

**Supreme Metals Corp.  
(An Exploration Stage Company)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTH PERIOD ENDED**

**MARCH 31, 2018 AND MARCH 31, 2017**

**(UNAUDITED)**

**(EXPRESSED IN CANADIAN DOLLARS)**

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**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)**  
**Interim Consolidated Statements of Financial Position**  
**(Unaudited)**

(Expressed in Canadian Dollars)

As at		March 31 2018	December 31 2017
	Note	\$	\$
<b>ASSETS</b>			
Current			
Cash		346,893	68,140
Sales tax recoverable		11,362	26,852
Prepaid expenses		6,723	1,681
		<b>364,978</b>	<b>96,673</b>
<b>LIABILITIES</b>			
Current			
Funds received from current private placement	7	250,000	-
Accounts payable and accrued liabilities		150,469	184,147
		<b>400,469</b>	<b>184,147</b>
<b>Shareholders' Equity (Deficit)</b>			
Share Capital	7	4,904,799	4,805,999
Share based payments reserve	7	15,950	15,950
Valuation of warrants issued	7	115,037	122,834
Deficit		(5,071,277)	(5,032,257)
		<b>(35,491)</b>	<b>(87,474)</b>
<b>Total liabilities and equity</b>		<b>364,978</b>	<b>96,673</b>
<b>Nature of operations and continuance of business</b>	<b>1</b>		
<b>Subsequents events</b>	<b>11</b>		

Approved on behalf of the Board:

Signed: "Robert Komarechka"  
 Director

Signed: "Brendan Purdy"  
 Director

The accompanying notes are integral to these interim consolidated financial statements

**Supreme Metals Corp.**  
**(An Exploration Stage Company)**  
**Interim Consolidated Statements of Loss and Comprehensive Loss**  
**(Unaudited)**  
(Expressed in Canadian Dollars)

	<b>Three month period ended</b>	
	<b>March 31</b>	
	<b>2018</b>	<b>2017</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>EXPENSES</b>		
Exploration and evaluation expenditures	23,930	3,143,833
Travel	8,662	6,288
Transfer agent and filing fees	5,440	5,651
Professional fees	4,306	13,306
Consulting fees	2,500	15,779
Insurance	1,681	1,841
Office and general	225	1,210
Bank charges and interest	73	233
Marketing	-	227,203
Option compensation value	-	109,100
<b>Total Expenses</b>	<b>46,817</b>	<b>3,524,444</b>
<b>Net loss and comprehensive loss for the period</b>	<b>(46,817)</b>	<b>(3,524,444)</b>
<b>Weighted average number of outstanding common shares</b>	<b>138,629,154</b>	<b>95,259,247</b>
<b>Net Loss per common share - basic and diluted</b>	<b>(0.00)</b>	<b>(0.04)</b>

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**Supreme Metals Corp.**  
**(An Exploration Stage Company)**  
**Interim Consolidated Statements of Changes in Equity**  
**(Unaudited)**

(Expressed in Canadian Dollars)

	Number of shares	Amount	Reserves			Total		
			#	\$	\$		\$	\$
<b>Balance at January 1, 2017</b>	<b>95,259,247</b>	<b>1,560,682</b>	<b>20,900</b>	<b>122,834</b>	<b>(1,367,675)</b>	<b>336,741</b>		
Share issued on options exercised	4,825,000	345,317	(104,067)	-	-	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					(3,524,444)	(3,524,444)		
<b>Balance at March 31, 2017</b>	<b>137,948,532</b>	<b>4,805,999</b>	<b>25,933</b>	<b>122,834</b>	<b>(4,892,119)</b>	<b>62,647</b>		
Valuation of options cancelled	-	-	(9,983)	-	9,983	-		
Loss for the period	-	-	-	-	(150,121)	(150,121)		
<b>Balance at December 31, 2017</b>	<b>137,948,532</b>	<b>4,805,999</b>	<b>15,950</b>	<b>122,834</b>	<b>(5,032,257)</b>	<b>(87,474)</b>		
Shares issued on warrants exercised	976,000	48,800	-	(7,797)	7,797	48,800		
Shares issued from private placement in 2015	1,000,000	50,000	-	-	-	50,000		
Loss for the period	-	-	-	-	(46,817)	(46,817)		
<b>Balance at March 31, 2018</b>	<b>139,924,532</b>	<b>4,904,799</b>	<b>15,950</b>	<b>115,037</b>	<b>(5,071,277)</b>	<b>(35,491)</b>		

