

**Alset Minerals Corp.**  
(formerly Alset Energy Corp.)  
(An Exploration Stage Enterprise)

**Consolidated Financial Statements**  
**June 30, 2017 and 2016**

(Expressed in Canadian Dollars)



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## INDEPENDENT AUDITORS' REPORT

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To the Shareholders of  
Alset Minerals Corp.

We have audited the accompanying consolidated financial statements of Alset Minerals Corp. which comprise the consolidated statement of financial position as at June 30, 2017, the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alset Minerals Corp. as at June 30, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Alset Minerals Corp. to continue as a going concern.

### **Other Matter**

The financial statements of Alset Minerals Corp. for the year ended June 30, 2016 were audited by other auditors who expressed an unmodified opinion on those statements on October 19, 2016.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, British Columbia  
October 30, 2017

**Alset Minerals Corp.**  
**Consolidated Statements of Financial Position**  
**As at June 30, 2017 and 2016**  
**(Expressed in Canadian Dollars)**

	2017	2016
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (Note 4)	278,946	898,134
Amounts receivable	20,882	24,480
Prepaid expenses	10,329	3,452
	310,157	926,066
Equipment (Note 5)	12,643	-
Exploration and evaluation assets (Note 6)	1,557,351	158,284
	1,880,151	1,084,350
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	264,133	152,634
<b>Shareholders' Equity</b>		
Share capital (Note 7)	3,449,212	2,229,308
Reserves (Note 7)	7,903,150	7,417,539
Deficit	(9,736,344)	(8,715,131)
	1,616,018	931,716
	1,880,151	1,084,350

Nature of operations and going concern (Note 1)  
 Commitments (Notes 6 and 12)  
 Subsequent events (Note 14)

The consolidated financial statements were authorized for issue by the Board of Directors and were signed on its behalf by:

*"Allan Laboucan"*

Director

*"Bill Harper"*

Director

The accompanying notes are an integral part of these consolidated financial statements

**Alset Minerals Corp.**  
**Consolidated Statements of Comprehensive Loss**  
**For the Years Ended June 30, 2017 and 2016**  
**(Expressed in Canadian Dollars)**

	2017	2016
	\$	\$
<b>EXPENSES</b>		
Advertising and promotion (Note 8)	168,463	39,213
Consulting fees (Note 8)	205,596	129,505
Depreciation	1,786	-
General administrative (Note 8)	72,153	25,591
Pre-acquisition exploration and evaluation costs	8,090	26,533
Professional fees	121,231	52,644
Share-based payments (Notes 7 and 8)	457,216	109,635
Stock exchange and filing fees	19,976	7,110
<b>LOSS BEFORE OTHER ITEMS</b>	<b>(1,054,511)</b>	<b>(390,231)</b>
<b>OTHER ITEMS</b>		
Impairment of loan receivable	-	(35,000)
Interest and other	8,100	10,802
Gain on mineral properties (Note 6)	5,703	-
Foreign exchange gain	19,495	-
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>(1,021,213)</b>	<b>(414,429)</b>
Loss per share, basic and diluted	(0.02)	(0.01)
Weighted average number of common shares outstanding	43,609,867	38,262,447

The accompanying notes are an integral part of these consolidated financial statements

**Alset Minerals Corp.**  
**Consolidated Statements of Changes in Equity**  
**For the Years Ended June 30, 2017 and 2016**  
**(Expressed in Canadian Dollars)**

	<b>Common Shares</b>		<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total</b>
	<b>Number of Shares</b>	<b>Amount</b>			
		\$	\$	\$	\$
Balance, June 30, 2015	38,136,764	2,099,308	7,307,904	(8,300,702)	1,106,510
Shares issued for exploration and evaluation assets	1,000,000	130,000	-	-	130,000
Share-based payments	-	-	109,635	-	109,635
Net loss and comprehensive loss	-	-	-	(414,429)	(414,429)
Balance, June 30, 2016	39,136,764	2,229,308	7,417,539	(8,715,131)	931,716
Shares issued for private placements	7,423,580	808,442	20,282	-	828,724
Share issuance costs	-	(35,979)	8,113	-	(27,866)
Shares issued for debt settlement (Note 7(a))	1,178,680	153,229	-	-	153,229
Shares issued for exploration and evaluation assets	2,101,514	294,212	-	-	294,212
Share-based payments	-	-	457,216	-	457,216
Net loss and comprehensive loss	-	-	-	(1,021,213)	(1,021,213)
Balance, June 30, 2017	49,840,538	3,449,212	7,903,150	(9,736,344)	1,616,018

