

**NSS RESOURCES INC.**

**FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

**For the three months ended September 30, 2017 and 2016**

**NSS Resources Inc.**

*(an exploration stage company)*

**Index to Financial Statements**

**September 30, 2017**

---

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Comprehensive Loss	3
Statements of Changes in Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6-20

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim 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 Professional Accountants for a review of interim financial statements by an entity's auditor.**

**NSS Resources Inc.**  
(an exploration stage company)

**STATEMENT OF FINANCIAL POSITION**  
(Expressed in Canadian dollars)

	September 30	June 30
	<b>2017</b>	<b>2017</b>
	Unaudited	audited
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 3,247	\$ 9,115
Interest receivable	59	59
Goods and services tax recoverable	4,762	4,701
	8,068	13,875
PROPERTY , PLANT AND EQUIPMENT	810	810
EXPLORATION AND EVALUATION ASSETS (Note 5)	-	-
	\$ 8,878	\$ 14,685
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 2,914	\$ 2,914
	2,914	2,914
<b>EQUITY</b>		
SHARE CAPITAL (Note 6)	394,926	394,926
SHARE-BASED PAYMENTS RESERVE	51,651	51,651
ACCUMULATED DEFICIT	(440,613)	(434,806)
	5,964	11,771
	\$ 8,878	\$ 14,685

Going concern of operations (Note 2c)

Approved on behalf of the Board of Directors:

“Jag Sandhu”

“Paul Grewal”

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

The accompanying notes are an integral part of these financial statements

**NSS Resources Inc.**  
(an exploration stage company)

**STATEMENT OF COMPREHENSIVE LOSS**

(Expressed in Canadian dollars)

	Three months ended September 30, <b>2017</b>	Three months ended September 30, <b>2016</b>
	Unaudited	Unaudited
Expenses		
Advertising and promotion	\$ -	\$ -
Consulting fees (Note 8)	-	15,000
Fees and filings	5,807	-
Field expenses	-	-
Meals and entertainment	-	-
Office and miscellaneous	-	54
Professional fees	-	753
Rent	-	-
	<b>5,807</b>	<b>16,888</b>
Other income: interest	-	(53)
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>\$ (5,807)</b>	<b>\$ (16,941)</b>
<b>LOSS PER SHARE – basic and diluted</b>	<b>\$ 0.0005</b>	<b>\$ 0.001</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – basic and diluted</b>	<b>11,226,563</b>	<b>11,225,001</b>

The accompanying notes are an integral part of these financial statements

**NSS Resources Inc.**  
(an exploration stage company)

**STATEMENTS OF CHANGES IN EQUITY**

	Share Capital		Share- Based Payments Reserve	Accumulated Deficit	Total
	Shares	Amount			
<b>Balance – June 30, 2017</b>	<b>11,367,501</b>	<b>\$ 394,926</b>	<b>\$ 51,651</b>	<b>\$ (434,806)</b>	<b>\$ 11,771</b>
Shares issued for cash	-	-	-	-	-
Grant of options	-	-	-	-	-
Share issue costs	-	-	-	-	-
Net loss for the period	-	-	-	(5,807)	(5,807)
<b>Balance – September 30, 2017</b>	<b>11,367,501</b>	<b>\$ 394,926</b>	<b>\$ 51,651</b>	<b>\$ (440,613)</b>	<b>\$ 5,964</b>

	Share Capital		Share- Based Payments Reserve	Accumulated Deficit	Total
	Shares	Amount			
<b>Balance – June 30, 2016</b>	<b>11,225,001</b>	<b>\$ 386,376</b>	<b>\$ 21,901</b>	<b>\$ (252,992)</b>	<b>\$ 155,285</b>
Shares issued for cash	-	-	-	-	-
Grant options	-	-	-	-	-
Share issue costs	-	-	-	-	-
Net loss for the period	-	-	-	(16,941)	(16,941)
<b>Balance – September 30, 2016</b>	<b>11,225,001</b>	<b>\$ 386,376</b>	<b>\$ 21,901</b>	<b>\$ (269,933)</b>	<b>\$ 138,344</b>