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**Supreme Metals Corp.**  
**(An Exploration Stage Company)**  
**Interim Consolidated Statements of Cash Flows**  
**(Unaudited)**

(Expressed in Canadian Dollars)

	<b>Three month period ended</b>	
	<b>March 31</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>CASH (USED IN) PROVIDED BY :</b>		
<b>Operating activities</b>		
Net loss for the period	(46,817)	(3,524,444)
Adjustment for:		
Exploration and evaluation expenditures	-	2,900,000
Option compensation value	-	109,100
	<u>(46,817)</u>	<u>(515,344)</u>
Net change in non-cash working capital		
Changes in operating assets and operating liabilities:		
(Increase) in prepaid expenses	(5,042)	(4,657)
(Increase)decrease in sales tax recoverable	15,490	(3,303)
Increase(decrease) in accounts payable and accrued liabilities	(33,678)	(16,533)
<b>Net cash used in operating activities</b>	<u>(70,047)</u>	<u>(539,837)</u>
<b>Financing activities</b>		
Shares issued on options exercised	-	241,250
Shares issued on warrants exercised	48,800	-
Shares issued from prior private placement	50,000	-
Shares to be issued from private placement	250,000	-
<b>Net cash provided by financing activities</b>	<u>348,800</u>	<u>241,250</u>
<b>Increase (decrease) in cash</b>	278,753	(298,587)
<b>Cash, beginning of period</b>	68,140	518,473
<b>Cash, end of period</b>	<u>346,893</u>	<u>219,886</u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES :</b>		
Shares issued for exploration and evaluation expenditures	-	2,900,000

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**Supreme Metals Corp.**  
**(An Exploration Stage Company)**  
**Three months ended March 31, 2018 and March 31, 2017**  
**Notes to the Interim Consolidated Financial Statements**  
**(Unaudited)**

(Expressed in Canadian Dollars)

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Supreme Metals Corp., the ("Company"), is engaged in the acquisition, exploration and development of natural resource properties with a focused approach in the area of green and energy metals.

The Company's head office is located at 545 Granite Street, Sudbury, Ontario P3C 2P4. The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "ABJ". In addition, on January 31, 2017 the Company's shares were accepted for continuous trading on the electronic trading platform XETRA (R) on the Frankfurt Exchange under the ticker symbol A68.

Supreme Metals Corp. is at an early stage of acquisition, exploration and development of natural resource properties and as is common with many small companies, it raises financing for its exploration and acquisition activities in discrete tranches. The Company has a working capital deficit of \$35,941 (December 31, 2017 – deficit of \$87,474) at March 31, 2018. For the period ended March 31, 2018, the Company had a net loss and comprehensive loss of \$46,817 (December 31, 2017- \$3,674,565) and had cash outflows from operations of \$70,047 (2017 - \$691,583). These circumstances cast significant doubt about the Company's ability to continue as a going concern and, accordingly, the ultimate use of accounting principles applicable to a going concern.

The Company's ability to continue as a going concern is dependent upon obtaining additional financing and eventually achieving profitable production in the future. The Company is currently evaluating various options in order to address its financing needs. There can be no assurance that the Company's financing activities will continue to be successful or sufficient.

Longer term, the Company may pursue opportunities to raise additional capital through equity markets; however, there can be no assurance it will be able to raise funds in the future. The ultimate ability of the Company to remain a going concern and complete exploration and development of properties, if properties are proven successful, is dependent upon successfully raising additional capital.

These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets, liabilities and reported expenses should the Company be unable to continue as a going concern. These adjustments could be material.

**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"), effective for the Company's reporting for the three month period ended March 31, 2018 and the year ended December 31, 2017. These interim consolidated financial statements were approved and authorized for issuance by the Board of directors on May 29, 2018.

**Supreme Metals Corp.**  
**(An Exploration Stage Company)**  
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(Expressed in Canadian Dollars)

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(b) Basis of presentation*

These interim consolidated 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 (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.

