
Supreme Metals Corp.
(An Exploration Stage Company)

(Formerly 4D Virtual Space Ltd.)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED

JUNE 30, 2017 AND JUNE 30, 2016

(UNAUDITED)

(EXPRESSED IN CANADIAN DOLLARS)

NOTICE TO READER

REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim condensed financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Supreme Metals Corp.
(An Exploration Stage Company)
(Formerly 4D Virtual Space Ltd.)
Interim Consolidated Statements of Financial Position
(UNAUDITED)

(Expressed in Canadian Dollars)

As at	Note	June 30 2017 \$	December 31 2016 \$
ASSETS			
Current			
Cash		124,557	518,473
Accounts receivable	5	19,229	13,623
Prepaid expenses		5,492	2,741
		149,278	534,837
LIABILITIES			
Current			
Loan payable		10,403	14,000
Accounts payable and accrued liabilities	1	133,791	184,096
		144,194	198,096
SHAREHOLDERS' EQUITY			
Share Capital	7	4,701,932	1,560,682
Share based payments reserve	7	130,000	20,900
Valuation of warrants issued		122,834	122,834
Deficit		(4,949,682)	(1,367,675)
		5,084	336,741
TOTAL LIABILITIES AND EQUITY		149,278	534,837

Nature of operations and continuance of business 1

Approved on behalf of the Board

The accompanying notes are integral to these interim consolidated financial statements

Supreme Metals Corp.
(An Exploration Stage Company)
(Formerly 4D Virtual Space Ltd.)
Interim Consolidated Statements of Loss and Comprehensive Loss
(UNAUDITED)

(Expressed in Canadian Dollars)

	Note	Three month period ended June 30,		Six month period ended June 30,	
		2017	2016	2017	2016
		\$	\$	\$	\$
EXPENSES					
Exploration and evaluation expenditures	6	4,447	-	3,145,280	-
Marketing		3,650	-	230,853	-
Option compensation value	7	-	-	109,100	-
Professional fees		22,188	5,314	35,494	21,681
Consulting fees		14,100	25,333	29,879	37,333
Transfer agent and filing fees		5,384	3,055	11,035	6,195
Travel		4,536	-	10,824	-
Insurance		1,710	1,841	3,551	4,872
Staking		-	-	3,000	-
Equipment rental		1,289	-	1,289	-
Office and general		-	314	1,210	314
Bank charges and interest		259	2,427	492	4,298
Video preparation, website development and programming		-	10,380	-	25,340
Total Expenses		57,563	48,664	3,582,007	100,033
Net loss and comprehensive loss for the period		(57,563)	(48,664)	(3,582,007)	(100,033)
Weighted average number of outstanding common shares		130,523,434	69,919,247	130,523,434	69,919,247
Net Loss per common share - basic and diluted		(0.0004)	(0.001)	(0.03)	(0.001)

The accompanying notes are integral to these interim consolidated financial statements

Supreme Metals Corp.
(An Exploration Stage Company)
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Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

(UNAUDITED)

Note	Number of shares	Amount	Share-based payments reserve	Warrants reserve	Deficit	Total
	#	\$	\$		\$	\$
Balance at January 1, 2016	69,919,247	466,400	20,900	-	(555,389)	(68,089)
Loss for the period	-	-	-	-	(100,033)	(100,033)
Balance at June 30, 2016	69,919,247	466,400	20,900		(655,422)	(168,122)
Shares issued for private placement	14,640,000	732,000	-	-	-	732,000
Exploration and evaluation expenditures	10,700,000	535,000	-	-	-	535,000
Share issuance costs	-	(49,884)	-	-	-	(49,884)
Valuation of warrants issued	-	(122,834)	-	122,834	-	-
Loss for the period	-	-	-	-	(712,253)	(712,253)
Balance at December 31, 2016	95,259,247	1,560,682	20,900	122,834	(1,367,675)	336,741
Share issued on options exercised	4,825,000	241,250	-	-	-	241,250
Exploration and evaluation expenditures	37,864,285	2,900,000	-	-	-	2,900,000
Valuation of options granted	-	-	109,100	-	-	109,100
Loss for the period	-	-	-	-	(3,582,007)	(3,582,007)
Balance at June 30, 2017	137,948,532	4,701,932	130,000	122,834	(4,949,682)	5,084

