

Alset Minerals Corp.
(An Exploration Stage Enterprise)

Condensed consolidated financial statements
For the Period Ended December 31, 2017

(Stated in Canadian Dollars)

Responsibility for Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim financial statements they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited 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 condensed interim financial statements in accordance with standards established by CPA Canada for the review of interim financial statements by an entity's auditor.

Alset Minerals Corp.

(An Exploration Stage Enterprise)

Condensed Consolidated Statements of Financial Position**(Prepared by Management - Unaudited)****(Expressed in Canadian Dollars)**

As at	December 31, 2017	June 30, 2017
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	31,706	278,946
Amounts receivable (Note 6)	39,518	20,882
Prepaid expenses	11,368	10,329
	82,592	310,157
Equipment (Note 3)	11,207	12,643
Exploration and evaluation assets (Note 4)	2,129,979	1,557,351
	2,223,778	1,880,151
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 6)	248,040	264,133
Shareholders' equity		
Share capital (Note 5)	3,976,712	3,449,212
Reserves	7,938,911	7,903,150
Deficit	(9,939,885)	(9,736,344)
	1,975,738	1,616,018
	2,223,778	1,880,151

Nature of operations and going concern (Note 1)

Commitments (Notes 4 and 9)

Subsequent events (Note 11)

These condensed consolidated financial statements were authorized for issue by the Board of Directors on February 28, 2018. They are signed on the Company's behalf by:

"Allan Laboucan"

Director

"Bill Harper"

Director

Alset Minerals Corp.

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Condensed Consolidated Statements of Comprehensive Loss**(Prepared by Management - Unaudited)****For the periods ended December 31, 2017 and 2016****(Expressed in Canadian Dollars)**

	Three months ended December 31,		Six months ended December 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
EXPENSES				
Advertising & promotion	10,192	32,074	16,091	129,766
Consulting fees (Note 6)	26,764	22,098	70,573	139,624
Depreciation (Note 3)	505	-	1,532	-
General administrative (Note 6)	60,557	7,551	78,269	23,226
Pre-acquisition exploration and evaluation expenses	-	-	-	8,090
Professional fees (Note 6)	46,422	(31,720)	79,214	44,151
Share-based payments (Note 6)	27,298	171,863	23,261	306,004
Stock exchange and filing	1,300	5,969	6,250	9,239
LOSS BEFORE OTHER ITEMS	(173,038)	(207,835)	(275,190)	(660,100)
OTHER ITEMS				
Foreign exchange gain (loss)	12,208	956	21,293	(4,745)
Additional proceeds from sale of exploration and evaluation assets (Note 4(b))	-	-	50,000	-
Interest and other income	273	1,057	356	2,195
NET LOSS AND COMPREHENSIVE LOSS	(160,557)	(205,822)	(203,541)	(662,650)
Loss per share, basic and diluted	(0.00)	(0.00)	(0.00)	(0.02)
Weighted average number of common shares outstanding, basic and diluted	55,824,234	42,916,397	53,636,734	41,026,583

Alset Minerals Corp.

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Condensed Consolidated Statements of Changes in Shareholders' Equity**(Prepared by Management - Unaudited)****For the periods ended December 31, 2017 and 2016****(Expressed in Canadian Dollars)**