*(d) Functional and presentation currency*

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

*(e) Use of estimates and judgements*

The preparation of the interim consolidated 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.

1. Critical judgements exercised by management in applying accounting policies that have the most significant effect on the amounts presented in these consolidated financial statements are as follows:
  - i) Functional currency – The assessment of the Company's functional currency and the functional currency of its subsidiaries involves judgment regarding the primary economic environment the Company and its wholly-owned subsidiary operates in.
  - ii) Going concern – The assessment of the Company's ability to continue as a going concern involves judgement regarding future funding available for its operations and working capital requirements as discussed in note 1.
2. Critical accounting estimates
  - 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.

**Supreme Metals Corp.**  
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**Three months ended March 31, 2018 and March 31, 2017**  
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(Expressed in Canadian Dollars)

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(e) Use of estimates and judgements (continued)*

2. Critical accounting estimates (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.

Financial assets:

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value. Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("FVTPL") which are measured at fair value through profit or loss, 'available-for-sale' financial assets which are measured at fair value through comprehensive income, 'held-to-maturity investments' and 'loans and receivables' which are measured at amortized cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.



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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(f) Financial instruments (continued)*

Financial liabilities:

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

The Company's financial instruments consist of the following:

Financial Assets:	Classification:
Cash	FVTPL
Accounts receivable	Loans and receivables
Financial Liabilities:	Classification:
Amounts payable and other liabilities	Other financial liabilities

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 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.

Other financial liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets:

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 negatively impacted. Evidence of impairment could include:

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

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account 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.

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 income or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed, does not exceed what the amortized cost would have been had the impairment not been recognized.

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(f) Financial instruments (continued)*

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

*(g) Exploration and evaluation expenditures*

The Company expenses exploration and evaluation expenditures as incurred. 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.

*(h) Share-based payment transactions*

The fair value of stock options granted to employees and non-employees is recognized as an expense over the vesting period with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

*(i) Decommissioning liability*

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the Company's exploration and evaluation activities. Discount rates using a pre-tax rate that reflects the risk and the time value of money are used to calculate the net present value. These costs are charged against profit or loss as exploration and evaluation expenditures and 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. The Company has no restoration, rehabilitation and environment costs as at March 31, 2018 and December 31, 2017.

*(j) 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.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The Company has no material provisions at March 31, 2018 and December 31, 2017.

**Supreme Metals Corp.**  
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**Three months ended March 31, 2018 and March 31, 2017**  
**Notes to the Interim Consolidated Financial Statements**  
**(Unaudited)**

(Expressed in Canadian Dollars)

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(k) Share capital*

i) 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.

*(l) 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.

*(m) Loss per share*

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year.

*(n) Related party transactions*

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

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(o) Segment reporting*

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

*(p) New standards and interpretations not yet adopted*

- (i) IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 and will replace IAS 39 - Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. 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. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In October 2010, the IASB added requirements for financial liabilities to IFRS 9. These requirements were largely carried forward from the existing requirements in IAS 39, however, fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

In November 2013, the IASB amended IFRS 9 to include a new general hedge accounting model. The amendment also removed the January 1, 2015 effective date.

In July 2014, the IASB issued the final version IFRS 9 that supersedes the requirements of earlier versions of the standard. The new standard will replace both IAS 39 and IFRIC 9 - Reassessment of Embedded Derivatives. The standard will retain the classification and measurements requirements and new hedge accounting model introduced by the previous versions while introducing a single forward-looking expected credit loss impairment model. The final version of this new standard is effective for annual periods beginning on or after January 1, 2018. However, an entity may elect to apply the earlier versions of this new standard to annual periods beginning before January 1, 2018 if, and only if, its initial application date is before February 1, 2015. The Company is still in the process of assessing the impact of this pronouncement.

- (ii) IFRS 16 Leases (New) - In January 2016, the IASB issued a new IFRS on lease accounting which was incorporated into Part I of the CPA Canada Handbook – Accounting by the ACSB in June 2016. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lease assets and liabilities are initially recognized on a present value basis and subsequently, similarly to other non-financial assets and financial liabilities, respectively. The lessor accounting requirements are substantially unchanged and, accordingly, continue to require classification and measurement as either operating or finance leases. The new standard also introduces detailed disclosure requirements for both the lessee and lessor. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers. The Company is in the process of assessing the impact of the new standard on its results of operations, financial position and disclosures.