The accompanying notes are an integral part of these consolidated financial statements

**Alset Minerals Corp.**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended June 30, 2017 and 2016**  
**(Expressed in Canadian Dollars)**

	2017	2016
	\$	\$
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss	(1,021,213)	(414,429)
Items not involving cash:		
Share-based payments	457,216	109,635
Depreciation	1,786	-
Gain on mineral properties	(5,703)	-
Other income	(5,766)	-
Unrealized foreign exchange gain	(28,523)	-
Changes in non-cash working capital items:		
Amounts receivable	3,807	(12,262)
Loan receivable	-	35,000
Prepaid expenses	(6,876)	2,175
Accounts payable and accrued liabilities	255,251	81,254
	(350,021)	(198,627)
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	(14,320)	-
Acquisition of exploration and evaluation assets, net	(1,061,832)	(28,283)
	(1,076,152)	(28,283)
<b>FINANCING ACTIVITIES</b>		
Shares issued for cash, net	806,625	-
Effective of foreign exchange on cash	360	-
DECREASE IN CASH	(619,188)	(226,910)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	898,134	1,125,044
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>278,946</b>	<b>898,134</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Income taxes paid	-	-
Interest paid	-	-
<b>NON-CASH TRANSACTIONS</b>		
Shares issued for debt settlement	153,229	-
Share issuance costs – brokers’ warrants	8,113	-
Shares issued for explorations and evaluation assets	294,212	130,000

The accompanying notes are an integral part of these consolidated financial statements

**ALSET MINERALS CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**  
**(Expressed in Canadian Dollars)**

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**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 \$9,736,344 as at June 30, 2017 which has been funded mainly by the issuance of equity. The accompanying 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 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**

Statement of Compliance

These 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 the consolidated financial statements. The accounting policies followed in these 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, 2016.

These consolidated financial statements of the Company for the year ended June 30, 2017 were reviewed, approved and authorized for issue by the Board of Directors on October 30, 2017.

Basis of Measurement

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs except for certain financial instruments, which are measured at fair value as explained in the significant accounting policies set out in Note 3. The consolidated financial statements are presented in Canadian dollars which is also the Company’s functional currency.

Basis of Consolidation

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

**ALSET MINERALS CORP.**  
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**2. BASIS OF PREPARATION (continued)**

Use of Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities as at the date of the consolidated financial statements and the 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.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive 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.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

a) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure 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 expenditures are capitalized, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

b) Site Closure and Reclamation Provisions

The Company assesses its mineral properties' rehabilitation provision at each reporting date or when new material information becomes available. Exploration, development and mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation obligations requires management to make estimates of the future costs that the Company will incur to complete the reclamation work required to comply with existing laws and regulations at each location. Actual costs incurred may differ from those amounts estimated.

Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact any amounts charged to operations for reclamation and remediation. At June 30, 2017 and 2016, no reclamation obligation has been incurred. Therefore, no provision has been recorded which represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

c) Title to Mineral Properties

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.



**ALSET MINERALS CORP.**  
**Notes to the Consolidated Financial Statements**  
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**2. BASIS OF PREPARATION (continued)**

Use of Accounting Judgments, Estimates and Assumptions (continued)

d) Share-Based Payments

Management uses valuation techniques in measuring the fair value of share options granted. The fair value is often determined using the Black-Scholes option pricing model which requires management to make certain estimates, judgements, and assumptions in relation to the expected life of the share options, expected volatility, expected risk-free rate, and expected forfeiture rate. Changes to these assumptions could have a material impact on the Company's consolidated financial statements.

e) Going Concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

f) Deferred Income Taxes

Judgement is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgement is also required in determining whether deferred tax liabilities are recognized in the consolidated statement of financial position. Deferred tax assets, including those potentially arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable income in future periods, in order to recognize deferred tax assets. Assumptions about the generation of future taxable income depend on management's estimates of future operations and cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize deferred tax assets or offset these against any deferred tax liabilities recorded at the reporting date could be impacted.