	Common Shares		Reserves	Deficit	Total Shareholders' Equity
	Number of Shares	Amount			
		\$	\$	\$	\$
Balance, June 30, 2016	39,136,764	2,229,308	7,417,539	(8,715,131)	931,716
Private placement	4,256,400	425,640	-	-	425,640
Flow-through shares	288,334	34,600	-	-	34,600
Allocation of value to flow-through premium	-	(3,604)	-	-	(3,604)
Fair value of broker warrants issued	-	(6,548)	6,548	-	-
Share issue costs	-	(25,579)	-	-	(25,579)
Shares for debt	1,178,680	153,229	-	-	153,229
Comprehensive loss for the period	-	-	-	(662,650)	(662,650)
Share-based payments	-	-	306,004	-	306,004
Balance, December 31, 2016	44,860,178	2,807,046	7,730,091	(9,377,781)	1,159,356
Balance, June 30, 2017	49,840,538	3,449,212	7,903,150	(9,736,344)	1,616,018
Shares issued for exploration and evaluation assets	4,000,000	340,000	-	-	340,000
Private placement	2,500,000	187,500	12,500	-	200,000
Comprehensive loss for the period	-	-	-	(203,541)	(203,541)
Share-based payments	-	-	23,261	-	23,261
Balance, December 31, 2017	56,340,538	3,976,712	7,938,911	(9,939,885)	1,975,738

Alset Minerals Corp.

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Condensed Consolidated Statements of Cash Flows**(Prepared by Management - Unaudited)****For the periods ended December 31, 2017 and 2016****(Expressed in Canadian Dollars)**

	2017	2016
	\$	\$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss	(203,541)	(662,650)
Items not involving cash:		
Additional proceeds from sale of exploration and evaluation assets	(50,000)	-
Depreciation	1,532	-
Foreign exchange (gain) loss	(21,293)	-
Share-based payments	23,261	306,004
Changes in non-cash working capital items:		
Amounts receivable	(18,636)	(11,605)
Prepaid expenses	(1,039)	(19,202)
Accounts payable and accrued liabilities	3,343	81,144
	(266,373)	(306,309)
FINANCING ACTIVITY		
Proceeds from share issuance, net of issue costs	200,000	434,661
INVESTING ACTIVITIES		
Exploration and evaluation assets expenditures	(227,550)	(527,366)
Purchase of equipment	(449)	30,000
Proceeds from sale of exploration and evaluation assets	50,000	-
	(177,999)	(497,366)
Effect of foreign exchange on cash	(2,868)	-
DECREASE IN CASH AND CASH EQUIVALENTS	(247,240)	(369,014)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	278,946	898,134
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	31,706	529,120
Supplemental Cash Flow Information:		
Interest earned	356	2,195
Income tax paid	-	-
Interest paid	-	-
Non-cash financing and investing activities:		
Fair value of unit warrants	12,500	-
Fair value of broker warrants	-	6,548
Shares issued for debt	-	153,229
Shares issued for exploration and evaluation assets	340,000	-

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Prepared by Management – Unaudited)

Period Ended December 31, 2017

1. NATURE OF OPERATIONS AND GOING CONCERN

Alset Minerals Corp. (the “Company”) was incorporated on July 10, 2003 under the laws of British Columbia. On April 28, 2016, the Company changed its name from Benton Capital Corp. to Alset Energy Corp. On May 3, 2017, the Company further changed its name to Alset Minerals Corp., and retained the same ticker symbol “ION” on the TSX Venture Exchange. The Company is an exploration stage company which engages in the business of acquisition, exploration and development of mineral properties in Canada and Mexico. The Company’s head office is located at Suite 1400 – 1040 West Georgia Street, Vancouver, B.C., V6E 4H8. The Company began trading on the TSX Venture Exchange in April 2005.

The Company had a deficit of \$9,939,885 as at December 31, 2017 which has been funded mainly by the issuance of equity. The accompanying condensed consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The appropriateness of the going concern assumption is dependent upon the Company’s ability to generate future profitable operations and/or generate continued financial support in the form of equity financings. These material uncertainties cast significant doubt regarding the Company’s ability to continue as a going concern. These condensed consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classification that would be necessary if the going concern assumption were not appropriate and such adjustments could be material.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB (“International Accounting Standards Board”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 - Interim Financial Reporting. The accounting policies followed in these condensed consolidated financial statements are the same as those applied in the audited annual consolidated financial statements for the Company for the year ended June 30, 2017.

