2018, the company issued 50,000 common shares from the exercise of warrants with $0.075 share purchase price resulted in gross proceeds of $3,750.

On March 23, 2018, the company issued common shares of a non-brokered private placement for 1,233,334 shares for gross proceeds of $185,000.

The fair value of the warrants was determined using Black-Scholes option pricing model with the following weighted average assumptions: life 3 years; volatility 237%; dividend yield 0%; risk free rate 1.72%.

**Warrants**

A continuity of the Company's warrants is as follows:

| | Warrants | Weighted average exercise price | Weighted average number years to expiry |
|---|---|---|---|
| | | $ | |
| Balance, December 31, 2017 | 25,302,136 | 0.09 | 2.21 |
| Exercised | (4,145,000) | 0.075 | 1.95 |
| Granted | 662,027 | 0.24 | 0.58 |
| Balance, September 30, 2018 | 21,819,163 | 0.10 | 2.09 |

As at September 30, 2018, the Company had the following warrants outstanding:

(Expressed in Canadian dollars)

| Date Issued | Expiry Date | Exercise Price | | Number of Warrants Outstanding |
|---|---|---|---|---|
| August 13, 2014 | August 13, 2019 | $ | 0.01 | 260,000 |
| April 13, 2015 | April 13, 2020 | $ | 0.02 | 40,000 |
| October 28, 2016 | October 28, 2021 | $ | 0.05 | 2,500,000 |
| September 1, 2017 | September 1, 2020 | $ | 0.075 | 5,301,000 |
| September 8, 2017 | September 8, 2020 | $ | 0.075 | 4,117,800 |
| September 25, 2017 | September 25, 2020 | $ | 0.075 | 2,664,996 |
| December 1, 2017 | December 1, 2020 | $ | 0.15 | 5,607,500 |
| December 21, 2017 | December 21, 2020 | $ | 0.25 | 711,200 |
| March 23, 2018 | March 23, 2019 | $ | 0.25 | 616,667 |
| | | | | 21,819,163 |

**Share Options**

The Company's incentive stock option plan (the "Option Plan") provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the Company may grant a total of options not exceeding 10% of the issued and outstanding common shares. As at September 30, 2018, there were 3,670,000 options outstanding and exercisable and 870,000 stock options granted during the period ended September 30, 2018 (September 30, 2017: 1,400,000 stock options granted or outstanding).

A continuity of the Company's options is as follows:

| | Options | Weighted average exercise price | Weighted average number years to expiry |
|---|---|---|---|
| December 31, 2017 | 3,000,000 | 0.15 | 3.95 |
| Grant | 870,000 | 0.15 | 4.60 |
| Cancelled | (200,000) | 0.15 | (4.08) |
| September 30, 2018 | 3,670,000 | 0.15 | 4.23 |

As at September 30, 2018, the Company had the following options outstanding:

(Expressed in Canadian dollars)

| Date Issued | Expiry Date | Exercise Price | Number of Options Outstanding | Number of options Exercisable |
|---|---|---|---|---|
| September 25, 2017 | September 24, 2022 | $ 0.15 | 1,300,000 | 1,300,000 |
| December 1, 2017 | December 1, 2022 | $ 0.15 | 1,500,000 | 1,300,000 |
| June 11, 2018 | June 11, 2023 | $ 0.15 | 870,000 | 870,000 |

The fair value of each of these 870,000 options was calculated to be $0.09 using the Black Scholes option pricing model with the following assumptions:

Risk free interest rate – 2.14%; Dividend yield – 0.00%; Expected volatility – 107.16%; Expected life – 5 years.

## 10. SEGMENT INFORMATION

During the period ended September 30, 2018, the Company mainly operates in Canada, being the acquisition, exploration and development of resource properties located in Canada except for the Zimbabwe Lithium Project where the expenses incurred have been disclosed in Note 5.

