

# **ZANZIBAR GOLD INC.**

## **CONDENSED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

For the nine months ended May 31, 2018 and 2017

Unaudited – Prepared by Management

## **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 Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**ZANZIBAR GOLD INC.**  
Condensed Interim Statements of Financial Position  
Unaudited – Prepared by Management  
(Expressed in Canadian dollars)

	Note	May 31, 2018	August 31, 2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 12,602	\$ 134
Amounts receivable		8,647	6,263
Deposit for planned financing	6	<u>46,334</u>	<u>46,334</u>
<b>Total current assets</b>		<u>67,583</u>	<u>52,731</u>
<b>Non-current assets</b>			
Exploration and evaluation assets	5	239,533	231,137
Exploration advances	5	18,786	19,786
Deferred financing cost	6	<u>29,068</u>	<u>13,333</u>
<b>Total non-current assets</b>		<u>287,387</u>	<u>264,256</u>
<b>TOTAL ASSETS</b>		<u>\$ 354,970</u>	<u>\$ 316,987</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		<u>\$ 65,242</u>	<u>\$ 73,596</u>
<b>Total current liabilities</b>		<u>65,242</u>	<u>73,596</u>
<b>Non-current liabilities</b>			
Long term payables	7	41,334	13,498
Due to related parties	7	187,625	167,125
Loan payable	7	<u>189,877</u>	<u>142,860</u>
<b>Total non-current liabilities</b>		<u>418,836</u>	<u>323,483</u>
<b>TOTAL LIABILITIES</b>		<u>484,078</u>	<u>397,079</u>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Capital stock	6	290,408	290,408
Reserves	6	84,028	29,410
Deficit		<u>(503,544)</u>	<u>(399,910)</u>
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<u>(129,108)</u>	<u>(80,092)</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<u>\$ 354,970</u>	<u>\$ 316,987</u>

Nature and continuance of operations (Note 1)

Subsequent event (Note 12)

*“Souhail (Abby) Farrage”*  
Chief Executive Officer & Director

*“George Zarzour”*  
Director

The accompanying notes are an integral part of these condensed interim financial statements.

**ZANZIBAR GOLD INC.**

## Condensed Interim Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management

(Expressed in Canadian dollars)

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		<b>Three months ended May 31, 2018</b>	<b>Three months ended May 31, 2017</b>	<b>Nine months ended May 31, 2018</b>	<b>Nine months ended May 31, 2017</b>
<b>Note</b>					
<hr/>					
<b>EXPENSES</b>					
Consulting	7	\$ 9,000	\$ 7,500	\$ 24,000	\$ 22,500
Office and administration		1,018	519	1,191	49
Professional fees		1,736	6,479	17,085	22,161
Property investigation costs		-	999	-	6,683
Stock based compensation	6,7	18,406	-	54,618	-
Transfer agent and filing fees		317	-	6,740	987
<hr/>					
<b>Loss and comprehensive loss for the period</b>		\$ (30,477)	\$ (15,497)	\$ (103,634)	\$ (52,380)
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<b>Basic and diluted loss per share</b>		\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
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<b>Weighted average number of shares outstanding - basic and diluted</b>		7,557,755	7,557,755	7,557,755	7,557,755

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**ZANZIBAR GOLD INC.**

## Condensed Interim Statements of Cash Flows

For the Nine Months Ended May 31, 2018 and 2017

Unaudited – Prepared by Management

(Expressed in Canadian dollars)

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (103,634)	\$ (52,380)
Stock based compensation	54,618	-
Changes in non-cash working capital:		
Amounts receivable	(2,384)	(3,242)
Accounts payable and accrued liabilities	(24,089)	(3,677)
Prepaid expense	-	3,330
Due to/from related parties	20,500	23,457
Net cash used in operating activities	(54,989)	(32,512)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration advances	(1,500)	-
Exploration and evaluation assets	(5,896)	(19,010)
Net cash used in investing activities	(7,396)	(19,010)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan from related party	47,017	89,100
Long term payables	27,836	-
Deposit for planned financing	-	(50,469)
Net cash provided by financing activities	74,853	38,631
Change in cash	12,468	(12,891)
Cash, beginning of period	134	16,528
Cash, end of period	\$ 12,602	\$ 3,637

Non-cash investing and financing activities during the period ended May 31, 2018 include deferred financing costs included in accounts payable of \$15,735.