The condensed consolidated financial statements do not contain all disclosures required under IFRS for annual financial statements and should be read in conjunction with the Company’s audited annual consolidated financial statements and the notes thereto for the year ended June 30, 2017.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include exploration and evaluation assets, share-based payments, allocation of financing proceeds, and income taxes. Differences may be material.

Basis of Consolidation

These condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Grupo Minero Alset, S.A. de C.V. (“Grupo”) in Mexico. Grupo was incorporated on June 7, 2016. All inter-company balances and transactions have been eliminated on consolidation.

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Period Ended December 31, 2017

2. BASIS OF PREPARATION (continued)

Accounting Standard Issued But Not Yet Applied

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company intends to adopt these standards when they become effective.

Standards effective for annual periods beginning on or after January 1, 2018:

IFRS 9 Financial Instruments - In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013 the standard was revised to add the new general hedge accounting requirements. The standard was finalized in July 2014 and was revised to add a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income ("FVTOCI") category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test.

IFRS 15 Revenue from Contracts with Customers - On May 28, 2014 the IASB issued IFRS 15, "Revenue from contracts with customers". IFRS 15 will replace IAS 11, "Construction contracts", IAS 18, "Revenue", IFRIC 13, "Customer loyalty programmes", IFRIC 15, "Agreements for the construction of real estate", IFRIC 18, "Transfers of assets from customers" and SIC 31, "Revenue - barter transactions involving advertising services". The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time; or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

Standard effective for annual periods beginning on or after January 1, 2019:

IFRS 16 - Leases - On January 13, 2016 the IASB issued IFRS 16, "Leases". This standard introduces a single lessee accounting model and 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. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

Earlier application is permitted for entities that apply IFRS 15, "Revenue from contracts with customers" at or before the date of initial adoption of IFRS 16.

The extent of the impact of adoption of these above standards on the condensed consolidated financial statements of the Company has not yet been determined.

ALSET MINERALS CORP.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**(Prepared by Management – Unaudited)****Period Ended December 31, 2017****3. EQUIPMENT**

	Computer Hardware and Software	Drilling and Exploration Equipment	Total
	\$	\$	\$
COST			
Balance at June 30, 2016	-	-	-
Additions	11,910	2,519	14,429
Balance at June 30, 2017	11,910	2,519	14,429
Additions	449	-	449
Balance at December 31, 2017	12,359	2,519	14,878
DEPRECIATION			
Balance at June 30, 2016	-	-	-
Depreciation	1,786	-	1,786
Balance at June 30, 2017	1,786	-	1,786
Depreciation	1,532	353	1,885
Balance at December 31, 2017	3,318	353	3,671
NET CARRYING AMOUNT AS AT			
June 30, 2017	10,124	2,519	12,643
December 31, 2017	9,041	2,166	11,207

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**(Prepared by Management – Unaudited)****Period Ended December 31, 2017****4. EXPLORATION AND EVALUATION ASSETS**

Mineral property acquisition, exploration and development expenditures are deferred until the properties are placed into production, sold, impaired or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following commencement of production, or written-down if the properties are allowed to lapse, are impaired, or are abandoned. The deferred costs associated with each property for the period ended December 31, 2017 are summarized in the tables below:

	Lithium Salars	Wisa Lake	Champion Graphite	Goodchild	Total
	\$	\$	\$	\$	\$
Acquisition costs					
Balance, June 30, 2017	831,985	-	130,026	1	962,012
Acquisition - cash paid (recovery)	116,687	(50,000)	-	-	66,687
Acquisition - common shares issued	340,000	-	-	-	340,000
Balance, December 31, 2017	1,288,672	(50,000)	130,026	1	1,368,699
Exploration and evaluation costs					
Balance, June 30, 2017	539,650	-	55,689	-	595,339
Assays and analysis	21,711	-	-	-	21,711
Depreciation	353	-	-	-	353
Field supplies and miscellaneous	20,141	-	172	-	20,313
Geological consultants	58,499	-	4,500	-	62,999
Legal and administration	1,838	-	-	-	1,838
Permitting	6,361	-	-	-	6,361
Travel and accomodation	2,366	-	-	-	2,366
	650,919	-	60,361	-	711,280
Additional proceeds from exploration and evaluation assets	-	50,000	-	-	50,000
Total, December 31, 2017	1,939,591	-	190,387	1	2,129,979

