Supreme Metals Corp.
(Formerly 4D Virtual Space Ltd.)
(An Exploration Stage Company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended
March 31, 2017 and March 31, 2016
As at May 30, 2017

545 Granite Street
Sudbury, Ontario, P3C 2P4
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INTRODUCTION

This management's discussion and analysis (”MD&A”) of Supreme Metals Corp. (Formerly 4D Virtual Space Ltd., (“SMC”) or the “Company”), follows rule 51-102 of the Canadian Securities Administrators regarding continuous disclosure.

The following MD&A is a narrative explanation, through the eyes of the management of SMC, on how the Company performed during the three months ended March 31, 2017 and the comparable three months ended March 31, 2016 and a review of the Company's financial condition as at December 31, 2016.

This MD&A complements the unaudited interim consolidated financial statements for the period ended March 31, 2017. The MD&A helps the reader understand and assess the significant trends, and the risks and uncertainties related to the results of operations. The MD&A should be read in conjunction with the more fulsome disclosures of the audited financial statements with its accompanying audit report and notes to the financial statements for the year ended December 31, 2016.

The audited financial statements for the year ended December 31, 2016 were prepared in accordance with IAS 1, Presentation of Financial Statements.

All figures are in Canadian dollars unless otherwise stated. Additional information relating to the Company can be found on SEDAR at www.sedar.com . The shares of SMC are listed on the Canadian Stock Exchange (the “CSE”) under the symbol "ABJ" and on the Frankfurt stock exchange under the symbol A68.

This MD&A was prepared with the information available as at May 30, 2017.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This document is required by securities legislation to contain and does contain forward-looking statements, opinions about future events and comments regarding risks and opportunities, which reflect the Company's current expectations regarding future events. To the extent that any statements in this document contain information that is not historic, the statements are essentially forward-looking and are often identified by words such as, but not limited to, "anticipate", "expect", "estimate", "intend", "project", "plan" “might”, “could” and "believe". In the interest of providing shareholders and potential investors with information regarding SMC, including management's assessment of future plans and future operations, certain statements in this MD&A are forward-looking and are subject to the risks, uncertainties and other important factors that could cause the Company's actual performance to differ materially from that expressed in or implied by such statements. Such factors include, but are not limited to volatility and sensitivity to market metal prices, impact of change in foreign currency exchange rates and interest rates, imprecision in reserve estimates, environmental risks including increased regulatory burdens, unexpected geological conditions, adverse mining conditions, changes in government regulations and policies, including laws and policies; and failure to obtain necessary permits and approvals from government authorities, and other development and operating risks.

Although the Company believes that the expectations conveyed by the forward-looking statements are based upon information available on the date that such statements were made, there can be no assurance that such expectations will prove to be correct. The reader is cautioned not to rely on these forward-looking statements. The Company disclaims any obligation to update these forward-looking statements unless required to do so by applicable Securities laws. All subsequent forward-looking statements, whether written or orally attributable to the Corporation or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.

DESCRIPTION OF BUSINESS

Alibaba Innovations Corp.’s (“AIC” or the "Company') precursor company, Cuprum Coating Acquisition Corp., was incorporated under the laws of British Columbia on September 19, 2013 and has been inactive since that time. On December 11, 2014, the Company changed its name from Cuprum Coating Acquisition Corp. to Alibaba Innovations Corp. The Company's head office is located at 545 Granite Street, Sudbury, Ontario, P3C 2P4.

On January 30, 2015, the Company completed a three-cornered amalgamation with Alibaba Graphite Corp. (“AGC”) wherein the two companies were amalgamated and became listed on the Canadian Stock Exchange (“CSE”) under the symbol “ABJ”. Pursuant to the amalgamation, ABJ completed a forward stock split of its existing share capital to shareholders of record consisting of 14,403,698 common shares on the basis of two and one-half for every one outstanding resulting in 36,009,145 new shares being issued.

On June 26, 2015 the Company changed its name from Alibaba Innovations Corp. to 4D Virtual Space Ltd.(“AIC”) pursuant to the Company entering into an agreement on May 26, 2015 to acquire 100% of the authorized share capital of a private company(“Privco”), whereby Privco will become a wholly-owned subsidiary of the Company. This transaction is subject to regulatory approval to complete the acquisition. Privco is in the business of creating and developing a virtual space platform for use in the real estate development industry. On July 31, 2015 the Company amended the previously amended closing date for the agreement to acquire Privco from July 31, 2015 to October 31, 2015 and subsequently to January 14, 2016.The agreement with Privco was terminated and on November 3, 2016 the Company changed its name to Supreme Metals Corp. (“SMC”) in order to reflect the return to the pursuit of natural resource properties.

The Company completed a non-brokered private placement on December 12, 2016 with the sale of 14,640,000 units at $0.05 for total proceeds of $732,000, each unit consisting of one common share at $0.05 and one share purchase warrant exercisable at $0.05 for two years. In the period ended March 31 2017, further funds of $241,250 were raised from the exercise of options.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's continuing operations, as intended, and its financial success may be dependent upon the extent to which it can successfully raise the capital to implement the investment plan. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. The Company has working capital at March 31, 2017 of $62,647 (December 31, 2016 - $336,741).

The success of the Company is dependent upon certain factors that may be beyond management's control. If the Company is unable to fund its investments or otherwise fails to invest in an active business, its business, financial condition or results of operations could be materially and adversely affected. All of these facts raise uncertainty about the Company's ability to continue as a going concern. The Company's ability to launch its operations, as intended is dependent on its ability to obtain necessary financing and raise capital sufficient to cover its exploration and other costs. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue in existence.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

Three months ended March 31, 2017

EXPLORATION AND EVALUATION EXPENDITURES

At March 31, 2017, the following expenditures were incurred on the Company's mineral exploration properties.