The accompanying notes are an integral part of these financial statements

**NSS Resources Inc.**  
(an exploration stage company)

**STATEMENT OF CASH FLOWS**

(Expressed in Canadian dollars)

	Three month ended September 30 2017	Three month ended September 30 2016
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (5,807)	\$ (16,941)
Item not affecting cash:		
Share-based payments	-	-
Amortization	-	81
Change in non-cash working capital:		
Interest receivable	-	151
Goods and services tax recoverable	(61)	(1,037)
Accounts payable and accrued liabilities	-	(4,526)
	<u>(5,868)</u>	<u>(22,272)</u>
Cash flow used by operating activities		
	<u>(5,868)</u>	<u>(22,272)</u>
<b>INVESTING ACTIVITY</b>		
Exploration and evaluation expenditures	-	-
	<u>-</u>	<u>-</u>
<b>FINANCING ACTIVITIES</b>		
Due to (from) related parties	-	-
Issuance of share capital	-	-
	<u>-</u>	<u>-</u>
Cash flow from financing activities	-	-
	<u>-</u>	<u>-</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(5,868)</b>	<b>(22,272)</b>
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b>	<b>9,115</b>	<b>96,258</b>
	<u>9,115</u>	<u>96,258</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<b>\$ 3,247</b>	<b>\$ 73,986</b>
	<u>\$ 3,247</u>	<u>\$ 73,986</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest received	\$ -	\$ 98
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS**  
**Expressed in Canadian Dollars**  
**For the quarter ended September 30, 2017**

---

## 1. CORPORATE INFORMATION

NSS Resources Inc.'s business activity is the exploration and evaluation of mineral properties in British Columbia, Canada. NSS Resources Inc. (the "Company") was incorporated under the Business Corporations Act of British Columbia on March 28, 2012.

The address of the Company's registered and records office is located at 409 – 221 West Esplanade Street, North Vancouver, BC V7M 3J3 and the principal place of business is Suite 206, 595 Howe Street, Vancouver, British Columbia, V6C 2T5 Canada.

## 2. BASIS OF PREPARATION

### a) Statement of Compliance

The Company's condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34") condensed interim financial statements do not include all of the information required for annual financial statements. These condensed interim financial statements should be read in conjunction with the Company's audited financial statement for the year ended June 30, 2017 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards board ("IASB").

These financial statements have been prepared in accordance and compliance with International financial reporting Standards ("IFRS") as issued by the International accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements were authorized for issue by the Board of Directors on October 10, 2017.

### b) Basis of Measurement

The financial statements have been prepared on a historical cost basis except for financial instruments classified as financial assets or liabilities at fair value through profit or loss and available-for-sale financial assets which are presented at their fair value. These financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The financial statements are presented in Canadian dollars, which is also the Company's functional currency. The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

### c) Going Concern of Operations

The Company has not generated revenue from operations. The Company incurred a comprehensive loss of \$5,807 during the quarter ended September 30, 2017 (2016: \$22,272) and as of that date, the Company's accumulated deficit was \$440,613. The Company intends to raise further financing through private placements.

These financial statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful thus far in doing so, there is no assurance it will be able to do so in the future. These material uncertainties raise significant doubt about the Company's ability to continue as

NOTES TO THE FINANCIAL STATEMENTS  
Expressed in Canadian Dollars  
For the quarter ended September 30, 2017

---

a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held on call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. At September 30, 2017, the Company held cash and cash equivalents.

#### b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	55%	diminishing method
--------------------	-----	--------------------

The company regularly reviews its property, plant and equipment to eliminate obsolete items.

#### c) Mineral Exploration and Evaluation Expenditures

##### Pre-exploration Costs

Pre-exploration costs are expensed in the period in which they are incurred.

##### Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

NOTES TO THE FINANCIAL STATEMENTS  
Expressed in Canadian Dollars  
For the quarter ended September 30, 2017

---

d) **Impairment of Non-Financial Assets**

Impairment tests on intangible assets with indefinite useful economic lives are undertaken at least annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets to which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to the profit or loss, except to the extent the impairment loss reverses gains previously recognized in other comprehensive loss/income.

e) **Financial Instruments**

**Financial Assets**

Financial assets are classified and subsequently measured, based on the purpose for which the asset was acquired, as presented below. All transactions related to financial instruments are recorded on a trade date basis.