(a) Lithium Salars, Mexico

Pursuant to an agreement dated July 28, 2016 and amended on April 7, 2017 with MKG Mining Mexico, S.A. de C. V. (“MKG”), the Company acquired a 100% interest in lithium, potassium, boron soils, and brine salar assets located in Zacatecas and San Luis Potosi, Mexico, which includes four large concessions containing seven top priority salars namely, Caligüey, La Doncella, Colorada, La Salada, Santa Clara, Saldivar and Chapala. As consideration for the properties, the Company agreed to pay the outstanding mining taxes on the four concessions of \$143,870 (paid) and US\$210,000 to MKG. During the year ended June 30, 2017, the Company paid US\$20,000 in cash and issued 2,101,514 common shares of the Company as payment of the remaining US\$190,000 balance.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Period Ended December 31, 2017

4. EXPLORATION AND EVALUATION ASSETS (continued)

(a) Lithium Salars, Mexico (continued)

The Company also paid \$44,587 as finder's fee to an individual who became a director of the Company in March 2017.

The property is subject to a 2% net smelter royalty ("NSR") of which 1% can be purchased by the Company for US\$250,000. The property is also subject to a 0.25% NSR in favour of the finder mentioned above.

Pursuant to an agreement dated June 15, 2017, the Company entered into an assignment of mining rights and obligations agreement with Hot Spring Mining, S.A. de C.V. ("Hot Spring Mining") to acquire two concessions located in Zacatecas and San Luis Potosi, Mexico. The Company agreed to issue 4,000,000 common shares to Hot Spring Mining as consideration for the properties (issued in August 2017). The Company also agreed to pay the outstanding mining taxes on the two concessions totaling \$180,998. The properties are subject to a 2.5% NSR of which the Company has the right to purchase up to 1.5% for \$1,500,000.

In November 2017, the Company completed the staking and filing of additional mineral claims for this property.

(b) Wisa Lake Lithium, Ontario

The Company held via staking a 100% interest in the Wisa Lake lithium project located 80km east of Fort Frances, Ontario. The project is connected to Highway 11 (Trans Canada) located 65km north via an all weather road that crosses the centre of the project. The property is comprised of 5 claims totaling 75 units.

On December 14, 2016 and amended on July 20, 2017, the Company entered into an option agreement with Ardiden Limited ("Ardiden") whereby Ardiden was granted an option to acquire a 100% interest in the Wisa Lake property for a consideration of \$80,000. The payment terms for Ardiden are as follows:

- a) \$30,000 within five days of signing (received);
- b) \$50,000 on the earlier of due diligence completion date and August 11, 2017 (received).

The Company completed the title transfer of the property to Ardiden during the period ended December 31, 2017.

(c) Champion Graphite, Ontario

The 100% owned Champion Graphite property is located 60km north of Kenora, Ontario and consists of 29 units in 2 unpatented mining claims. The Company acquired the property in 2016 from Benton Resources Inc. ("Benton"), a company related by common directors and officers, by issuance of 1 million common shares of the Company to Benton. The property is subject to a 2% NSR, one-half of which (1%) can be bought back by the Company for \$500,000.