There were no non-cash investing and financing activities during the period ended May 31, 2017.

The accompanying notes are an integral part of these condensed interim financial statements.

**ZANZIBAR GOLD INC.**

## Condensed Interim Statements of Changes in Shareholders' Equity

Unaudited – Prepared by Management

(Expressed in Canadian dollars)

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	<b>Number of Shares</b>		<b>Capital Stock</b>		<b>Reserves</b>		<b>Deficit</b>		<b>Total</b>
<b>Balance as at August 31, 2016</b>	7,557,755	\$	290,408	\$	-	\$	(264,673)	\$	25,735
Loss for the period	-		-		-		(52,380)		(52,380)
<b>Balance as at May 31, 2017</b>	7,557,755	\$	290,408	\$	-	\$	(317,053)	\$	(26,645)

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<b>Balance as at August 31, 2017</b>	7,557,755	\$	290,408	\$	29,410	\$	(399,910)	\$	(80,092)
Stock based compensation	-		-		54,618		-		54,618
Loss for the period	-		-		-		(103,634)		(103,634)
<b>Balance as at May 31, 2018</b>	7,557,755	\$	290,408	\$	84,028	\$	(503,544)	\$	(129,108)

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The accompanying notes are an integral part of these condensed interim financial statements.

## **ZANZIBAR GOLD INC.**

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended May 31, 2018 and 2017

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Zanzibar Gold Inc. (the “Company”) was incorporated on August 21, 2014 and Moshing Capital Inc. was incorporated on August 22, 2014 under the Business Corporations Act of British Columbia. Under the plan of arrangement (Note 10), the companies amalgamated on March 2, 2015 to form an amalgamated company. The head office of the Company is 5623 145a Street, Surrey, British Columbia, V3S 8E3. The registered and records office is Suite 1780, 400 Burrard Street, Vancouver, British Columbia, V6C 3A6.

The Company is in the business of the exploration and development of natural resource properties in Tanzania.

These condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at May 31, 2018, the Company has not generated any revenues from operations, has working capital of \$2,341 and accumulated deficit of \$503,544.

The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management assesses that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These condensed interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

If the going concern assumption is not appropriate for these condensed interim financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the classifications used could be material.

These condensed interim financial statements were authorized for issue on July 25, 2018 by the directors of the Company.

### **2. BASIS OF PREPARATION**

These condensed interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting. The significant accounting policies applied in these condensed interim financial statements are based on the IFRS issued and effective as of May 31, 2018.

These condensed interim financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting.

The condensed interim financial statements are presented in Canadian Dollars, which is also the Company's functional currency, unless otherwise indicated.

## **ZANZIBAR GOLD INC.**

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended May 31, 2018 and 2017

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### **3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of these condensed interim financial statements in conformity of IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed interim financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates

#### a) Significant judgments

The preparation of condensed interim financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's condensed interim financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty and the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses.

#### b) Significant estimates and assumptions

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 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 and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and provisions for restoration and environmental obligations.



## ZANZIBAR GOLD INC.

Notes to the Condensed Interim Financial Statements

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### 4. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual financial statements as at August 31, 2017. These unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended August 31, 2017.

#### New standards, amendments and interpretations not yet effected

*New standard IFRS 9 "Financial Instruments"* - This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

*New standard IFRS 16 "Leases"* - This new standard was issued on January 13, 2016, and will be effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on its condensed interim financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's condensed interim financial statements.