	The Shotgun Property		**Various Properties see table below**	
	$	Shares/cash	$	Shares
Property Totals at January 1, 2016	**-**	**-**	**-**	**-**
Acquisition of Shotgun Property option	545,000	10,200,000 @ $0.05 per share= $510,000, finders fees 500,000 shares at $0.05per share, plus $10,000 in cash	-	-
Geological surveys	35,400	-	-	-
Property Totals at December 31, 2016	**580,400**	**10,700,000**	**-**	**-**
See table below for additions to March 31, 2017			**2,900,000**	**37,864,285**
Total	**580,400**	**10,700,000**	**2,900,000**	**37,864,285**

Option on The Shotgun Property

On August 8, 2016 the Company entered into an option agreement with the owners of the property to acquire the Shotgun Property, a copper and gold porphyry property. Under the terms of the agreement, SMC may earn a 100% interest in the three mineral blocks comprising the Shotgun Property, subject to a 3% NSR Royalty, by making a cash payment of $10,000(paid), issuing 10,200,000 common shares with a value of $510,000(issued), and completing $1,000,000 in exploration work by May 31, 2020.

The $1,000,000 in exploration must be completed on or before the following dates:

Date Completed By	**Amount**
May 31, 2017	$50,000
December 31, 2018	$100,000
December 31, 2019	$300,000
December 31, 2020	$550,000
Total	**$1,000,000**

Excess expenditures from one year are able to be applied to subsequent years, and in the case of any shortfall in exploration expenditures in a given year the option can be maintained in good standing through making a payment equivalent to the shortfall to the Owners. Should the Company fail to incur the minimum exploration expenditures (or cash payment in lieu thereof) the option will terminate and the Company will earn no interest in the Property.

The Owners will retain a 3% NSR Royalty on the Property, of which the Company will have the right to purchase one-third (1% NSR) for $1.0 million at any time prior to the commencement of commercial production. Beginning on May 31, 2020, and annually thereafter, the Company will be required to make an Annual Advance Minimum Royalty (AAMR) payment of $100,000. The AAMR and NSR buyout payments will be adjusted annually according to the CPI with a base of May 31, 2020. The AAMR payments are deductible from future NSR payments. A finder's fee was paid by the Company to an arms-length party of 500,000 common shares at $0.05 per share as consideration for the finder introducing the Company to the Owners and the Shotgun Property, and for assisting in negotiating and settling the Property Option Agreement.

On May 19, 2017 the option on this property was terminated. The Company is focusing its attention on other properties in the Lithium and Cobalt exploration.

Note #	Property	Vendor(s)	Total Shares Payable	Share price	Property Value	Cash Payable at Closing	Agreement Date
2	Silver Shadow Property Option Nevada	Anstag Mining Inc.	1,000,000	$ 0.07	$ 70,000	$0.00	Jan. 31, 2017
3	Columbus Property Option Nevada	Doctors Investment Group Ltd.	9,000,000	$ 0.07	$ 630,000	$0.00	Jan. 31, 2017
4	Bloom Lake East Project Sale	Ryan Kalt Thomas Poupore	5,000,000	$ 0.09	$ 450,000	Tom Poupore $100,000	Feb. 3, 2017
5	Mt Thom Project Sale	Ryan Kalt Thomas Poupore	2,500,000	$ 0.09	$ 225,000	Tom Poupore $20,000	Feb. 3, 2017
6	Foster Marshall Property Sale	Gino Chitaroni Elmer B. Stewart Robert Peel	6,500,000	$ 0.105	$ 682,500	Gino Chitaroni $40,000 Robert Peel $60,000	Feb. 13, 2017
7	Silver Dawn Property Sale	Kode Mineral Exploration Ltd.	3,000,000	$ 0.10	$ 300,000	$0.00	Feb. 14, 2017
8	Helfrick Property Patent	Otter Minerals Ltd.	9,000,000	$ 0.04	$ 360,000	Edward Helfrick $10,000	Feb. 14, 2017
	TOTAL		**36,000,000**		$ 2,717,500		

	Finder's Fees Payable						
	Property	**Finder(s)**				**Cash Payable**	**Agreement Date**
4	Bloom Lake East Mt Thom Project	KingStone Ventures Inc.	883,333	$ 0.09	$ 79,500	$0.00	
6/7	Silver Dawn Project Foster Marshall Project	Camden Ventures Inc.	980,952	$ 0.105	$ 103,000	$0.00	
			1,864,285		$ 182,500		
	TOTAL		**37,864,285**		**$ 2,900,000**		

(2) The Silver Shadow Property

On February 1, 2017 the Company entered into an option agreement (the "Option Agreement") with Anstag Mining Inc. providing for an exclusive option to purchase a one hundred percent (100%) undivided interest in and to the Silver Shadow Property located in northwest part of the Clayton Valley, Nevada. Pursuant to the Option Agreement, the Company shall earn 100% of the Silver Shadow Property upon the issuance of 1,000,000 common shares to Anstag Mining Inc. within five days of the signing of the Option Agreement and completing no less than $1,000,000 of qualified exploration expenditures on the property within three years.