**Financial assets at fair value through profit or loss ("FVTPL")**

FVTPL assets are initially measured at fair value without transaction costs, and subsequent gains or losses are recognized in profit or loss.

**Loans and Receivables**

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

**Held-to-Maturity Investments**

Held-to-maturity investments are measured at amortized cost.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Expressed in Canadian Dollars**  
**For the quarter ended September 30, 2017**

---

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

e) **Financial Instruments**

**Available-For-Sale Investments**

Non-derivative financial assets not included in the above categories are classified as available-for-sale. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

Purchases and sales of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

**Impairment of Financial Assets**

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

**Financial Liabilities**

Financial liabilities are classified as other financial liabilities or financial liabilities at FVTPL, based on the purpose for which the liability was incurred.

**Other Financial Liabilities**

These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried on the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

**Financial Liabilities at FVTPL**

FVTPL liabilities are initially measured at fair value without transaction costs, and subsequent gains or losses are recognized in profit or loss.

**Classification**

<b>Financial Instruments</b>	<b>Classification</b>	<b>Subsequent Measurement</b>
Cash and cash equivalents	Loans and receivables	Amortized cost
Interest receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to a related party	Other financial liabilities	Amortized cost

NOTES TO THE FINANCIAL STATEMENTS  
Expressed in Canadian Dollars  
For the quarter ended September 30, 2017

---

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f) Provisions**

**Rehabilitation Provision**

The Company is subject to various government laws and regulations relating to environmental disturbances caused by its exploration and evaluation activities. The Company records the present value of the estimated costs of legal or constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

**Other Provisions**

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

**g) Income Taxes**

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

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS  
Expressed in Canadian Dollars  
For the quarter ended September 30, 2017

---

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**h) Share Capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**i) Earnings / Loss per Share**

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

**j) Share-based Payments**

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of the Black Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are reflected in reserve for share-based payments, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserve for share-based payments is credited to share capital, adjusted for any consideration paid. Amounts for unexercised options remain in reserve for share-based payments upon their expiry.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Expressed in Canadian Dollars**  
**For the quarter ended September 30, 2017**

---

**j) Share-based Payments (continued)**

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

NOTES TO THE FINANCIAL STATEMENTS  
Expressed in Canadian Dollars  
For the quarter ended September 30, 2017

---

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**k) Standards, Amendments and Interpretations Not Yet Effective**

The International Accounting Standards Board has issued new and amended standards and interpretations which have not yet been adopted by the Company. The Company has not yet begun the process of assessing the impact that the new and amended standards and interpretations will have on its financial statements or whether to early adopt any of the new requirements. The following is a brief summary of the new and amended standards and interpretations:

IFRS 9 – ‘Financial Instruments’

The effective date of this standard is for annual periods beginning on or after January 1, 2018. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortized cost or fair value. To be classified and measured at amortized cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognized in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any ‘recycling’ of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with IAS 39, with one exception, being that the portion of a change of fair value relating to the entity’s own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch.

IFRS 15 Revenue from Contracts with Customers

Provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. This standard is effective for reporting periods beginning on or after January 1, 2018.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Expressed in Canadian Dollars**  
**For the quarter ended September 30, 2017**

---

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Estimates have been applied in the following areas:

**a) Rehabilitation Provisions**

No rehabilitation provisions have been created based on the Company's activity to date. Based upon the prevailing economic environment, assumptions will be made which management believes are reasonable upon which to estimate the future liability. These estimates will take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

The areas in which the Company has exercised critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

**a) Exploration and Evaluation Expenditures**

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure has been capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off to the profit or loss in the period the new information becomes available.