The accompanying notes are integral to these interim consolidated financial statements

Supreme Metals Corp.
(An Exploration Stage Company)
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Interim Consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)
(UNAUDITED)

	Six month period ended	
	June 30	
	2017	2016
	\$	\$
CASH (USED IN) PROVIDED BY :		
Operating activities		
Net loss for the period	(3,582,007)	(48,664)
Adjustment for :		
Exploration and evaluation expenditures	2,900,000	-
Option compensation value	109,100	-
	<u>(572,907)</u>	<u>(48,664)</u>
Net change in non-cash working capital		
Changes in operating assets and operating liabilities:		
(Increase)decrease in prepaid expenses	(2,751)	(4,514)
(Increase)decrease in accounts receivable	(5,606)	15,076
Increase(decrease) in accounts payable and accrued liabilities	(50,305)	82,057
Net cash used in operating activities	<u>(631,569)</u>	<u>43,955</u>
Investing activities		
Options exercised	241,250	-
Net cash provided by investing activities	<u>241,250</u>	<u>-</u>
Financing activities		
Loan repaid	(3,597)	-
Net cash used in financing activities	<u>(3,597)</u>	<u>-</u>
Increase(decrease) in cash	(393,916)	43,955
Cash, beginning of period	518,473	7,475
Cash, end of period	<u>124,557</u>	<u>51,430</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES :		
Shares issued for exploration and evaluation expenditures	2,900,000	-

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Supreme Metals Corp.
(An Exploration Stage Company)
(Formerly 4D Virtual Space Ltd.)
Six months ended June 30, 2017 and June 30, 2016
Notes to the Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
(UNAUDITED)

1. NATURE OF OPERATIONS AND GOING CONCERN

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 share capital to shareholders of record as of December 2013 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 had working capital at June 30, 2017 of \$5,084 (Working capital - December 31, 2016 of \$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.

LISTING ON FRANKFURT STOCK EXCHANGE

On January 31, 2017, the Issuers common shares were accepted for continuous trading on the electronic trading platform XETRA® on the Frankfurt Exchange under ticker symbol A68.

Supreme Metals Corp.
(An Exploration Stage Company)
(Formerly 4D Virtual Space Ltd.)
Six months ended June 30, 2017 and June 30, 2016
Notes to the Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
(UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These interim 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 IFRSs issued and outstanding as of August 29th, 2017, the date the Board of Directors approved the statements.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets to fair value. In addition, these interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these interim consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in Note 2 (e).

(c) Basis of Consolidation

The interim 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 interim 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.

(d) Functional and presentation currency

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

(e) 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Assumptions and estimation uncertainties that have a significant risk of resulting material adjustment within the next financial year are as follows:

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

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. 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, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(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.

(f) 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

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has the legal right to offset amounts and intends to either settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss:

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Non-derivative financial assets (continued)

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company classifies cash as fair value through profit or loss.

Held-to-maturity investments:

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

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 and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. Available-for-sale financial assets are comprised of marketable securities. The Company does not have any assets classified as available-for-sale.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized 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. Accounts receivable and loan receivable are classified as loans and receivables.

Impairment of financial assets:

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Non-derivative financial assets (continued)

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are incurred. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(ii) Derivative financial instruments:

The Company does not have any derivative financial instruments.

(g) 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.

(h) 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 June 30, 2017 and December 31, 2016.

Supreme Metals Corp.
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Six months ended June 30, 2017 and June 30, 2016
Notes to the Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
(UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Share capital

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.

(j) 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.

(k) 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.

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Six months ended June 30, 2017 and June 30, 2016
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

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

(l) 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.