(3) The Columbus Property

On February 1, 2017 the Company has entered into a purchase and sale agreement (the "Purchase Agreement") with Doctors Investment Group Inc. for the acquisition of a 100% undivided interest in the Columbus Property located within the Columbus Salt Marsh, Esmerelda County, Nevada. In consideration for the acquisition of the Columbus Property, the Company shall issue 9,000,000 common shares to Doctors Investment Group Inc. within five days of signing the Purchase Agreement. The Columbus Property is subject to a 1% Gross Overriding Royalty (GORR) payable to the vendor; however, the GORR is subject to a buyback in favour of the Company whereby it may acquire, at any time, one-half of the GORR (0.5%) for $1,000,000.

(4) The Bloom Lake East Project

On February 3, 2017, the Company entered into an agreement of purchase and sale (the "Bloom Lake East Purchase Agreement") with Thomas Popoure and Ryan Kalt (the "Vendors") providing for the acquisition of a one hundred percent (100%) undivided interest in and to the Bloom Lake East Project located in Newfoundland and Labrador. Pursuant to the Bloom Lake East Purchase Agreement, the Company shall earn 100% of the Project upon the payment of $100,000 and issuance of 5,000,000 common shares to the Vendors. The Bloom Lake East Project is subject to a 1.5% gross royalty payable to the Vendors.

(5) Mt. Thom Project

On February 3, 2017, the Company has entered into a purchase and sale agreement (the "Mt Thom Purchase Agreement") with the Vendors for the acquisition of a 100% undivided interest in the Mt Thom Project. The Mount Thom property is believed to be an "IOCG-type" copper-cobalt-gold prospect located in central Nova Scotia, Canada, approximately 22km east of Truro. The project consists of 39 mineral claims over five contiguous licenses and covers approx. 1,560 acres located in the Province of Nova Scotia. In consideration for the acquisition of the Mt Thom Project, the Company shall pay $20,000 and issue 2,500,000 common shares to the Vendors. The Mt Thom Project is subject to a 1.5% gross royalty payable to the Vendors.

(6) The Foster Marshall Property

On February 13, 2107, the Company entered into a mineral purchase and acquisition agreement with Gino Chitaroni, Elmer B. Stewart, and Robert Peel (the "FM Vendors") providing for the acquisition of a one hundred percent (100%) undivided interest in and to seven mineral claims located in the Ingram and Ingram Townships of the Province of Ontario (the "FM Project"). The FM Project is located in the Province of Ontario in the Larder Lake Mining Division, more specifically in the historic mining area of Cobalt, Ontario. The property is located approximately 25 kms north of the former producing Langis Mine project, once held by Agnico Eagle Mines Limited Pursuant to the FM Acquisition Agreement, the Company shall earn 100% of the FM Project upon the payment of $100,000 and the issuance of 6,500,000 common shares to the FM Vendors. The FM Project is subject to a 2% gross royalty payable to the FM Vendors, half of which can be acquired at any time by the Company for a cash payment of $1,000,000.
The project consists of 7 mineral claim units over and covers approx. 633 acres.

(7) The Silver Dawn Property

On February 14, 2017, the Company has entered into a property sale agreement (the "Silver Dawn Purchase Agreement") with Kode Mineral Exploration Ltd. ("Kode") for the acquisition of a 100% undivided interest in and to 150 mineral claims located in the Clayton Valley Basin, Nevada (the "Silver Dawn Property"). In consideration for the acquisition of the Silver Dawn Property, the Company shall issue 3,000,000 common shares to the Vendors. The Silver Dawn Property is subject to a 1% gross royalty payable to Kode, half of which can be acquired at any time by the Company for a cash payment of $1,000,000.

(8) The Helfrick Property

On March 8, 2017 the Company entered into an arm's-length share purchase agreement for the acquisition of 100 percent of the issued and outstanding shares of Otter Minerals Ltd. ("Otter Minerals"), a private Ontario company. Otter Minerals holds a 100 percent interest in the Helfrick Property located in the Algoma Mining Division, Ontario, located approximately 27 kilometres north of the town of Thessalon, Ontario. The Helfrick Property consists of 8 mining patents units covering approximately 128 hectares.

The property is located on a Proterozoic-aged Nipissing diabase sill with some sediments of the Gowganda formation of the Cobalt Group, also of Proterozoic age, nearby. The sill appears differentiated with granophyric and mafic sections. The mineralization is contained within WNW striking quartz calcite veins, one of these has a strike length over 70 metres with a width of up to 4 metres noted. Several old blasted pits with mineralization exist on the property. Minerals noted include cobaltite, gersdorffite, pararamelsbergite, erytherite, native silver, native bismuth, niccolite and annabergite.

On March 13, 2017, the Company via contract claimstakers, staked an additional 2 claims totalling 15 units, (approximately 240 hectares) adjacent to the Helfrick Property. These newly staked claims were registered in the name of Supreme Metals Corp. on March 20, 2017. The acquisition of these claims allows a contiguous land package of 360 hectares in the area including the Helfrick Property patents. In addition, the new claim staking also includes the Rueben McKee Property which has had some high copper values reported. It also has an 85 m adit from which an historic bulk sample of hand-cobbed direct smelting ore was produced and sent to the past Tribag Mine Mill (source Ontario Ministry of Mines MDI Number MDI41J11SW00058).

Transaction Terms

The share purchase agreement provides that the company will acquire 100 per cent of the issued and outstanding shares of the private company in consideration for the issuance of 9 million common shares of the company and cash consideration of $10,000.

CO-OPERATION AGREEMENTS

On February 28, 2017 the Company announced that it had entered into a Cooperation Agreement (the "Agreement") effective February 25, 2017 with Portugal-focused Iberian Lithium Corp. ("Iberian").In addition on February 21, 2017 ,the Company also entered into a Cooperation Agreement effective February 19, 2017 with Morocco based Green Energy Resources SARL ("GER").The Agreement forms the foundation for a strategic relationship between GER and Supreme, enabling the joint evaluation and potential acquisition of Cobalt and other mineral research permits in Morocco.