### 5. EXPLORATION AND EVALUATION ASSETS

	<b>Kwedilima Cheetah</b>
<b>Balance – August 31, 2016</b>	\$ 214,227
Deferred costs during the year	
Exploration expenses:	
Consulting fees	7,100
Geological analysis	2,500
Property maintenance costs	5,000
Travel and accommodations	2,310
	<u>16,910</u>
<b>Balance – August 31, 2017</b>	231,137
Deferred costs during the period	
Acquisition costs	1,500
Exploration expenses:	
Consulting fees	4,460
Travel and accommodation	2,436
	<u>6,896</u>
<b>Balance – May 31, 2018</b>	\$ 239,533

## ZANZIBAR GOLD INC.

Notes to the Condensed Interim Financial Statements

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### 5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

#### Kwedilima Cheetah Property, Tanzania

The Company entered into a sub-option agreement with AFGF Holdings (Tanzania) Ltd. (“AFGF”) and True Zone Resources Inc. (“True Zone”) dated September 26, 2014. AFGF is a private company existing under the laws of Tanzania. AFGF represented and warranted that it had acquired a 100% legal and beneficial interest in a prospecting licenses 6903/2011 & 6905/2011 located in the Handeni Kilindi Regional district of Tanzania. The prospecting licenses were issued February 28, 2011 and transferred in June 2011 to AFGF and grants rights for a period of 48 months to carry on prospecting operations.

The grant of the sub-option was subject to an assignment agreement effective on the same date which provides that the right to earn an 80% interest shall be assigned to the Company upon the completion of a proposed plan of arrangement between True Zone and the Company. On March 2, 2015, the plan of arrangement became effective and True Zone transferred the sub-option to the Company (Note 10).

The sub-option agreement lapsed and was replaced by an option agreement (the “Option Agreement”) between the Company and AFGF dated for reference September 30, 2016. The property that is the subject of the Option Agreement is located on prospecting license 11043/2016 in the Handeni Region, United Republic of Tanzania (the “Property”). The key terms of the Option Agreement are:

The Company can acquire an 80% undivided interest in and to the Property (the “Option”) free and clear of all charges, encumbrances and claims in consideration for:

- (i) cash payment of \$25,000 to the AFGF (Tanzania) Limited (“AFGF”) (paid);
- (ii) issuance of 500,000 common shares of the Company to the AFGF on or before September 26, 2017 (issued);
- (iii) incur \$75,000 in exploration expenses on or before September 26, 2016 (incurred); and
- (iv) an additional \$75,000 in exploration expenses on or before December 31, 2016 (incurred).

Pursuant to the Option Agreement, AFGF further granted the Company an option to purchase up to an additional 20% interest in the Property (the “Second Option”) upon exercise of the Option by the Company to earn an 80% interest in the Property.

The Second Option may be fully exercised to attain a further 20% legal and beneficial interest in the Property (for an aggregate of up to 100% legal and beneficial interest in the Property) for a 3 year period from the execution of the Option Agreement in consideration for further payments of:

- (i) \$1,000,000 for each additional 5% interest in the Property for up to \$4,000,000; or
- (ii) \$3,000,000 for an additional 15% interest in the Property whereby the Company may at its sole discretion, pay a further \$1,000,000 for a 3% net smelter return (the “Royalty”). The Company is entitled to repurchase up to 2% of the Royalty thereby reducing the Royalty to as low as 2% or 1% net smelter return as the case may be, which may be exercisable at any time, upon the Company giving AFGF notice of exercise together with \$1,000,000 for each 1% net smelter return for an aggregate of up to \$2,000,000.

## ZANZIBAR GOLD INC.

Notes to the Condensed Interim Financial Statements

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### 5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

During the period ended May 31, 2018, the Company exercised the option granted by the Option Agreement pursuant to an option exercise agreement among the Company, AFGF and its staking agent, Jafari Yassim Sebabili (“Sebabili”) (the “Option Exercise Agreement”). The key terms of the Option Exercise Agreement are that the Company will exercise the first option to earn an 80% interest in the Tanzania property and upon such exercise shall be deemed to have earned an additional 20% interest in the Tanzania property for a total 100% legal and beneficial interest. The prospecting license which comprises the Tanzania property (the “PL”) is held by Sebabili on behalf of AFGF and was in the process of being transferred to AFGF. Under the Option Exercise Agreement, Sebabili will withdraw the application to transfer the registration in the PL to AFGF and immediately register the Company as the 100% legal and beneficial owner of the PL. Until such registration occurs, Sebabili will hold the 100% legal and beneficial interest in the PL in trust for the Company.