(d) Goodchild, Ontario

The 100% owned Goodchild copper-nickel property was staked by the Company. The property comprises 209 claim units located 10km north of the town of Marathon, Ontario. In 2015, the Company determined that no further work was planned at the Goodchild property and wrote off \$678,771 in deferred exploration and evaluation expenditures. The project remains in good standing.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**(Prepared by Management – Unaudited)****Period Ended December 31, 2017**

5. SHARE CAPITAL

Authorized:

Class A common - unlimited

Class B common - unlimited

Common shares - unlimited

Issued:

Class A common - Nil

Class B common - Nil

Common shares – 56,340,538 shares

(a) Share issued

In August 2017, the Company issued 4,000,000 common shares at the price of \$0.085 per share pursuant to the agreement with Hot Spring Mining (note 4(a)).

In October 2017, the Company completed a private placement of 2,500,000 non-flow through units at \$0.08 per unit. Each unit consists of one common share and one warrant exercisable at \$0.10 for 12 months. The fair value of the shares was \$187,500 based on their bid price on announcement and accordingly, \$12,500 was allocated to the warrants.

(b) Stock options

The Company has adopted an incentive stock option plan for granting options to directors, employees and consultants. The exercise prices shall be determined by the board, but shall, in no event, be less than the closing market price of the Company's shares on the grant date, less the maximum discount permitted under the TSX Venture Exchange's policies. Options granted may not exceed a term of five years. All options vest upon grant unless otherwise specified by the Board of Directors. In the annual general and extraordinary meeting held on March 23, 2017, the shareholders of the Company authorized the granting of options to a maximum of 8,972,035 common shares.

Details of stock option transactions for the period ended December 31, 2017 are detailed below.

	Number of Options	Weighted Average Exercise Price
		\$
Balance, June 30, 2017	8,572,035	0.15
Expired	(3,527,500)	(0.14)
Balance, December 31, 2017	5,044,535	0.15

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Period Ended December 31, 2017

5. SHARE CAPITAL (continued)

(b) Stock options (continued)

As at December 31, 2017 the following stock options were outstanding:

Expiry Date	Exercise Price	Number of Options	Options Exercisable
	\$		
February 3, 2019	0.20	337,500	337,500
April 21, 2021	0.07	575,000	575,000
July 27, 2021	0.39	300,000	225,000
December 12, 2021	0.13	1,493,000	1,219,750
March 29, 2022	0.15	250,000	125,000
May 10, 2022	0.15	2,089,035	1,044,518
		<u>5,044,535</u>	<u>3,526,768</u>

The weighted average life of the options outstanding and exercisable at December 31, 2017 is 3.85 years (June 30, 2017 – 4.05 years).

During the period ended December 31, 2017, the Company did not grant any stock option. The Company recorded share-based compensation of \$23,261 for the period ended December 31, 2017 (2016 - \$306,004).

(c) Warrants

The changes in warrants during the period ended December 31, 2017 were as follows:

	Warrants	Exercise Price
		\$
Balance, June 30, 2017	7,365,014	0.20
Issued	2,500,000	0.10
Balance, December 31, 2017	<u>9,865,014</u>	<u>0.17</u>

Warrants outstanding at December 31, 2017 were as follows:

Expiry Date	Number of Warrants	Exercise Price
		\$
October 17, 2018	1,899,734	0.20
November 7, 2018	2,568,834	0.20
May 12, 2018	2,896,446	0.20
October 31, 2018	2,500,000	0.10
	<u>9,865,014</u>	

The weighted average life of the warrants outstanding and exercisable at December 31, 2017 is 0.69 years (June 30, 2017 – 1.15).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**(Prepared by Management – Unaudited)****Period Ended December 31, 2017****6. RELATED PARTY TRANSACTIONS**

The Company paid or accrued the following amounts to related parties during the periods ended December 31, 2017 and 2016:

Payee	Description of Relationship	Nature of Transaction	2017	2016
			\$	\$
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell, officer and former director	Legal fees and disbursements	47,765	58,579
Benton Resources Inc.	Company related by a common director	Reimbursement of fees and expenses	-	84,935
Tim Oliver	Former president and CEO	Reimbursement of expenses	-	87,117
ABR Media Company	Company controlled by the president, CEO and director	Consulting fees, administration fees, and reimbursement of expenses	81,561	1,700
Allan Laboucan	President, CEO, and director	Consulting fees and reimbursement of expenses	11,582	18,548
Emily Hanson	Vice President, Exploration, and director	Consulting fees and reimbursement of expenses	21,983	-
Michael Stares	Former director	Reimbursement of expenses		1,118
Gilberto Zapata Castaneda	Directorm CFO	Reimbursement of fees and expenses	17,449	-
Albert Wu & Associates Ltd.	Company controlled by Albert Wu, former CFO	Accounting fees	18,740	2,400

The purchases from and fees charged by the related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts due to related parties as at December 31, 2017 and June 30, 2017 were as follows:

Payee	Description of Relationship	December 31, 2017	June 30, 2016
		\$	\$
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell, officer and former director	32,174	19,394
Gilberto Zapata Castaneda	Director, CFO	7,632	-
Albert Wu & Associates Ltd.	Company controlled by Albert Wu, former CFO	4,620	5,723
Emily Hanson	Vice President, Exploration, and director	4,725	6,392

The amounts due are non-interest bearing, unsecured, and have repayment terms similar to the repayment terms of non-related party trade payables.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**(Prepared by Management – Unaudited)****Period Ended December 31, 2017****6. RELATED PARTY TRANSACTIONS (continued)**

Amounts receivable include \$5,026 (June 30, 2017 - \$3,290) due from a director.

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-term benefits and termination benefits were made during the periods ended December 31, 2017 and 2016. Short-term key management compensation consists of the following for the periods ended December 31, 2017 and 2016:

	2017	2016
	\$	\$
Accounting fees, recorded in professional fees	18,740	-
Consulting fees	75,782	-
General administrative	18,000	-
Geological consulting fees, recorded in exploration and evaluation assets	18,000	-
Share-based payments	17,284	216,033
	147,806	216,033

7. CAPITAL DISCLOSURES

The Company's objectives when managing capital are as follows:

- To safeguard the Company's ability to continue as a going concern;
- To raise sufficient capital to finance its exploration activities on its mineral exploration properties;
- To raise sufficient capital to meet its general and administrative expenditures.

The Company manages its capital structure and makes adjustments to it based on the general economic conditions, its short term working capital requirements, and its planned exploration and development program expenditure requirement. The capital structure of the Company is composed of working capital (deficiency) and shareholders' equity. The Company may manage its capital by issuing flow through or common shares, or by obtaining additional financing.

The Company utilizes annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by management and updated for changes in the budgets underlying assumptions as necessary.

There were no changes in the Company's approach to managing capital during the current period. In order to maintain or adjust the capital structure, the Company considers the following;

- i) incremental investment and acquisition opportunities;
- ii) equity and debt capital available from capital markets;
- iii) equity and debt credit;
- iv) sale of assets;
- vi) limiting the size of the investment program; and
- vi) new share issuances if available on favorable terms.

Except as otherwise disclosed, the Company is not subject to any external financial covenants at December 31, 2017 and June 30, 2017.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**(Prepared by Management – Unaudited)****Period Ended December 31, 2017****8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK**

IFRS 7, *Financial Instruments: Disclosures*, establishes 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 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - 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 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial assets include cash and cash equivalents, which is classified as Level 1.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at December 31, 2017 and June 30, 2017 are as follows:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	\$	\$	\$	\$
Cash and cash equivalents				
December 31, 2017	31,706	-	-	31,706
June 30, 2017	278,946	-	-	278,946

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at December 31, 2017 and June 30, 2017 because of the demand nature or short-term maturity of these instruments.