Further advancements were announced on March 14, 2017 as follows;

Spain: The Company is negotiating with a Spanish company that holds a permit on an area which contains a drilled-off lithium deposit with a 43-101 resource.

Portugal: Supreme's partner Iberian Lithium Corp. ("Iberian") will be submitting its applications which are being finalized now over 2 large target areas identified in the in-depth study conducted by Iberian, which yielded 34 principal areas of lithium anomalies including numerous instances of greisenised granited cupolas intersected by drilling. These areas resemble the large Cinovec deposit in the Czech Republic.

Morocco: The Company's partner Green Energy Resources SARL is working closely with the relevant officials towards the granting of a concession in the exceptional Co-Ni Bou Azzer mining complex located in the plateau of the Draa region. Green Energy has narrowed in on specific assets that come with a meaningful data set which will be crucial in giving the Company a leg up as it begins work in the country.

FINANCING

Private Placement

On December 12, 2016, the Company closed a placement of 14,640,000 common share units at $0.05 per unit for gross proceeds of $732,000. Each unit consisted of one common share and one common share warrant. Each common share warrant entitles the holder to purchase one additional common share at an exercise price of $0.05 per share during the 24 months following the closing date.

In connection with the placement, finders' fees of $ 36,860 were incurred and $735,200 finders' warrants were issued which entitles the holder to purchase one common share unit at an exercise price of $0.05 per share during the 24 months following the closing date.

The fair value of the 14,640,000 and 735,200 finder warrants have been estimated using the Black-Scholes option pricing model to be $116,960 and $5,874, respectively. The following weighted average assumptions were used: expected dividend yield – 0%; expected volatility – 33% which is based on historical volatility; estimated risk free interest rate – 0.67% and an expected average life of 2 years.

Stock Options

On January 9, 2017 the Company granted a total of 3,825,000 options to directors, officers, employees and consultants of the Company. Each option is exercisable to purchase one common share of the Company at $0.05 per share for a period of 5 years from the date of issuance. During the month of February 2017, 3,825,000 compensation options were exercised pursuant to the Issuer's stock option plan for gross proceeds of $191,250. During March 2017 a further 1,000,000 stock options were exercised for gross proceeds of $50,000.

Option assumptions	2017
Dividend Yield	-
Expected Volatility	126%
Riskfree interest rate	1.12%
Expected option term - years	5

The fair value of the 3,825,000 stock options has been estimated using the Black-Scholes option pricing model to be $109,100, using the above assumptions.

STOCK EXCHANGE LISTING ON FRANKFURT EXCHANGE

On January 31, 2017, the Company's common shares were accepted for continuous trading on the electronic trading platform XETRA® on the Frankfurt Exchange under ticker symbol A68. The Company anticipates the Frankfurt listing will increase trading liquidity and facilitate investment in the Company by investors across Europe. This increased exposure to worldwide markets enables Europeans to trade the Company's common shares in Euros.

SELECTED QUARTERLY INFORMATION

The financial information below reflects the consolidated financial statements of Supreme Metals Corp. and AGC.

Quarter ended	Total revenue	Net Loss and Comprehensive Loss Loss for the period	Write down and impairment of evaluation and exploration assets	Loss before income taxes and write down of exploration and evaluation assets	Per Share (i)	Total assets	Total long-term liabilities	Working Capital/(Deficit)
		$			$	$	$	$
March 31,2017		(3,524,444)	3,140,833	(383,611)	(0.03)	244,210	-	62,647
Dec 31,2016	-	(693,208)	580,400	(112,808)	(10.961)	534,837	-	336,741
Sept 30,2016	-	(48,664)	-	(48,664)	(0.001)	13,786	-	(187,167)
June 30, 2016	-	(51,369)	-	(51,369)	(0.001)	8,200	-	(187,167)
March 31,2016	-	(19,045)	-	(19,045)	(0.001)	15,376	-	(119,458)
Dec 31,2015	-	(49,857)	-	(49,857)	(0.001)	26,176	-	(68,089)
Sept 30,2015	-	(98,508)	-	(98,508)	(0.001)	72,188	-	(18,233)
June 30, 2015	-	(118,425)	6,500	(111,925)	(0.002)	111,606	-	80,275

(i) On a non-diluted basis

Factors Affecting Quarterly Results:

The main components of the Company's loss were:

	Three months ended March 31 2017	 2016
	$	$
Exploration and evaluation expenditures	3,140,833	-
Marketing	227,203	-
Option compensation value	109,100	-
Consulting fees	15,779	12,000
Professional fees	13,306	16,367
Travel	6,288	-
Transfer agent and filing fees	5,651	3,140
Staking	3,000	-
Insurance	1,841	3,031
Office and general	1,210	-
Bank charges and interest	233	1,871
Video preparation, website development and programming	-	14,960
Total Expenses	3,524,444	51,369
Weighted average number of outstanding common shares	**122,933,334**	69,919,247
Net Loss per common share - basic and diluted	**0.03**	**0.001**

Quarterly variances occur mainly due to the recorded write-down of exploration and evaluation assets, which were $3,140,833 in this quarter and $580,400 in the last quarter of 2016. The main factor affecting the remaining expenses for the current period are amounts paid for company awareness programs in Europe of $227,203. In addition a Stock Option valuation expense of $109,100 has been recorded. The Company continues to incur net losses. For the period ended March 31, 2017 the net loss was $383,611 before the inclusion of the write down of the exploration and evaluation expenditures of $3,140,833 in this period. The Company's net loss and comprehensive loss was $3,524,444 compared to a net loss of $19,045 for the same period in March 2016. There were no exploration and evaluation expenditures.