(m) Restoration, rehabilitation and environmental obligations:

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

As of June 30, 2017 the Company had no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

3. 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 or a deficit, which comprises share capital, reserves, accumulated other comprehensive loss and accumulated deficit, which at June 30, 2017 totalled \$5,084, (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 period.

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Six months ended June 30, 2017 and June 30, 2016
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4. 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 June 30, 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 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. Trade accounts receivable and other receivables consist of receivables from unrelated companies. Amounts receivable are in good standing as of June 30, 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 June 30, 2017, the Company had cash and cash equivalents of \$124,557, (December 31, 2016 - \$518,473) to settle trade accounts payable and accrued liabilities of \$133,791 (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. Management is continuing in its efforts to secure a financing and believes it will be successful.

(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.

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4. FINANCIAL RISK MANAGEMENT

Financial risk (continued)

(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.

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

5. ACCOUNTS RECEIVABLE

Accounts receivable includes sales tax recoverable of \$19,229 (2016-\$13,623).

6. EXPLORATION AND EVALUATION EXPENDITURES

	(1) 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 \$0.05, per share, plus cash of \$10,000.	-	-
Geological surveys	35,400	-	-	-
Property Totals at December 31, 2016	580,400	10,700,000	-	-
See table below for additions to June 30, 2017			2,900,000	37,864,285
Total	580,400	10,700,000	2,900,000	37,864,285

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6. EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)

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
4/5	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		

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6. EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)

(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:

<u>Date Completed By</u>	<u>Amount</u>
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. As of May 19, 2017 the Company terminated its option on the Shotgun Property having decided to focus its efforts primarily on other properties, with the focus directed to Cobalt and Lithium properties.

(2) The Silver Shadow Property

On February 1, 2017 the Company entered into an option agreement (the "Option Agreement") with Anstarg 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 Anstarg 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. (See Subsequent Events – note 10-1.)

(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. (See Subsequent Events – note 10-1.)

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6. EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)

(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, 2017, 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. (See Subsequent Events – note 10-1.)

(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 with historic bulk sampling of cobalt bearing mineralization.

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6. EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)

(8) The Helfrick Property (continued)

On March 13, 2017, the Company via contract claimstakers, staked an additional 2 claims totalling 12 units, (approximately 192 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 320 hectares in the area including the Helfrick Property patents. In addition, the patent claims also include the C. Beaudoin Cu, Au Property. A subsequent dispute over this staking is now being reviewed by the Lands Office of the Ontario Ministry of Northern Development Mines and Forestry.

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 (issued) and cash consideration of \$10,000(paid).

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.

7. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares

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7. SHARE CAPITAL (continued)

(b) Issued: common shares

	Number of shares	Amount
	#	\$
Balance at January 1, 2016	69,919,247	466,400
Balance at June 30, 2016	69,919,247	466,400
Non-brokered Private Placement	14,640,000	732,000
Mineral property rights	10,700,000	535,000
Balance at December 31, 2016	95,259,247	1,733,400
Share issued on options exercised	4,825,000	241,250
Mineral property rights	37,864,285	2,900,000
Balance at June 30, 2017	137,948,532	4,874,650

(i) 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 share purchase warrant. Each share purchase 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.

(ii) The Shotgun Property Option

On August 8, 2016 the Company issued 10,200,000 common shares to acquire the option on the Shotgun Property (see Note 6) and, in addition, a further 500,000 shares as a finder's fee for the property.

(iii) Share issued on options exercised

Options issued in 2015 and 2016 in the amount of 4,825,000 were exercised for \$241,250. (See Note c)

(iv) Various Property Options

The Company issued 37,864,285 common shares to acquire various property options. See the table at Note 6 for details of shares issued.

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7. SHARE CAPITAL (continued)

(c) Stock Options

The Company has a stock option plan ("the Plan") under which options to purchase common shares may be granted to officers, directors, employees and non-employees of the Company. The term of any options granted under the Plan will be fixed by the board of directors at the time such options are granted, provided that options will not be permitted to exceed a term of five years. The exercise price of any option granted under the Plan may not be less than fair market value of the common shares at the time the option is granted, less any permitted discount.