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### **3. CAPITAL RISK MANAGEMENT**

The Company includes equity, comprising issued share capital and deficit, in the definition of capital, which as at March 31, 2018 was a deficit of \$35,491 (December 31, 2017, totaled deficit -\$87,474).

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its exploration commitments. To secure the additional capital necessary to continue with the exploration of mineral properties, the Company may attempt to raise additional funds through the issuance of debt or equity. The Company is not subject to any capital requirements imposed by a lending institution.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares and adjusting capital spending. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

There were no changes in the Company's process, policies and approach to capital management during the period ended March 31, 2018 and December 31, 2017.

### **4. FINANCIAL INSTRUMENTS AND RISK FACTORS**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and price 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 and amounts receivable. Cash is held with a Canadian chartered bank, from which management believes the risk of loss to be minimal.

Amounts receivable consists of sales tax receivable from government authorities in Canada. Amounts receivable are in good standing as of March 31, 2018. 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, 2018, the Company had cash and cash equivalents of \$346,893, (December 31, 2017 - \$68,140) to settle trade accounts payable and accrued liabilities of \$150,469, (December 31, 2017 - \$184,147), 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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**3. FINANCIAL RISK MANAGEMENT (continued)**

iv) Financial risk

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.

Foreign currency risk

The Company's functional and presentation currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company at the present time does not have any foreign currency balances subject to foreign currency risk.

v) 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:

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. FAIR VALUE MEASUREMENTS**

In reference to note 2(b), assets and liabilities measured at fair value on a recurring basis and categories of financial instruments are as follows:

a) Assets and liabilities measured at fair value on a recurring basis:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Aggregate fair value
As at March 31, 2018				
Cash	\$ 346,893	\$ -	\$ -	\$ 346,893
As at December 31, 2017				
Cash	\$ 68,140	\$ -	\$ -	\$ 68,140

b) Categories of financial instruments:

	March 31 2018 Carrying amount	December 31 2017 Carrying amount
Financial assets		
Cash	\$ 346,893	\$ 68,140
Sales tax recoverable	11,362	26,852
	<u>\$ 358,255</u>	<u>\$ 94,992</u>
Financial liabilities		
Accounts payable and accrued liabilities	\$ 150,469	\$ 184,147
	<u>\$ 150,469</u>	<u>\$ 184,147</u>

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**5. FAIR VALUE MEASUREMENTS (continued)**

The Company has not offset financial assets with financial liabilities.

The carrying value of the Company's amounts receivable, amounts payable and other liabilities approximates fair value due to their short-term maturity.

**6. EXPLORATION AND EVALUATION EXPENDITURES**

The Company's exploration and evaluation expenditures are mainly related to the acquisition of various property rights and finders fees. Many of these property rights were either terminated or returned to the original claim holders as the Company decided against further expenditures on these properties. The exploration and evaluation expenditures are summarized as follows:

	2018	2017
	\$	\$
Property purchases - issue of shares	-	2,717,500
Property purchases - finders fees	-	182,500
Property purchases - cash payments	-	230,000
Staking	-	3,000
General exploration expenditures	23,930	7,833
	<u>23,930</u>	<u>3,140,833</u>

**2017 Exploration and evaluation expenditures**

**(1) 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 paid \$20,000 and issued 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.

**(2) 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. On August 5, 2017 the additional staking of a 6 unit claim contiguous to the Foster Marshall Property was completed by the Company. This additional six unit claim is 100% owned by the Company and has no associated royalty.

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**6. EXPLORATION AND EVALUATION EXPENDITURES (continued)**

**(3) 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. On August 11, 2017 the claim holders' agent was notified of the return of the 3 Nevada Brine Properties back to the original claimholders. These properties included: the Columbus Property, the Silver Dawn Property and the Silver Shadow Property.

**(4) 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. 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 included: the Columbus Property, the Silver Dawn Property and the Silver Shadow Property.

**(5) 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. On August 11, 2017 the claim holders' agent was notified of the return of the 3 Nevada Brine Properties back to the original claimholders. These properties included: the Columbus Property, the Silver Dawn Property and the Silver Shadow Property.