The past few years have been extremely difficult for junior exploration companies, and a realization that rope as well as in the current market for junior exploration companies especially requires the need to conserve cash more than ever. SMC has controlled its costs in accordance with the parallel need to manage a compliant public company and the maintenance of its assets in good standing. This period, with the ability to raise funds in a market with renewed interest in junior exploration companies, the Company has expended funds to increase the visibility of the Company in European and Canadian markets.

In 2017, in accordance with its accounting policies, the expenditures incurred to acquire mining properties were expensed amounting to $3,140,833 (2016-$ 580,400).

LIQUIDITY AND CAPITAL RESOURCES

	Note	Number of shares	Amount
		#	$
Balance at January 31, 2015		33,810,102	460,400
Shares issued on amalgamation	(i)	36,009,145	-
Exploration and evaluation assets	(ii)	100,000	6,000
Balance at December 31, 2015		69,919,247	466,400
Balance at March 31, 2016		69,919,247	466,400
Non-brokered Private Placement	(iii)	14,640,000	732,000
Mineral property rights	(iv)	10,700,000	535,000
Balance at December 31, 2016		95,259,247	1,733,400
Share issued on options exercised	(v)	4,825,000	241,250
Mineral property rights	(vi)	37,864,285	2,900,000
Balance at March 31, 2017		137,948,532	4,874,650

(i) Amalgamation shares

On January 30, 2015, the Company completed a three-cornered amalgamation with Alibaba Graphite Corp. ("AGC") wherein the two companies were amalgamated and became listed on the Canadian Stock Exchange ("CSE") under the symbol "ABJ". Pursuant to the amalgamation, ABJ completed a forward stock split of its existing share capital to shareholders of record consisting of 14,403,698 common shares on the basis of two and one-half for every one outstanding resulting in 36,009,145 shares being issued.

(ii) Option maintenance

In June 2015, 100,000 common shares with a value of $6,000 were issued in order to maintain its WestZen mining claim option for an additional year.

(iii) Non-brokered Private Placement

On December 12, 2016, the Company closed a placement of 14,640,000 common share units at $0.05 per unit for gross proceeds of $732,000. Each unit consists of one common share and one common share warrant. Each common share warrant entitles the holder to purchase one additional common share at an exercise price of $0.05 per share during the 24 months following the closing date.

In connection with the placement, finders' fees of $ 36,860 were incurred and $735,200 finders' warrants were issued which entitles the holder to purchase one common share unit at an exercise price of $0.05 per share during the 24 months following the closing date.

The fair value of the 14,640,000 and 735,200 finder warrants have been estimated using the Black-Scholes option pricing model to be $116,960 and $5,874, respectively. The following weighted average assumptions were used: expected dividend yield – 0%; expected volatility – 33% which is based on historical volatility; estimated risk free interest rate – 0.67% and an expected average life of 2 years.

(iv) Mineral Property Rights

The Shotgun Property

On August 8, 2016 the Company entered into a Property Option Agreement to acquire the Shotgun Property, a copper and gold porphyry property. Under the terms of the agreement, the Company may earn a 100% interest in the three mineral blocks comprising the Shotgun Property, subject to a 3% NSR Royalty, by making a cash payment of $10,000, and issuing 10,200,000 common shares with a value of $510,000. In addition, a finder's fee was paid by the Company to an arms-length party of 500,000 common shares at $0.05 per share as consideration for the finder introducing the Company to the Owners and the Shotgun Property.

As of May 19, 2017 the Company terminated its option on the Shotgun Property having decided to focus its efforts primarily other properties, with the focus directed to Cobalt and Lithium properties.

In addition, the following property options have been acquired through cash payments and the issue of common shares of the Company. (See table below)

Note #	Property	Vendor(s)	Total Shares Payable	Share price	Property Value	Cash Payable at Closing	Agreement Date
2	Silver Shadow Property Option Nevada	Anstag Mining Inc.	1,000,000	$ 0.07	$ 70,000	$0.00	Jan. 31, 2017
3	Columbus Property Option Nevada	Doctors Investment Group Ltd.	9,000,000	$ 0.07	$ 630,000	$0.00	Jan. 31, 2017
4	Bloom Lake East Project Sale	Ryan Kalt Thomas Poupore	5,000,000	$ 0.09	$ 450,000	Tom Poupore $100,000	Feb. 3, 2017
5	Mt Thom Project Sale	Ryan Kalt Thomas Poupore	2,500,000	$ 0.09	$ 225,000	Tom Poupore $20,000	Feb. 3, 2017
6	Foster Marshall Property Sale	Gino Chitaroni Elmer B. Stewart Robert Peel	6,500,000	$ 0.105	$ 682,500	Gino Chitaroni $40,000 Robert Peel $60,000	Feb. 13, 2017
7	Silver Dawn Property Sale	Kode Mineral Exploration Ltd.	3,000,000	$ 0.10	$ 300,000	$0.00	Feb. 14, 2017
8	Helfrick Property Patent	Otter Minerals Ltd.	9,000,000	$ 0.04	$ 360,000	Edward Helfrick $10,000	Feb. 14, 2017
	TOTAL		**36,000,000**		$ 2,717,500		

	Finder's Fees Payable						
	Property	**Finder(s)**				**Cash Payable**	**Agreement Date**
4	Bloom Lake East Mt Thom Project	KingStone Ventures Inc.	883,333	$ 0.09	$ 79,500	$0.00	
6/7	Silver Dawn Project Foster Marshall Project	Camden Ventures Inc.	980,952	$ 0.105	$ 103,000	$0.00	
			1,864,285		$ 182,500		
	TOTAL		**37,864,285**		**$ 2,900,000**		

At March 31, 2016 the Company held no mining properties.