**ALSET MINERALS CORP.**  
**Notes to the Consolidated Financial Statements**  
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**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements as if the policies have always been in effect.

Foreign Currency Translation

The functional currency of each of the Company's entities is determined using primary and secondary indicators related to the economic environment in which that entity operates. The Canadian dollar is the Company's functional and presentation currency. The functional currency of the subsidiary is also the Canadian dollar. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the consolidated statement of comprehensive loss in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the consolidated statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Exploration and Evaluation Assets

Exploration and evaluation assets include the costs associated with exploration and evaluation activity (e.g. geological, geophysical studies, exploratory drilling and sampling), and the fair value (at acquisition date) of exploration and valuation and evaluation assets acquired in a business combination. The Company follows the practice of capitalizing all costs related to the acquisition of, exploration for and evaluation of mineral claims and crediting all revenue received against the cost of related claims. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the profit or loss.

Capitalized costs, including general and administrative costs, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related mineral property.

**ALSET MINERALS CORP.**  
**Notes to the Consolidated Financial Statements**  
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**(Expressed in Canadian Dollars)**

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

Exploration and Evaluation Assets (continued)

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The aggregate costs related to abandoned mineral claims are charged to operations at the time or any abandonment or when it has been determined that there is evidence of a permanent impairment.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

When options are granted on exploration and evaluation assets or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

Cash Equivalents

Cash equivalents comprise demand deposits, short-term investments and highly liquid investments that are readily convertible into known amounts or cash and which are subject to an insignificant risk of changes in value.

Share-Based Payments

The Company operates an incentive stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of share-based payments is charged to the consolidated statement of comprehensive loss with a corresponding credit recorded to reserves. The fair value of options is determined using a Black-Scholes option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial Instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. The Company's cash and cash equivalents are classified as fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company does not have any assets classified as loans and receivables.

**ALSET MINERALS CORP.**  
**Notes to the Consolidated Financial Statements**  
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**(Expressed in Canadian Dollars)**

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

Financial Instruments (continued)

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments and it is the Company's intention to hold these investments to maturity. They are measured at amortized cost. Held-to-maturity investments are included in non-current assets except for those which are expected to mature within 12 months of the end of the reporting period. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive loss, except for impairment losses and foreign exchange gains and losses. The Company does not have any assets classified as available-for-sale financial assets.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the assets.

Non-derivative financial liabilities (excluding financial guarantees) are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost. The Company has classified its accounts payable as financial liabilities.

Regular purchases and sales of financial assets are recognized on the settlement date basis. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Fair value hierarchy:

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to the valuation technique used to measure fair value as per IFRS 7. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 - Unadjusted quoted prices 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.

The Company has valued its cash and cash equivalents using Level 1 measurements.

**ALSET MINERALS CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**  
**(Expressed in Canadian Dollars)**

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

Impairment of Assets

The carrying amounts of the Company's assets (which include equipment and exploration and evaluation assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Impairment of mineral property exploration interests is generally considered to have occurred if one of the following factors is present: the right to explore has expired or is near to expiry with no expectation of renewal, no further substantive expenditures are planned, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications in an area with development likely to proceed that the carrying amount is unlikely to be recovered in full by development or by sale. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of loss and comprehensive loss.

The recoverable amount of assets is the higher of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Income Taxes

*Current income taxes:*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company and its subsidiary operate and generate taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred income taxes:*

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

**ALSET MINERALS CORP.**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada's flow-through regulations. When applicable, this tax is accrued as a financial expense.

Flow-through shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures.