As at May 31, 2018, the Company has advanced aggregate funds of \$18,786 (August 31, 2017 - \$19,786) to various third parties for future exploration work on the property.

### 6. CAPITAL STOCK

- (a) Authorized – unlimited common and preferred shares without par value
- (b) There were no share issuances during the period ended May 31, 2018 and the year ended August 31, 2017.

During the period ended May 31, 2018, the Company filed a final prospectus, offering on a commercially reasonable efforts basis, to purchasers resident in the provinces of British Columbia and Alberta, through its agent, PI Financial Corp. (the “Agent”), 4,000,000 units (the “Units”) of the Company at a price of \$0.10 per Unit. Each Unit comprises of one common share in the capital of the Company (a “Share”) and one common share purchase warrant (a “Warrant”). Each Warrant is exercisable to acquire one further common share (a “Warrant Share”) for a period of two years, at an exercise price of \$0.15 per Warrant Share in the 1st year and \$0.20 per Warrant Share in the 2nd year. As at May 31, 2018, the Company had incurred costs of \$29,068 and paid a deposit of \$46,334 in connection with the financing (Note 11).

#### Stock options

The Company’s plan allows the directors to grant stock options to directors, officers, employees and consultants to purchase up to a total of 10% of the issued and outstanding common shares. No stock option granted under the plan is transferable by the optionee other than by will or the laws of descent and distribution, and each stock option is exercisable during the lifetime of the optionee only by such optionee.

During the year ended August 31, 2017, the Company approved the grant of incentive stock options to its directors to purchase up to 1,150,000 common shares in the capital of the Company, exercisable at a price of \$0.10 per share on or before five years after listing its shares on the Canadian Securities Exchange (“CSE”), vesting immediately on the listing date. The grant becomes effective on the date of listing the Company’s shares on the CSE (July 18, 2018). The total fair value of the options was calculated as \$102,434 out of which \$29,410 was recognized during the year ended August 31, 2017 and \$54,618 was recognized during the period ended May 31, 2018. The fair value of each option granted has been estimated as of the date of the grant using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 1.51%, dividend yield 0%, an expected volatility of 141.56%, weighted average exercise price of \$0.10 and expected term of 5 years, equal to the full life of the options as the Company does not expect any options to be exercised

## **ZANZIBAR GOLD INC.**

Notes to the Condensed Interim Financial Statements

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### **7. RELATED PARTY TRANSACTIONS**

As at May 31, 2018, there is \$49,125 (August 31, 2017 – \$49,125) due to a director of the Company. These amounts are non-interest bearing.

As at May 31, 2018, there is \$138,500 (August 31, 2017 – \$118,000) due to a company controlled by a director of the Company. These amounts are non-interest bearing.

As at May 31, 2018, included in loan payable is a balance of \$189,877 (August 31, 2017 – \$142,860) due to a director of the Company. These amounts are non-interest bearing.

During the period ended May 31, 2018, the Company incurred \$22,500 (2017 - \$22,500) in consulting fees from a company controlled by a director of the Company.

During the year ended August 31, 2017 and the period ended May 31, 2018, a director of the Company, Mr. Farrage, a company for which Mr. Farrage is the Chief Executive Officer and a third party agreed to postpone the payment due date of \$239,002, \$138,500 and \$41,334 respectively until that date which is 13 months from the date that the Company's common shares are listed and called for trading on the CSE. The amounts owing by the Company are non-interest bearing. Notwithstanding such postponement, the Company may pre-pay all or any part of the debt without penalty before such payment due date. The amounts have been classified as non-current liabilities on the statements of financial position.

During the year ended August 31, 2017 the Company granted stock options to its directors valued at \$102,434 of which \$29,410 was recognized during the year ended August 31, 2017 and \$54,618 was recognized during the period ended May 31, 2018 (Note 6).

### **8. MANAGEMENT OF CAPITAL**

The Company defines its capital as all components of shareholders' equity. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern.

In order to maintain its capital structure, the Company, is dependent on equity funding and when necessary, raises capital through the issuance of equity instruments, primarily comprised of common shares. The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Company is not subject to any externally imposed capital requirements or debt covenants, and does not presently utilize any quantitative measures to monitor its capital. There were no changes to the Company's approach to managing capital during the period.