(1) The Shotgun Property

On August 8, 2016 the Company entered into an option agreement with the owners of the property to acquire the Shotgun Property, a copper and gold porphyry property. Under the terms of the agreement, SMC may earn a 100% interest in the three mineral blocks comprising the Shotgun Property, subject to a 3% NSR Royalty, by making a cash payment of $10,000(paid), issuing 10,200,000 common shares with a value of $510,000(issued), and completing $1,000,000 in exploration work by May 31, 2020.The $1,000,000 in exploration must be completed on or before the following dates:

Date Completed By	Amount
May 31, 2017	$50,000
December 31, 2018	$100,000
December 31, 2019	$300,000
December 31, 2020	$550,000
Total	**$1,000,000**

Excess expenditures from one year are able to be applied to subsequent years and in the case of any shortfall in exploration expenditures in a given year the option can be maintained in good standing through making a payment equivalent to the shortfall to the Owners. Should the Company fail to incur the minimum exploration expenditures (or cash payment in lieu thereof) the option will terminate and the Company will earn no interest in the Property.

A finder's fee was paid by the Company to an arms-length party of 500,000 common shares at $0.05 per share as consideration for the finder introducing the Company to the Owners and the Shotgun Property, and for assisting in negotiating and settling the Property Option Agreement. (See subsequent event note – 10).

(2) The Silver Shadow Property

On February 1, 2017 the Company entered into an option agreement (the "Option Agreement") with Anstag Mining Inc. providing for an exclusive option to purchase a one hundred percent (100%) undivided interest in and to the Silver Shadow Property located in northwest part of the Clayton Valley, Nevada. Pursuant to the Option Agreement, the Company shall earn 100% of the Silver Shadow Property upon the issuance of 1,000,000 common shares (issued) to Anstag Mining Inc. within five days of the signing of the Option Agreement and completing no less than $1,000,000 of qualified exploration expenditures on the property within three years.

(3) The Columbus Property

On February 1, 2017 the Company has entered into a purchase and sale agreement (the "Purchase Agreement") with Doctors Investment Group Inc. for the acquisition of a 100% undivided interest in the Columbus Property located within the Columbus Salt Marsh, Esmerelda County, Nevada. In consideration for the acquisition of the Columbus Property, the Company shall issue 9,000,000 common shares (issued) to Doctors Investment Group Inc. within five days of signing the Purchase Agreement. The Columbus Property is subject to a 1% Gross Overriding Royalty (GORR) payable to the vendor; however, the GORR is subject to a buyback in favour of the Company whereby it may acquire, at any time, one-half of the GORR (0.5%) for $1,000,000.

(4) The Bloom Lake East Project

On February 3, 2017, the Company entered into an agreement of purchase and sale (the "Bloom Lake East Purchase Agreement") with Thomas Popoure and Ryan Kalt (the "Vendors") providing for the acquisition of a one hundred percent (100%) undivided interest in and to the Bloom Lake East Project located in Newfoundland and Labrador. Pursuant to the Bloom Lake East Purchase Agreement, the Company shall earn 100% of the Project upon the payment of $100,000 and issuance of 5,000,000 common shares (issued) to the Vendors. The Bloom Lake East Project is subject to a 1.5% gross royalty payable to the Vendors.

(5) Mt. Thom Project

On February 3, 2017, the Company has entered into a purchase and sale agreement (the "Mt Thom Purchase Agreement") with the Vendors for the acquisition of a 100% undivided interest in the Mt Thom Project. The Mount Thom property is believed to be an "IOCG-type" copper-cobalt-gold prospect located in central Nova Scotia, Canada, approximately 22km east of Truro. The project consists of 39 mineral claims over five contiguous licenses and covers approx. 1,560 acres located in the Province of Nova Scotia. In consideration for the acquisition of the Mt Thom Project, the Company shall pay $20,000 and issue 2,500,000 common shares (issued) to the Vendors. The Mt Thom Project is subject to a 1.5% gross royalty payable to the Vendors.

(6) The Foster Marshall Property

On February 13, 2107, the Company entered into a mineral purchase and acquisition agreement with Gino Chitaroni, Elmer B. Stewart, and Robert Peel (the "FM Vendors") providing for the acquisition of a one hundred percent (100%) undivided interest in and to seven mineral claims located in the Ingram and Ingram Townships of the Province of Ontario (the "FM Project"). The FM Project is located in the Province of Ontario in the Larder Lake Mining Division, more specifically in the historic mining area of Cobalt, Ontario. The property is located approximately 25 kms north of the former producing Langis Mine project, once held by Agnico Eagle Mines Limited Pursuant to the FM Acquisition Agreement, the Company shall earn 100% of the FM Project upon the payment of $100,000 and the issuance of 6,500,000 common shares (issued) to the FM Vendors. The FM Project is subject to a 2% gross royalty payable to the FM Vendors, half of which can be acquired at any time by the Company for a cash payment of $1,000,000.The project consists of 7 mineral claim units over and covers approx. 633 acres.