Restoration and Environmental Obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets. At June 30, 2017 and 2016, the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

**ALSET MINERALS CORP.**  
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**(Expressed in Canadian Dollars)**

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

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated using the declining balance method to allocate the cost of the assets over their estimated useful lives. The depreciation rates applicable to each category of equipment are as follows:

Computer hardware and software	30% declining balance
Drilling and exploration equipment	30% declining balance

Depreciation is recorded at one-half rates in the year of acquisition. Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

Basic and Diluted Loss Per Share

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

Diluted loss per share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. The dilution is calculated based upon the net number of common shares issued should "in the money" options and warrants be exercised and the proceeds used to repurchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

Accounting Standards 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.

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

Accounting Standards Issued But Not Yet Applied (continued)

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.

The new standard is effective for annual periods beginning on or after January 1, 2019. 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 consolidated financial statements of the Company has not yet been determined.



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**4. CASH EQUIVALENTS**

As of June 30, 2017, the Company held \$nil (2016 - \$692,417) in fully liquid, managed money market fund units that yielded regular monthly interest at market rates.

**5. EQUIPMENT**

	Computer Hardware and Software	Drilling and Exploration Equipment	Total
	\$	\$	\$
<b>COST</b>			
Balance at June 30, 2016 and 2015	-	-	-
Additions	11,910	2,410	14,320
Effect of exchange adjustment	-	109	109
<b>Balance at June 30, 2017</b>	<b>11,910</b>	<b>2,519</b>	<b>14,429</b>
<b>DEPRECIATION</b>			
Balance at June 30, 2016 and 2015	-	-	-
Depreciation	1,786	-	1,786
Effect of exchange adjustment	-	-	-
<b>Balance at June 30, 2017</b>	<b>1,786</b>	<b>-</b>	<b>1,786</b>
<b>NET CARRYING AMOUNT AS AT</b>			
June 30, 2016	-	-	-
<b>June 30, 2017</b>	<b>10,124</b>	<b>2,519</b>	<b>12,643</b>

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**6. 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 year ended June 30, 2017 and 2016 is summarized in the tables below:

<b>Year Ended June 30, 2017</b>	Lithium Salars	Wisa Lake	Champion Graphite	Goodchild	Total
	\$	\$	\$	\$	\$
<b>Acquisition costs</b>					
Balance, June 30, 2016	-	5,985	130,026	1	136,012
Acquisition – cash paid	516,554	-	-	-	516,554
Acquisition – common shares issued	294,212	-	-	-	294,212
Foreign exchange adjustment	21,219	-	-	-	21,219
Balance, June 30, 2017	831,985	5,985	130,026	1	967,997
<b>Exploration and evaluation costs</b>					
Balance, June 30, 2016	3,200	14,215	4,857	-	22,272
Assay and analysis	34,557	-	-	-	34,557
Consulting	3,711	-	-	-	3,711
Drilling	115,318	-	-	-	115,318
Field supplies	-	-	-	-	-
Geological consultants	123,038	400	1,985	-	125,423
Legal and administration	86,345	-	-	-	86,345
Miscellaneous	12,032	1,600	1,916	-	15,548
Permitting	44,160	-	-	-	44,160
Prospecting	-	2,097	1,046	-	3,143
Mining and other taxes	72,091	-	-	-	72,091
Travel and accommodation	29,391	-	-	-	29,391
Trenching	-	-	45,885	-	45,885
Foreign exchange adjustment	15,807	-	-	-	15,807
Balance, June 30, 2017	539,650	18,312	55,689	-	613,651
Option payments received	-	(30,000)	-	-	(30,000)
Gain on farmed-out options	-	5,703	-	-	5,703
Total, June 30, 2017	1,371,635	-	185,715	1	1,557,351

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

Year Ended June 30, 2016	Lithium Salars	Wisa Lake	Champion Graphite	Goodchild	Total
	\$	\$	\$	\$	\$
<b>Acquisition costs</b>					
Balance, June 30, 2015	-	-	-	1	-
Acquisition – cash paid	-	5,985	130,026	-	136,011
Balance, June 30, 2016	-	5,985	130,026	1	136,012
<b>Exploration and evaluation costs</b>					
Balance, June 30, 2015	-	-	-	-	-
Assay and analysis	-	3,356	418	-	3,774
Consulting	-	449	-	-	449
Miscellaneous	3,200	2,803	1,970	-	7,973
Prospecting	-	7,607	1,729	-	9,336
Trenching	-	-	740	-	740
Balance, June 30, 2016	3,200	14,215	4,857	-	22,272
Total, June 30, 2016	3,200	20,200	134,883	1	158,284

(a) **Mexico - Lithium Salars**

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 and boron 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. 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 (Note 7(a)).