## 11. CAPITAL MANAGEMENT

The Company manages its capital, consisting of share and working capital, in a manner consistent with the risk characteristic of the assets it holds. All sources of financing are analyzed by management and approved by the Board of Directors. The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern. The Company is meeting its objective of managing capital through preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity. The Company is not subject to any externally imposed capital restrictions. There were no changes in the Company's approach to capital management during the year.

## 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

**Financial risk management**

The Company is exposed in varying degrees to a variety of financial instrument related risks.

*Credit risk*
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major Canadian bank that is a high credit quality financial institution as determined by rating agencies.

*Liquidity risk*
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Historically, the Company's sole source of funding has

(Expressed in Canadian dollars)

been the issuance of equity securities for cash, primarily through private placements as well as related party loans. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

*Currency risk*
Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not incur significant expenditures that are denominated in foreign currencies, and does not have any mineral property commitments that are denominated in foreign currencies. Therefore, the Company's exposure to currency risk is considered minimal.

*Interest rate risk*
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its notes payable as the interest rate is dependent on Canada's prime interest rate. Since the Canadian prime interest rate is fairly stable, the Company's exposure to interest rate risk is not considered to be significant.

**Classification of financial instruments**

Financial assets included in the statement of financial position are as follows:

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| | $ | $ |
| Loans and receivables: | | |
| Cash | 4,209 | 23,205 |

Financial liabilities included in the statement of financial position are as follows:

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| | $ | $ |
| Non-derivative financial liabilities: | | |
| Trade payables | 449,368 | 13,573 |
| Troilus North Acquisition payable | 255,000 | – |
| Due to related party | 30,750 | – |
| Interest payable | – | 15,718 |
| | 735,118 | 29,291 |

**Fair value**
The fair value of the Company's financial assets and liabilities approximates the carrying amount.

## 13. COMMITMENTS

The commitments for the next five fiscal years subsequent are related to Troilus North totaling $225,000 (note 5(b)) and BAM totaling $30,000 (note 5 c)), the consulting fee commitment to an entity controlled by the CEO totaling $160,000, the consulting fee commitment to an entity controlled by the CFO totaling $180,000 and the consulting fee commitment to an external consultant totaling $121,015. Minimum payments relating to the above commitments for each of the next five fiscal years are as follows:

(Expressed in Canadian dollars)

| | |
|---|---|
| 2018 | $ 315,000 |
| 2019 | 351,015 |
| 2020 | 50,000 |
| 2021 | - |
| 2022 | - |
| **Total** | **$ 716,015** |

## 14. SUBSEQUENT EVENTS

*a) Acquisition by Emgold Mining Corporation for the Troilus North Property*

On November 15, 2018 the Company announced since optioning the Troilus North Property, Emgold had completed the C$300,000 requirement in exploration expenditures on the Troilus North Property and had elected to move forward with acquisition of 100% ownership of the Property by accelerating the exercise of the First Option and Second Options together. As such, Emgold closed the 100% acquisition of the Property by completing the remaining requirements of the Definitive Agreement and Amendment, which required Emgold to issue 4.0 million additional common shares, make a cash payment of $200,000 and grant a 1.0% NSR on the Property to the Company. As at September 30, 2018, Emgold advanced a total of $185,500 payment out of the $200,000 cash payment requirement to Chimata. Following closing of the transaction, Chimata will hold 6.0 million Common Shares of the Company out of 30,968,805 Common Shares issued and outstanding, representing 19.4% of Emgold's issued and outstanding share capital. The transaction described between the Company and Emgold was not a non-arm's length transaction as the Company's Chief Financial Officer, who is also acting as director of Emgold.

*b) Share Exchange Agreement with ZIM*

On October 17, 2018, Chimata has entered into a definitive share exchange agreement (the "Agreement") with ZIM. As per the terms of the Agreement, Chimata shall, pursuant to the first phase of the contemplated transaction, issue to ZIM shareholders an amount of 9,185,039 common shares from its share capital, representing an aggregate of nineteen percent (19%) of the current issued and outstanding share capital of Chimata, and in return, ZIM shall issue to Chimata 755 ZIM shares, representing an aggregate of nineteen percent (19%) of the current issued and outstanding share capital of ZIM.