(7) The Silver Dawn Property

On February 14, 2017, the Company has entered into a property sale agreement (the "Silver Dawn Purchase Agreement") with Kode Mineral Exploration Ltd. ("Kode") for the acquisition of a 100% undivided interest in and to 150 mineral claims located in the Clayton Valley Basin, Nevada (the "Silver Dawn Property"). In consideration for the acquisition of the Silver Dawn Property, the Company shall issue 3,000,000 common shares (issued) to the Vendors. The Silver Dawn Property is subject to a 1% gross royalty payable to Kode, half of which can be acquired at any time by the Company for a cash payment of $1,000,000.

(8) The Helfrick Property

On March 8, 2017 the Company entered into an arm's-length share purchase agreement for the acquisition of 100 percent of the issued and outstanding shares of Otter Minerals Ltd. ("Otter Minerals"), a private Ontario company. Otter Minerals holds a 100 percent interest in the Helfrick Property located in the Algoma Mining Division, Ontario, located approximately 27 kilometres north of the town of Thessalon, Ontario. The Helfrick Property consists of 8 mining patents units covering approximately 128 hectares.

On March 13, 2017, the Company via contract claimstakers, staked an additional 2 claims totalling 15 units, (approximately 240 hectares) adjacent to the Helfrick Property. These newly staked claims were registered in the name of Supreme Metals Corp. on March 20, 2017. The acquisition of these claims allows a contiguous land package of 360 hectares in the area including the Helfrick Property patents. In addition, the new claim staking also includes the Rueben McKee Property which has had some high copper values reported.

A subsequent dispute over this staking is now being reviewed by the Lands Office of the Ontario Ministry of Northern Development Mines and Forestry.

CO-OPERATION AGREEMENTS

On February 28, 2017 the Company announced that it had entered into a Cooperation Agreement (the "Agreement") effective February 25, 2017 with Portugal-focused Iberian Lithium Corp. ("Iberian").In addition on February 21, 2017 ,the Company also entered into a Cooperation Agreement effective February 19, 2017 with Morocco based Green Energy Resources SARL ("GER").The Agreement forms the foundation for a strategic relationship between GER and Supreme, enabling the joint evaluation and potential acquisition of Cobalt and other mineral research permits in Morocco.

On March 14, 2017 as follows;

Spain: The Company is negotiating with a Spanish company that holds a permit on an area which contains a drilled-off lithium deposit with a 43-101 resource.

Portugal: Supreme's partner Iberian Lithium Corp. ("Iberian") will be submitting its applications which are being finalized now over 2 large target areas identified in the in-depth study conducted by Iberian, which yielded 34 principal areas of lithium anomalies including numerous instances of greisenised granited cupolas intersected by drilling. These areas resemble the large Cinovec deposit in the Czech Republic.

Morocco: The Company's partner Green Energy Resources SARL is working closely with the relevant officials towards the granting of a concession in the exceptional Co-Ni Bou Azzer mining complex located in the plateau of the Draa region. Green Energy has narrowed in on specific assets that come with a meaningful data set which will be crucial in giving the Company a leg up as it begins work in the country.

OUTSTANDING SHARE DATA

The table below shows the outstanding share capital of the Company as of March 31, 2017:

	# of shares
Common Shares	137,948,532
Options	4,700,000
Warrants	15,375,200
Fully Diluted Share Capital	**158,023,732**

OFF-BALANCE SHEET ARRANGEMENTS

None are applicable at this time, however with mineral exploration, obligations for environmental, First Nation compliance and health and safety issues can create non reportable concerns. The Company hopes to minimize such situations by maintaining adequate insurance coverage, establishing honest and open communications and operating in a safe and responsible manner compliant with current standards as per the most recent applicable acts and regulations.

RELATED PARTY TRANSACIONS AND KEY MANAGEMENT COMPENSATION

Key management personnel include executive officers and non-executive directors. At this time, executive officers are not paid a salary but participate in the Company's stock option program. The executive officers include the Chief Executive Officer, and the Chief Financial Officer. In addition, in 2016 the following were paid; consulting fees of $25,000 were paid to a spouse of one of the directors; consulting fees of $18,000 were paid to the Chief Executive Officer; in this quarter $2,500 was payable to the current Chief Financial Officer. Non-executive directors also participate in the Company's stock option program. As of March 31, 2017 and December 31, 2016, the Company owes no money to executives of the Company for unpaid salaries and wages. A significant amount of the work required by the Company is undertaken on a contract basis by unrelated highly qualified companies and individuals.

On January 9, 2017 the Company granted a total of 3,825,000 options to some directors, officers, employees and consultants of the Company. Each option is exercisable to purchase one common share of the Company at $0.05 per share for a period of 5 years from the date of issuance. During the month of February 2017, 3,825,000 compensation options were exercised pursuant to the Issuer's stock option plan for gross proceeds of $191,250. During the month of March 2017, 1,000,000 compensation options were exercised pursuant to the Company's stock option plan for gross proceeds of $50,000.

ENVIRONMENTAL LIABILITIES

The Company is not aware of any environmental liabilities, obligations or responsibilities associated with the Company's mining interests.

SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), The policies applied in these financial statements are based on IFRS issued and outstanding as of May 30, 2017, the date the Board of Directors approved the statements.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items in the statements of financial position:

- financial instruments at fair value through profit or loss are measured at fair value.

- available-for-sale financial assets are measured at fair value.

In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. The Company has elected to present the statement of loss and comprehensive loss in a single statement.

Principles of Consolidation

The consolidated financial statements include the accounts of Supreme Metals Corp. (Formerly 4D Virtual Space Ltd) (the "Company") and its wholly owned subsidiary Alibaba Graphite Corp.