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 (Note 14(a)). The Company also agreed to pay the outstanding mining taxes on the two concessions totalling \$180,998 (unpaid). 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.

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

**(b) Wisa Lake Lithium, Ontario**

The Company holds 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 (paid);
- b) \$50,000 on the earlier of due diligence completion date and August 11, 2017 (Note 14(b)).

In addition, the Company will retain a 2% NSR and Ardiden will have the right to purchase one-half of which (1%) of the NSR for \$500,000.

**(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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**7. SHARE CAPITAL**

Authorized:

Class A common – unlimited  
Class B common – unlimited  
Common – unlimited

Issued:

Common – 49,840,538

**(a) Shares issued**

Year Ended June 30, 2017

In October and November 2016, the Company issued 288,334 flow-through units (“FT”) at \$0.12 per unit and 4,256,400 non flow-through units (“NFT”) at \$0.10 per unit for gross proceeds of \$460,240. Each FT unit comprised one flow-through common share and one-half of one common share purchase warrant, each whole warrant entitles the holder to purchase one additional common share of the Company for \$0.20 for a period of 24 months. Each NFT unit comprised one common share and one common share purchase warrant, each warrant entitles the holder to purchase one additional common share of the Company for \$0.20 for a period of 24 months. The Company paid finders’ fees totalling \$6,800 and issued 68,000 broker warrants at a fair value of \$6,548. The broker warrants are exercisable to purchase one common share at \$0.20 for a period of 24 months. The Company recorded share premium of \$5,766 on the FT units. The Company also credited fair value of the share purchase warrants of \$20,282 to reserve.

The Company issued 1,178,680 common shares of the Company for settlement of \$153,229 of accounts payable owed to Benton Resources Inc., a company related by common directors.

The Company issued 2,101,514 common shares at a fair value of \$294,212 as payment for the lithium salars properties in Mexico (Note 6 (a)).

In May 2017, the Company issued 2,878,846 units at \$0.13 per unit for gross proceeds of \$374,250. Each unit comprised one common share and one common share purchase warrant, each warrant entitles the holder to purchase one additional common share of the Company at \$0.20 for a period of 12 months. The warrants are subject to an accelerated exercise provision in the event the Company’s common share closing price is \$0.30 or greater for 10 consecutive days. The Company paid finders’ fees totalling \$2,288 and issued 17,600 broker warrants at a fair value of \$1,565. The broker warrants are exercisable to purchase one common share at \$0.20 for a period of 12 months, and are also subject to the same acceleration clause as the unit warrants.

Year Ended June 30, 2016

During the year ended June 20, 2016, the Company issued 1,000,000 common shares to Benton Resources Inc. at the price of \$0.13 per share as part of the cost for acquiring the Champion Graphite property (Note 6(c)).

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**7. SHARE CAPITAL (continued)**

**(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 year June 30, 2017 and 2016 are detailed below.

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2015	3,997,500	\$0.48
Granted	2,845,000	\$0.11
Expired	(1,585,000)	\$0.86
Balance, June 30, 2016	5,257,500	\$0.17
Granted	5,182,035	\$0.17
Cancelled	(887,500)	\$0.28
Forfeited	(615,000)	\$0.20
Expired	(365,000)	\$0.28
Balance, June 30, 2017	8,572,035	\$0.15

As at June 30, 2017 the following stock options were outstanding:

Expiry Date	Exercise Price	Number of Options	Option Exercisable
September 5, 2017	\$0.30	187,500	187,500
February 3, 2019	\$0.20	1,187,500	1,187,500
April 21, 2021	\$0.07	2,365,000	1,773,750
May 26, 2021	\$0.35	200,000	100,000
July 27, 2021	\$0.39	300,000	150,000
December 12, 2021	\$0.13	1,893,000	1,146,500
March 29, 2022	\$0.15	250,000	187,500
May 10, 2022	\$0.15	2,189,035	547,259
		8,572,035	5,280,009

The weighted average life of the options outstanding and exercisable at June 30, 2017 is 4.05 years (2016 – 3.56 years).