All options are non-transferable. The options are subject to earlier termination upon the termination of the optionee's employment, upon the optionee ceasing to be a director, officer, or consultant of the Company, or upon the retirement, permanent disability or death of an optionee.

Options were issued in the first quarter of 2017 to directors, officers and consultants of the Company as follows:

	# of options	Exercise price	Expiry date
Consultants	2,775,000	\$ 0.05	January 6, 2022
Directors	1,050,000	\$ 0.05	January 6, 2022
	3,825,000		

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 options has been estimated using the Black-Scholes option pricing model to be \$109,100, using the above assumptions.

All issued options are vested at the date they are granted. No options were issued in the 2016 year or in the second quarter of 2017.

The following table summarizes information about stock options outstanding and exercisable at June 30, 2017 and December 31, 2016:

	As at June 30,		As at December 31,	
	2017		2016	
	Number of options outstanding	Weighted average exercise price	Number of options outstanding	Weighted average exercise price
	#	\$	-	\$
Outstanding, beginning of the period	5,700,000	0.05	5,900,000	0.05
Granted during the period	3,825,000	0.05	-	-
Cancelled during the period	-	0.05	(200,000)	0.05
Exercised during the period	(4,825,000)	0.05	-	-
Outstanding, end of the period	4,700,000	0.05	5,700,000	0.05

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7. SHARE CAPITAL (continued)

(c) Stock Options (continued)

The number of common shares issuable under options and the average option prices per share are as follows:

Weighted Average Remaining Contractual Life	Fair Value of Options	Number of options and exercisable options	Exercise Price	Expiry date
Years	\$	#	\$	
1.7	20,900	2,700,000	0.05	19-Feb-19
3.6	109,100	2,000,000	0.05	6-Jan-22

(d) Warrants

	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
	June 30	June 30	December 31	December 31
	2017	2017	2016	2016
	#	\$	#	\$
Outstanding, beginning of period	15,375,200	0.05	-	-
Granted during period	-	-	15,375,200	0.05
Cancelled or expired during period	-	-	-	-
Outstanding, end of period	15,375,200	0.05	15,375,200	0.05

Expiry date ended	Exercise price	Number of warrants outstanding and exercisable	Black Scholes value
	\$	#	\$
December 7, 2018	0.05	15,375,200	122,834

8. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management personnel include executive officers and non-executive directors. The executive officers include the Chief Executive Officer, and the Chief Financial Officer. At this time executive officers are not paid a salary but participate in the Company's stock option program, in addition to the stock option plan, there are payments made for services supplied by the Chief Executive Officer by way of payments made to a wholly owned management company as consulting fees and directly to the Chief Financial Officer as professional fees. Non-executive directors also participate in the Company's stock option program. One of the non-executive directors is also legal counsel to the Company and receives fees for his services. To this end the Company issued stock options in 2014 valued at \$20,900 and in the first quarter of 2017 the Company issued 3,825,000 stock options valued at \$109,100 of which 1,050,000 were issued to some directors and officers. During the six months ended June 30, 2017, the Company owed 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.

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9. SEGMENTED INFORMATION

The Company's operations in the prior year comprised a single reporting operating segment engaged mainly in mineral exploration in Canada. As the operations were transitioning away from mineral exploration in that year with no definitive additional reporting segment, the company's activities were still reported as a single reporting segment. In order to determine reportable operating segments, the chief operating decision maker reviews various factors including nature of operations, geographical location, quantitative thresholds and managerial structure.

10. SUBSEQUENT EVENTS

1. On August 11, 2017 the claimholders' agent was notified of the return of the 3 Nevada Brine Properties back to the original claimholders. These properties include: the Columbus Property, the Silver Dawn Property and the Silver Shadow Property.
2. On August 5, 2017 the additional staking of a 6 unit claim contiguous to the Foster Marshall Property was completed.