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated statement of loss and comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(i) Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets or liabilities recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

(ii) Share-based payments

Management determines costs for share-based payments using the Black-Scholes option pricing model. The fair value of the market-based and performance-based share awards are determined at the date of grant and incorporates Black-Scholes input assumption's including the future volatility of the stock price, expected dividend yield, and expected life. Such judgements and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

(iii) Warrants

Management determines the fair value of warrants using the Black-Scholes option pricing model. The fair value incorporates Black-Scholes input assumption's including the future volatility of the stock price, expected dividend yield, and expected life. Such judgements and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Financial instruments

Financial assets and liabilities are initially recognized at fair value plus any directly attributable transaction costs except for those which are designated at fair value through profit or loss.

(i) Non-derivative financial assets

Financial assets at fair value through profit or loss:

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash, accounts receivable and other receivables.

Cash consists of cash balances on deposit with a Canadian cha rtered bank.

Available-for-sale financial assets:

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive income and presented within equity in accumulated other comprehensive income. When an investment is realized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(ii) Non-derivative financial liabilities

The Company classified its trade accounts payable and accrued liabilities and loan payable as financial liabilities at amortized cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Exploration and evaluation expenditures

The Company expenses exploration and evaluation expenditures as incurred in mineral properties not commercially viable and financially feasible. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activities.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production with the exception of development costs that give rise to a future benefit.

Exploration and evaluation expenditures are capitalized if the Company can demonstrate that these expenditures meet the criteria of an identifiable intangible asset. To date, no such exploration and evaluation expenditures have been identified and capitalized.

Impairment

(i) Financial assets

Financial assets which are not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event can be reliably estimated to have a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated discounted future cash flows. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long –lived assets that are not amortized are subject to an annual impairment assessment.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.The Company has no material provisions at March 31, 2017 and December 31, 2016.

Share capital

(ii) Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(iii) Warrants

Warrants are classified as equity as they are derivatives over the Company's own equity that will be settled only by the Company's own equity instruments.

Income tax

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 with regards to 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.

Deferred taxes are recognized as income or expense in profit or loss, except to the extent that tax arises from transactions recognized in equity. Therefore, when deferred taxes relate to equity items, a backwards tracing is necessary to determine the adjustment to taxes (e.g. change in tax rates and change in valuation allowance) that should be recorded in equity. For this purpose, the accounting policy of the Company is to first allocate changes in valuation allowance to capital losses due to share issuance costs before non-capital losses carryforwards.

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. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses 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.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which share options granted to employees and directors.

These potential common shares are not included in the calculation of the weighted average number of outstanding shares for diluted loss per common share when the effect would be anti-dilutive.

Segment reporting

The Company determined that it had only one operating segment, i.e. the mining exploration.

New standards and interpretations not yet adopted

IFRS 9 – Financial instruments (“IFRS 9”) was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

CAPITAL RISK MANAGEMENT

The Company's objective in managing capital is to ensure continuity as a going-concern as well as to safeguard its ability to continue its acquisition and exploration programs. The Company manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares and acquire or sell mining properties to improve its financial performance and flexibility.

The Company considers its capital to be equity, which comprises share capital, reserves, accumulated other comprehensive loss and accumulated deficit, which at March 31, 2017 totalled $62,647 (December 31, 2016, totalled $336,741.

To effectively manage the Company's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives. As needed, the Company raises funds through private placements or other equity financings. The Company does not utilize long-term debt as the Company does not currently generate operating revenues. There is no dividend policy.

The Company's management of capital remained unchanged since the prior year.

FINANCIAL RISK MANAGEMENT

Fair value

Certain of the Company's accounting policies and disclosures require the determination of fair value. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that financial asset or financial liability.

In establishing fair value, the Company uses a fair value hierarchy based on levels as defined below:

☐Level 1: defined as observable inputs such as quoted prices in active markets.

☐Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.

☐Level 3: defined as inputs that are based on little or no observable market data and, therefore, requiring entities to develop their own assumptions.

The carrying values of short-term financial assets and liabilities, which include accounts receivable, other receivables, trade accounts payable and accrued liabilities and loan payable approximate their fair value because of the short-term nature of these items.

As of March 31, 2017 and December 31, 2016, all financial instruments held at fair value are considered to be Level 1 under the fair value hierarchy.

Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk).

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, trade accounts receivable and other receivables. Cash is held with a select major Canadian chartered bank, from which management believes the risk of loss to be minimal. Accounts receivable and other receivables consist of receivables from unrelated companies. Amounts receivable are in good standing as of March 31, 2017. Management believes that the credit risk with respect to these amounts receivable is minimal.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company’s liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at March 31, 2017, the Company had cash and cash equivalents of $219,886 (December 31, 2016 - $518,473) to settle trade accounts payable and accrued liabilities of $167,562 (December 31, 2016 - $184,096), the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity. As discussed in Note 1, the Company's ability to continually meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

The Company has cash and cash equivalent balances and no variable interest-bearing debt. The Company's current policy is to invest excess cash in guaranteed investment certificates issued by a Canadian chartered bank with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank.

(b) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is nil.

(c) Commodity and equity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to precious and base metals and other minerals, and the stock market to determine the appropriate course of action to be taken by the Company. Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depend upon the world market price of precious and base metals and other minerals. Precious and base metals and other mineral prices have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of precious and base metals and other minerals are produced in the future, a profitable market will exist for them. As of March 31, 2017, the Company was not a precious minerals, base metals and other minerals producer. Even so, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period:

(i) Cash are subject to floating interest rates. The Company has no variable debt and receives low interest rates on its cash balances. As such, the Company does not have significant interest rate risk.

Tax Losses

Currently the Company has a non-capital losses carried forward of $500,400 which expire totally by 2036, and are available to reduce income otherwise taxable in future years.