**b) Title to Mineral Property Interests**

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

NOTES TO THE FINANCIAL STATEMENTS  
Expressed in Canadian Dollars  
For the quarter ended September 30, 2017

---

**c) Income Taxes**

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

**5. EXPLORATION AND EVALUATION ASSETS**

Balance at June 30, 2015	\$	38,449
Field expenses		<u>18,629</u>
Balance at June 30, 2016		57,078
Claim lapsed		<u>(57,078)</u>
Balance at June 30, 2017	\$	<u>-</u>

In April 2014, the Company acquired a 100% interest by staking the Seneca mineral claims located near Harrison Hot Springs, British Columbia, Canada.

Pursuant to a finder's fee agreement, the Company granted a 2% net smelter return royalty to Asante Gold Corporation, a company related by common director, on production from the current Seneca claims, and from any additional interests in minerals or land acquired by the Company located within 5 km of these claims.

During the year, the land claims lapsed. Accordingly, the company wrote off \$57,078 of capitalized costs.

NOTES TO THE FINANCIAL STATEMENTS  
Expressed in Canadian Dollars  
For the quarter ended September 30, 2017

---

6. SHARE CAPITAL

a) Common Shares

The Company is authorized to issue an unlimited number of common shares.

The holders of common shares will be entitled to receive dividends which will be declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

The following is a summary of common share capital issuances for the years ended June 30, 2017 and 2016:

	Number of Shares	Issue Price	Amount
<b>Balance at June 30, 2015 and 2016</b>	11,225,001	\$	386,376
Shares issued for debt settlement	142,500	\$ 0.06	8,550
<b>Balance at June 30, 2017</b>	<b>11,367,501</b>	<b>\$</b>	<b>394,926</b>

During the year, the Company issued 142,500 common shares with a fair value of \$0.06 per share for the settlement of debt in the amount of \$8,550.

As at September 30, 2017, 1,020,001 shares were held in escrow and 1/3 will be released in 6 months intervals ending December 2017.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Expressed in Canadian Dollars**  
**For the quarter ended September 30, 2017**

**6. SHARE CAPITAL (CONTINUED)**

**b) Share Purchase Warrants**

The following is a summary of warrants issued to June 30, 2015 together with exercise conditions. No fair value was attributed to any of the warrants granted during the year:

	Number of warrants	Exercise price	Expiry
Balance at June 30, 2015	736,250	\$ 0.15	
Expiry of finder's warrants	(11,250)	0.15	
Balance at June 30, 2016	725,000	0.15	November 24, 2016
Expiry of finder's warrants	(725,000)	0.15	
<b>Balance at June 30, 2017</b>	-	\$ -	

**c) Option Plan Details**

The Company has an incentive Stock Option Plan ("the Plan") under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or service providers of the Company. The terms of the Plan provide that the Directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant less any discount allowable under TSX rules, at terms of up to five years. No amounts are paid or payable by the recipient on receipt of the option, and the options granted are not dependent on any performance-based criteria. In accordance with the Plan, options vest immediately upon grant; with the exception of personnel working in Investor Relations whose options vest at 25% upon grant and 25% every three months thereafter until all options are fully vested.

Grant Date	Expiry Date	Exercise Price	Opening Balance	During the Year			Closing Balance
				Granted	Exercised	Forfeited	
July 30, 2014	July 30, 2019	\$ 0.10	700,000		-	-	700,000
March 11, 2015	March 11, 2020	\$ 0.10	100,000		-	-	100,000
January 6, 2016	January 6, 2021	\$ 0.10	100,000		-	-	100,000
January 16, 2017	January 16, 2022	\$ 0.20	-	200,000	-	-	200,000
			900,000	200,000	-	-	1,100,000
Weighted Average Exercise Price			\$0.10	\$ 0.20	\$ -	\$ -	\$ 0.12

**NOTES TO THE FINANCIAL STATEMENTS**  
**Expressed in Canadian Dollars**  
**For the quarter ended September 30, 2017**

**6. SHARE CAPITAL (CONTINUED)**

**c) Option Plan Details (continued)**

d)		Exercise Price	Opening Balance	During the Year			Closing Balance
e) Grant Date	Expiry Date			Granted	Exercised	Forfeited	
July 30, 2014	July 30, 2019	\$ 0.10	700,000	-	-	-	700,000
March 11, 2015	March 11, 2020	\$ 0.10	100,000	-	-	-	100,000
January 6, 2016	January 6, 2021	\$ 0.10	-	100,000	-	-	100,000
<b>Balance at June 30, 2016</b>			<b>800,000</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>900,000</b>
Weighted Average Exercise Price			\$ -	\$ 0.10	\$ -	\$ -	\$ 0.10
Weighted Average Remaining Life							3.31