During the year ended June 30, 2017, the Company granted incentive stock options to various directors, officers and consultants to purchase up to 5,182,035 (2016 – 2,845,000) common shares of the Company. The options vested 25% on the grant day, and 25% every 6 months thereafter. The weighted fair value of each option on grant day was \$0.07 (2016 - \$0.09). The Company recorded share-based compensation of \$457,216 for the year ended June 30, 2017 (2016 - \$109,635).

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**7. SHARE CAPITAL (continued)**

**(b) Stock Options (continued)**

The fair value of the stock options granted was calculated using the Black-Scholes model with the following weighted average assumptions:

	2017	2016
Share price	\$0.11	\$0.11
Risk-free interest rate	1.11%	0.71%
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%
Expected stock price volatility	147%	147%
Expected life in years	4.64	5

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option and warrant grants.

**(c) Warrants**

The changes in warrants during the years ended June 30, 2017 and 2016 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2015 and 2016	-	-
Granted	7,365,014	\$0.20
Balance, June 30, 2017	7,365,014	\$0.20

The weighted average life of the warrants outstanding at June 30, 2017 is 1.15 years.

Additional information regarding warrants outstanding as at June 30, 2017 is as follows:

Expiry Date	Number of Warrants	Exercise Price
October 17, 2018	1,899,733	\$0.20
November 7, 2018	2,568,833	\$0.20
May 12, 2018	2,896,448	\$0.20
	7,365,014	

During the year ended June 30, 2017, 85,600 broker warrants were issued in relation to private placements (Note 7(a)). The fair value of \$8,113 for the broker warrants issued was calculated using the Black-Scholes model with the following weighted average assumptions:

	2017	2016
Share price	\$0.13	-
Risk-free interest rate	0.56%	-
Expected dividend yield	0%	-
Expected stock price volatility	166%	-
Expected life in years	1.8	-

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**8. RELATED PARTY TRANSACTIONS AND BALANCES**

The Company paid or accrued the following amounts to related parties during the year ended June 30, 2017 and 2016:

Payee	Description of Relationship	Nature of Transaction	2017	2016
			\$	\$
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell, an officer and a former director	Legal fees and disbursements	73,892	10,425
Benton Resources Inc.	Company related by common directors	Reimbursement of fees and expenses	86,007	2,298
Michael Stares	Former Director	Reimbursement of expenses	1,118	28,000
Tim Oliver	Former President and Chief Executive Office ("CEO")	Consulting fee and reimbursements	87,117	-
ABR Media Company	Company controlled by President, CEO and director	Consulting, administration and reimbursement of expenses	73,217	-
Allan Laboucan	President, CEO and director	Consulting fees, administration and reimbursement of expenses	61,594	-
Emily Hanson	Vice President, Exploration	Consulting fees and reimbursement of expenses	33,663	-
Gennen McDowall	Chairman and director	Reimbursement of expenses	4,990	-
Stephen Stares	Director	Reimbursement of expenses	11,472	-
Albert Wu & Associates Ltd.	Company controlled by Albert Wu, Chief Financial Officer ("CFO")	Accounting fees and reimbursement of expenses	42,098	-

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.



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**8. RELATED PARTY TRANSACTIONS (continued)**

Amounts due to related parties and included in accounts payable as at June 30, 2017 and 2016 are as follows:

Payee	Description of Relationship	2017 \$	2016 \$
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell Officer and former director	19,394	-
Benton Resources Inc.	Company related by common directors	-	87,228
Albert Wu & Associates Ltd.	Company controlled by Albert Wu Chief Financial Officer	5,723	-
Emily Hanson	Vice President, Exploration and director	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.