**(6) 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 (paid) 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. In February 2018, the Company technically allowed the Bloom Lake East Claims to expire but was able to make a payment to the Newfoundland government to extend the time for submission of assessment work.



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**6. EXPLORATION AND EVALUATION EXPENDITURES (continued)**

**(7) The Helfrick Property**

On March 8, 2017 the Company entered into an agreement of purchase and sale (the "Helfrick Property Option Agreement") with Otter Minerals Ltd (the "Vendors") providing for the acquisition of an option to purchase 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 of 8 units covering approximately 128 hectares with historic bulk sampling of cobalt bearing mineralization. Pursuant to the agreement the Company issued 9,000,000 common shares and paid \$10,000 to the Vendors.

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. Subsequent to year end the company elected not to continue with the option and the agreement was terminated.

**7. SHARE CAPITAL**

- (a) **Authorized:** Unlimited number of common shares
- (b) **Issued** : Common shares

	Note	Number of shares	Amount
		#	\$
<b>Balance at January 1, 2017</b>		95,259,247	1,560,682
Exploration and evaluation expenditures	(i)	37,864,285	2,900,000
Share issued on options exercised	(ii)	4,825,000	345,317
<b>Balance at March 31, 2017</b>		<b>137,948,532</b>	<b>4,805,999</b>
<b>Balance at December 31, 2017</b>		<b>137,948,532</b>	<b>4,805,999</b>
Shares issued from private placement - 2017	(iii)	1,000,000	50,000
Shares issued on warrants exercised	(iv)	976,000	48,800
<b>Balance at March 31, 2018</b>		<b>139,924,532</b>	<b>4,904,799</b>

(i) Exploration and evaluation expenditures

In 2017, the Company issued 36,000,000 common shares to acquire mineral property rights and 1,864,285 common shares for finders fees related to those purchases.

(ii) Share issued on options exercised

Options issued in 2015 and 2016 in the amount of 4,825,000 were exercised for \$241,250(cash) and a share based payments reserve valuation of \$104,067 (See Note c).

(iii) Funds were received in 2017 in advance of these funds to be invested in a private placement. The shares from that investment were not issued until this quarter in 2018 when the private placement was completed.

(iv) Warrants were exercised in this quarter for 976,000 common shares with a value \$48,800.

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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 second or third quarters of 2017 or in the first quarter of 2018.

The following table summarizes information about stock options outstanding and exercisable at March 31, 2018 and December 31, 2017:

	As at March 31,			As at December 31,		
	2018			2017		
	Number of options outstanding	Weighted average exercise price	Black Scholes Valuation	Number of options outstanding	Weighted average exercise price	Black Scholes Valuation
	#	\$	\$	#	\$	\$
Outstanding, beginning of the period	4,350,000	0.05	15,950	5,700,000	0.05	20,900
Granted in the period	-	-	-	3,825,000	0.05	109,100
Exercised in the period	-	-	-	(3,475,000)	0.05	(99,117)
Exercised in the period	-	-	-	(1,350,000)	0.05	(4,950)
Cancelled	-	-	-	(350,000)	0.05	(9,983)
Outstanding, end of the period	4,350,000	0.05	15,950	4,350,000	0.05	15,950

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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	\$	#	\$	
1.125	15,950	4,350,000	0.05	19-Feb-19

**(d) Warrants**

	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
	March 31	March 31	December 31	December 31
	2018	2018	2017	2017
	#	\$	#	\$
Outstanding, beginning of year	15,375,200	0.05	15,375,200	0.05
Granted during period	-	-	-	-
Exercised during the period	(976,000)	(0.05)	-	-
Cancelled or expired during year	-	-	-	-
Outstanding, end of year	14,399,200	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	14,399,200	115,037

**8. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION**

Note	2018	2017	
	\$	\$	
Consulting fees :			
1	Paid to Chief Executive Officer	-	22,900
2	Paid to current Chief Financial Officer	2,500	10,500
Legal Fees :			
3	Paid to a director	-	35,003
Accounts payable :			
	Payable to Chief Executive Officer for consulting fees	-	6,260
	Payable to current Chief Financial Officer consulting fees	13,000	10,500
	Payable to a director for legal fees	-	5,000

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**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. Non-executive directors also participate in the Company's stock option program. The Company issued stock options in the first quarter of 2017 of 3,825,000 stock options valued at \$109,100 of which 1,050,000 were issued to some directors and officers.