During the year ended June 30, 2017, 200,000 options (2016 – 100,000) were granted with a fair value of \$0.15 per option (2016 - \$0.07). The fair value of each option granted is estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2017	2016
Number of options	200,000	100,000
Estimated life	5 years	5 years
Share price at date of grant	\$0.20	\$0.10
Option exercise price	\$0.20	\$0.10
Risk free interest rate	1%	1%
Estimated annual volatility	100%	100%
Option fair value	\$0.15	\$0.07

**Fair Value Options Issued to Employees**

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

**Options Issued to Non-Employees**

Options issued to non-employees, are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model. The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

NOTES TO THE FINANCIAL STATEMENTS  
Expressed in Canadian Dollars  
For the quarter ended September 30, 2017

---

**7. FINANCIAL INSTRUMENTS**

**a) Disclosures**

The Company's financial instruments consist of cash and cash equivalents, interest receivable, and accounts payable and accrued liabilities.

The carrying values of the above approximate their respective fair values due to the short-term nature of these instruments. There were no financial instruments carried at fair value at September 30, 2017 and 2016.

**b) Financial instrument risk exposure and risk management**

(i) Credit risk:

Credit risk is the unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. With cash on deposit with sound financial institutions, it is management's opinion that the Company is not exposed to significant credit risks arising from the financial instruments.

(ii) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at September 30, 2017, the Company had current liabilities totaling \$2,914 (2016: \$2,914) and cash and cash equivalents of \$3,247 (2016: \$73,986) and is not exposed to significant liquidity risk at this time. However, since the Company is in the exploration stage, it will periodically have to raise funds to continue operations and intends to raise further financing through private placements.

(iii) Market risk:

Market risk is the risk that changes in market prices such as commodity prices, foreign exchange rates and interest rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposure within acceptable parameters. The Company does not use derivative instruments to reduce its insignificant exposure to market risks.

**c) Capital management**

The Company includes cash and cash equivalents and equity, comprising of issued common shares and accumulated deficit, in the definition of capital. The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

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

The Company's property is in the exploration stage and as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds required.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company. There were no changes to the Company's approach to capital management during the years ended June 30, 2017 and 2016. The Company is not subject to any external covenants.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Expressed in Canadian Dollars**  
**For the quarter ended September 30, 2017**

---

**8. RELATED PARTY TRANSACTIONS**

There were no related party transaction for the quarter ended September 30 2017.

**9. SUBSEQUENT EVENTS**

On May 26, 2017, the Company entered into a Share Exchange Agreement (the "Share Exchange Agreement") with Upco Systems Inc. ("Upco") and Aduna Holdings GmbH ("Aduna"). Pursuant to the Share Exchange Agreement, the Company will acquire all of the issued and outstanding common shares of Upco through the issuance of 33,000,000 common shares, at a deemed price of \$0.06 per share. A finder's fee of 2,000,00 shares will be paid at closing.

At closing and at the sole discretion of the board of directors of the Company as constituted immediately after the time of closing, the Company will grant options to certain directors, officers, employees and consultants of the Company and Upco to purchase up to 3,722,500 common shares in the capital of the Company at an exercise price of \$0.06 or as may be allowed by and regulatory authority.

Closing of the proposed transaction is subject to a number of conditions being satisfied or waived at or prior to closing, including the following:

- No material adverse change with respect to Upco or its business having occurred prior to closing of the Share Exchange Agreement;
- The receipt of all required regulatory and Canadian Securities Exchange approvals; and
- The transaction represents a fundamental change pursuant to the Policies of the Canadian Securities Exchange, and is subject to shareholder approval. Following the transaction, the business of the issuer will be the business of Upco, which includes the wholesale of international long distance traffic termination.