Amounts receivable include \$3,290 (2016 - \$nil) 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 years ended June 30, 2017 and 2016. Short-term key management compensation consists of the following for the years ended June 30, 2017 and 2016:

	2017	2016
	\$	\$
Accounting	38,700	-
Administrative services	18,000	-
Advertising and promotion	12,300	-
Consulting fees	121,121	45,200
Exploration and evaluation	86,051	-
Rent	3,000	-
Share-based payments	131,048	53,877
	410,220	99,077

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**9. 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 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.

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 June 30, 2017.

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**10. INCOME TAXES**

In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion of all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are expected to reverse. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

The significant components of the Company's unrecognized deferred tax assets and liabilities are as follows:

	<b>2017</b>	<b>2016</b>
	\$	\$
Non capital losses	312,000	158,860
Capital losses	45,000	43,172
Exploration and evaluation assets	599,000	579,018
Share issuance costs	4,000	-
Other	16,000	-
Unrecognized deferred income tax assets	<u>(976,000)</u>	<u>(781,050)</u>
Net deferred income tax assets	-	-

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates at 26% (2016 – 26.50%) to the amount reported in these consolidated financial statements:

	<b>2017</b>	<b>2016</b>
	\$	\$
Income tax recovery at statutory rate	(265,515)	(109,824)
Non-deductible items	113,461	36,370
Income tax rate difference	(1,249)	-
Income tax rate change and other	(30,407)	-
Change in unrecognized deferred income tax assets	183,710	73,454
Income tax recovery	<u>-</u>	<u>-</u>

As at June 30, 2017, the amount of deductible temporary differences for which no deferred tax asset is recognized in the consolidated statements of financial position is mainly the Company's non-capital losses carried forward of approximately \$1,162,000 which are available to offset future years' taxable income earned in Canada. Any losses incurred in Mexico are carried forward until utilized. The losses incurred in Canada expire as follows:

	\$
2034	124,000
2035	235,000
2036	244,000
2037	<u>559,000</u>
	<u>1,162,000</u>

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**11. 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. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at 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	278,946	-	-	278,946

**Fair value**

The fair value of the Company's financial instruments approximates their carrying value as at 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:

	2017	2016
	\$	\$
FVTPL (i)	278,946	898,134
Other financial liabilities (ii)	264,133	152,634

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

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**11. 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 June 30, 2017, the Company had cash and cash equivalents on hand of \$278,946 (2016 - \$898,134) available to the Company to settle current liabilities of \$264,133 (2016 - \$152,634). 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 payment obligations for exploration and evaluation that are denominated in Mexican Pesos. As at June 30, 2017, the Company has net current asset of \$5,721 denominated in Mexican Pesos and is not exposed to significant foreign exchange risk. 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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**(Expressed in Canadian Dollars)**

**12. COMMITMENTS**

- a) The Company has commitments as described in note 6 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.

**13. SEGMENT INFORMATION**

The Company has exploration and evaluation in two geographical segments, Canada and Mexico. Management of the Company makes decisions about allocating resources based on the operating segments. A geographic summary of the Company's equipment and exploration and evaluation assets by country is as follows:

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

<b>June 30, 2016</b>			
	Canada	Mexico	Total
	\$	\$	\$
Exploration and evaluation assets	3,200	155,084	158,284

**14. SUBSEQUENT EVENTS**

- (a) Pursuant to the agreement entered on June 15, 2017 (Note 6(a)), the Company issued 4,000,000 common shares to Hot Spring Mining on August 24, 2017, enabling the Company to acquire the two concessions.
- (b) On August 22 2017, the Company received payment of the option balance of \$50,000 from Ardiden. The Company completed the title transfer of the Wisa Lake Lithium property to Ardiden. (Note 6(b)).
- (c) On October 26, 2017, the Company closed a private placement of 2,500,000 units of the Company at \$0.08 per unit for gross proceeds of \$200,000. 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 12 months.