The following table summarizes the carrying value of the Company's financial instruments:

	December 31, 2017	June 30, 2017
	\$	\$
Fair value through profit and loss (i)	31,706	278,946
Other financial liabilities (ii)	248,040	264,133

- (i) Cash and cash equivalents
- (ii) Accounts payable and accrued liabilities

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Prepared by Management – Unaudited)

Period Ended December 31, 2017

8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

The Company's financial instruments are exposed to certain risks, including credit risk, interest rate risk, liquidity risk, currency risk and market risk.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company's cash and cash equivalents are held through a large Canadian financial institution. Management believes the risk of loss to be remote.

(b) 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. In management's opinion, the Company is not exposed to significant interest rate risk.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities. This is generally accomplished by ensuring that cash and cash equivalents are always available to settle financial liabilities. At December 31, 2017, the Company had cash and cash equivalents on hand of \$31,706 (June 30, 2017 - \$278,946) available to the Company to settle current liabilities of \$248,040 (June 30, 2017 - \$264,133). Subsequent to December 31, 2017, the Company closed a private placement for gross proceeds of \$180,000 (note 11). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(d) Currency risk

The Company's functional currency is the Canadian dollar. The Company is primarily exposed to currency fluctuations related to accounts payable and accrued liabilities and payment obligations for exploration and evaluation that are denominated in Mexican Pesos. As at December 31, 2017, the Company had net current liabilities of \$175,388 (June 30, 2017 - \$206,282) denominated in Mexican Pesos which was translated at 0.0638 pesos to \$1 (June 30, 2017 - 0.0718). The Company does not actively manage this risk.

(e) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as market prices, foreign exchange rates and interest rates. In management's opinion, the Company is not exposed to significant market risk

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9. COMMITMENTS

(a) The Company has commitments as described in note 4 relating to exploration and evaluation assets obligations.

(b) On October 25, 2016, the Company entered into a one year consulting agreement with the President and CEO of the Company for his services to the Company. The agreement is to be automatically renewed for another one year term. The Company agreed to pay him an annual remuneration of \$100,000. In addition the Company will issue bonus common shares of the Company to him according to the following conditions:

- i) 200,000 common shares if the Company reaches a market capitalization of \$20,000,000 for 10 consecutive trading days;
- ii) a further 200,000 common shares if the Company reaches a market capitalization of \$40,000,000 for 10 consecutive trading days;
- iii) a further 200,000 common shares if the Company reaches a market capitalization of \$60,000,000 for 10 consecutive trading days;
- iv) a further 200,000 common shares if the Company reaches a market capitalization of \$80,000,000 for 10 consecutive trading days;

The Company will pay \$50,000 to the President and CEO as compensation on his termination without cause, or issue 200,000 common shares of the Company as compensation on his termination without cause after the Company has a change of control.

10. SEGMENTED INFORMATION

The Company currently operates in two geographical operating segments, the exploration of mineral properties in Canada and Mexico. Management of the Company makes decisions about allocating resources based on the operating segments. A geographic summary of identifiable assets and liabilities by country is as follows:

As at December 31, 2017			
	Canada	Mexico	Total
	\$	\$	\$
Equipment	9,041	2,166	11,207
Exploration and evaluation assets	185,888	1,944,091	2,129,979

As at June 30, 2017			
	Canada	Mexico	Total
	\$	\$	\$
Equipment	10,124	2,519	12,643
Exploration and evaluation assets	185,716	1,371,635	1,557,351

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11. SUBSEQUENT EVENTS

In January 2018, the Company closed a private placement of 2,571,429 units at \$0.07 per unit for gross proceeds of \$180,000. Each unit comprises one common share and one common share purchase warrant. Each warrant is exercisable to acquire one additional common share at \$0.10 for 24 months. The Company paid finder's fees of \$7,000 and issued 100,000 broker warrants with the same terms as the unit warrants.

Effective February 28, 2018, the Company completed a share consolidation on the basis of 3 pre-consolidation common shares for 1 post-consolidation common share. These financial statements have not been retrospectively adjusted to reflect this consolidation.