### **9. FINANCIAL INSTRUMENTS AND RISKS**

#### *Fair Value*

The Company's financial instruments consist of cash, amounts receivable, accounts payable, and due to related parties. The fair value of all financial instruments approximate their carrying values. Cash and amounts receivable are classified as loans and receivables. Accounts payable, due to related parties and loan payable are classified as other financial liabilities.

## ZANZIBAR GOLD INC.

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### 9. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

The Company's financial instrument is exposed to a number of risks that are summarized below:

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company has significant financial liabilities outstanding including accounts payable and accrued liabilities and amounts due to related parties. The Company is exposed to the risk that it may not have sufficient liquid assets to meet its commitments associated with these financial liabilities.

The Company's approach to managing liquidity is to ensure that it will always have sufficient cash to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity transactions. The Company manages its liquidity risk by continuously monitoring cash flow requirements relating to its anticipated exploration and evaluation activities as well as general overhead requirements.

#### *Credit Risk*

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balances. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada.

#### *Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash is currently held in non-interest bearing bank account, management considers the interest rate risk to be minimal.

#### *Commodity Price Risk*

The ability of the Company to finance the exploration and development of its properties and the future profitability of the Company is directly related to the market price of the primary minerals identified in its mineral properties. Mineral prices fluctuate on a daily basis and are affected by a number of factors beyond the Company's control. A sustained, significant decline in the prices of the primary minerals or in the share prices of junior mineral exploration companies in general, could have a negative impact on the Company's ability to raise additional capital. Sensitivity to commodity price risk is remote since the Company has not established any reserves or production.

#### *Foreign Exchange Risk*

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the Canadian dollar. All of the Company's financial instruments are denominated in Canadian dollars. The Company conducts some of its business in US dollars and is therefore exposed to variations in the foreign exchange rate. In management's opinion there is no material foreign exchange risk to the Company.

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### **10. PLAN OF ARRANGEMENT**

On October 20, 2014, the Company entered into an arrangement agreement with True Zone, the Company's parent company that contemplated a plan of arrangement for the spinout of the Company as a separate legal entity along with four other subsidiaries of True Zone. Upon completion of the plan of arrangement, the Company was granted the sub-option to earn an 80% interest in the Kwedilima Cheetah Property in Tanzania from True Zone in consideration for the Company's shares equal to 1% of the total issued and outstanding True Zone shares as of the share distribution record date. The number of True Zone shares outstanding on the share record distribution date was 45,775,300 and as such, the consideration for the sub-option agreement was 457,753 shares to True Zone shareholders. On October 20, 2014, the Company executed an amalgamation agreement for the amalgamation of the Company with Moshing Capital Inc. following the completion of such plan of arrangement. The amalgamation of the two foregoing companies formed an amalgamated company that retained the name of the Company as the business name and continued as one company under the Business Corporations Act of British Columbia. On March 2, 2015, the Company amalgamated with Moshing Capital Inc. to form an amalgamated company under the name "Moshi Mountain Industries Ltd."

The amalgamation was not accounted for as a business combination as the Company was not considered to be a business for accounting purposes. As the amalgamation resulted in the shareholders of Moshing Capital Inc. having control of the amalgamated company, the transaction was accounted for as if Moshing Capital Inc. acquired the net assets of the Company. As the Company had nominal net assets, the consideration of \$13,733, being the fair value of the 457,753 shares issued to True Zone shareholders, was attributed to the assignment of the option agreement and recorded to exploration and evaluation assets.

### **11. SEGMENTED INFORMATION**

The Company operates in one reportable operating segment, being the acquisition, exploration and development of exploration and evaluation assets.

The Company operates in both Canada and Tanzania. The Company's exploration and evaluation asset is located in Tanzania.

### **12. SUBSEQUENT EVENT**

Subsequent to the period ended May 31, 2018, the Company:

- a) Completed its initial public offering consisting of 4,000,000 units at \$0.10 per unit for gross proceeds of \$400,000. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for a period of two years from the closing date at a price of \$0.15 per common share during the first year and \$0.20 per common share during the second year.