1. 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.
2. Payments are made directly to the Chief Financial Officer as consulting fees.
3. One of the non-executive directors is also legal counsel to the Company and receives fees for his services.

During the period ended March 31, 2018 and the year ended December 31, 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.

**9. SEGMENTED INFORMATION**

The Company's operations in the prior year comprised a single reporting operating segment engaged mainly in mineral exploration. 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. NET LOSS PER COMMON SHARE**

The calculation of basic and diluted loss per share for the three month period ended March 31, 2018 was based on the loss attributable to common shareholders of \$46,817 (year ended December 31, 2017 - loss of \$3,674,565) and the weighted average number of common shares outstanding of 138,629,154 (year ended December 31, 2017 - 134,256,270). Diluted loss per share did not include the effect of the stock options and warrants as they are anti-dilutive.

**11. SUBSEQUENT EVENTS**

a) Private Placement

On March 21, 2018, the Company announced its intention to complete a non-brokered private placement (the "Offering") for gross proceeds of up to CDN \$2,000,000. Pursuant to the Offering, Supreme intends to issue up to 40,000,000 units of the Company (the "Units") at a price of \$0.05 per Unit. Each Unit will consist of one common share of the Company (each a "Common Share") and one Common Share purchase warrant (each a "Warrant"). Each Warrant shall entitle the holder thereof to purchase one additional Common Share at an exercise price of \$0.075 for a period of 24 months following the closing of the Offering. The completion of the Offering is subject to regulatory approval. The securities being issued in the private placement will be subject to a four-month hold period in accordance with applicable Canadian securities laws. The Corporation intends to use the net proceeds for general working capital and for further development of its exploration projects.

On March 28, 2018, the Company announced that it had closed the first tranche of its non-brokered private placement (the "First Tranche") described above. Pursuant to the First Tranche, a total of 24,000,000 units (the "Units") were issued at a price of \$0.05 per Unit for gross proceeds of \$1,200,000. Funds were received but the actual closing was not completed until the second quarter of 2018, the applicable shares and warrants were issued in the second quarter of 2018.

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**11. SUBSEQUENT EVENTS (continued)**

a) Private Placement (continued)

On April 17, 2018 the Company announced that it had closed the second and final tranche (the "Second Tranche") of its non-brokered private placement previously announced on March 21, 2018 (the "Offering"). Pursuant to the Second Tranche, a total of 16,000,000 units (the "Units") were issued at a price of \$0.05 per Unit for gross proceeds of \$800,000. Each Unit is comprised of one common share of the Company (each a "Common Share") and one Common Share purchase warrant (each a "Warrant"). Each Warrant shall entitle the holder thereof to purchase one additional Common Share at an exercise price of \$0.075 for a period of 24 months following the closing of the Offering. Following the close of the Second Tranche, the Company closed fully subscribed for aggregate gross proceeds of \$2 million pursuant to the Offering. All securities issued pursuant to the Second Tranche, including the Common Shares underlying the Warrants, are subject to a statutory hold period which will expire on August 14, 2018. The Company intends to use the net proceeds for general working capital and for further development of its exploration projects.

b) Option of Non-Core Properties

The Company announced, on April 17, 2018, that it had entered into two separate option agreements (the "Agreements") with American Cobalt Corp., a wholly owned subsidiary of International Cobalt Corp. (CSE:CO), for its Foster Marshall Project and Mount Thom Project (collectively known as the "Projects"). Pursuant to the Agreements, American Cobalt can acquire up to an 80% interest in each Project by making an initial payment of \$87,500 and reaching certain development milestones. American Cobalt will have the option to earn an initial sixty percent (60%) interest in any of the Projects by funding exploration to reach an NI 43-101 compliant resource estimate, based on no less than \$100,000 of exploration expenditure by American, within sixty (60) months of signing of the Agreements. American Cobalt will have the right to earn a further twenty percent (20%) interest and any of the Projects by completing a Preliminary Economic Assessment (PEA) within twenty-four (24) months of completing the initial resource estimate. Each of the Projects is subject to a 1.5% NSR in favor of a third party.