



BERKWOOD RESOURCES LTD.
(An Exploration Stage Company)

Interim Consolidated Financial Statements

Period Ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

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NOTICE – NO Auditor Review of the Interim Financial Statements

The accompanying unaudited interim consolidated financial statements of Berkwood Resources Ltd., (“the Company”), for the nine months ended November 30, 2017, have been prepared by the management and have not been the subject of a review by the Company’s external independent auditors.

BERKWOOD RESOURCES LTD.
Consolidated Statements of Financial Position
(expressed in Canadian Dollars)

As at	November 30, 2017	February 28, 2017
ASSETS		
Current		
Cash	\$ 2,867,072	\$ 532,703
Accounts receivable	61,175	35,372
Share subscription receivables	87,000	-
Prepaid expenses	73,576	35,588
	<u>3,088,823</u>	<u>603,663</u>
Plant and Equipment (Note 4)	28,401	-
Exploration advances	-	-
Mineral Property Interest (Note 5)	<u>2,046,301</u>	<u>88,838</u>
	<u>\$ 5,163,525</u>	<u>\$ 692,501</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities (Note 14 (f))	\$ 113,625	\$ 157,003
Due to related parties (Note 6 and 14 (g))	15,750	277,675
	<u>129,375</u>	<u>434,678</u>
Shareholders' equity (deficiency)		
Share capital (Note 7)	28,530,096	20,918,321
Shares subscribed	-	609,278
Contributed surplus (Note 8)	3,329,482	2,252,614
Deficit	<u>(26,825,428)</u>	<u>(23,522,390)</u>
	<u>5,034,150</u>	<u>257,823</u>
	<u>\$ 5,163,525</u>	<u>\$ 692,501</u>

"Thomas Yingling"
 Director – Thomas Yingling

"Binny Jassal"
 Director – Binny Jassal

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

BERKWOOD RESOURCES LTD.**Interim Consolidated Statements of Loss and Comprehensive Loss****(expressed in Canadian Dollars)**

	Three Months Ended November 30, 2017	Three Months Ended November 30, 2016	Nine Months Ended November 30, 2017	Nine Months Ended November 30, 2016
Expenses				
Amortization	\$ 2,303	\$ 0	\$ 2,303	\$ 0
Consulting fees (Note 6)	343,471	238,077	621,356	268,987
Exploration and evaluation (Note 5 & 6 (c))	858,623	-	907,638	4,296
Office and administration	9,291	2,099	29,635	13,007
Promotional and marketing	124,103	28,767	394,841	33,633
Professional fees (Note 6)	21,802	18	95,683	36,648
Shareholder communications	36,591	-	51,056	-
Stock-based compensation (Notes 8)	411,449	131,593	994,247	131,593
Travel	42,765	-	79,946	-
Trade shows and events	31,949	-	71,763	-
Transfer agent and filing fees	13,345	9,792	54,570	15,230
	1,895,692	410,346	3,303,038	503,394
Loss before other items	(1,895,692)	(410,346)	(3,303,038)	(503,394)
Other items				
Change in fair value of investments	-	-	-	(17,598)
Recovery of expenses	-	-	-	5,500
Net loss and comprehensive loss for the period	\$ (1,895,692)	\$ (410,346)	\$ (3,030,038)	\$ (515,492)
Loss per common share – basic and diluted	\$ (0.08)	\$ (0.07)	\$ (0.21)	\$ (0.09)
Weighted average number of common shares outstanding	24,447,748	6,196,043	15,654,523	5,835,353

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

BERKWOOD RESOURCES LTD.
Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
Periods Ended November 30, 2017 and 2016
(expressed in Canadian Dollars)

	Number of Shares	Share Capital	Shares Subscribed	Contributed Surplus	Deficit	Shareholders' Equity (Deficiency)
Balance, February 28, 2017	6,782,114	\$ 20,918,321	\$ 609,278	\$ 2,252,614	\$ (23,522,390)	\$ 257,823
Private placements - net	19,603,680	5,617,521	(609,278)	-	-	5,008,243
Options exercised	400,000	136,000	-	-	-	136,000
Fair value of options exercised	-	136,000	-	(136,000)	-	-
Warrants Exercised	170,000	59,500	-	-	-	59,500
Shares issued pursuant to property agreement	4,500,000	1,437,000	-	-	-	1,437,000
Shares issued pursuant to property agreement	125,000	46,875	-	-	-	46,875
Shares issued pursuant to property agreement	1,500,000	397,500	-	-	-	397,500
Option granted	-	-	-	994,247	-	994,247
Broker's shares	54,000	18,662	-	-	-	18,662
Fair value of broker's shares granted	-	(18,662)	-	-	-	(18,662)
Fair value of broker's warrants granted	-	(218,621)	-	218,621	-	-
Net loss for the period	-	-	-	-	(3,303,038)	(3,303,038)
Balance, November 30, 2017	33,134,794	28,530,096	-	3,329,482	(26,825,428)	5,034,150
Balance, February 29, 2016	5,589,937	19,947,883	-	2,014,645	(22,322,958)	(360,430)
Private placements (net)	555,555	447,000	-	-	-	447,000
Exercise of stock options	160,000	96,000	-	-	-	96,000
Exercise of warrants	476,623	234,816	-	-	-	234,816
Fair value of stock options granted	-	-	-	131,593	-	131,593
Fair value of stock options exercised	-	131,593	-	(131,593)	-	-
Net loss for the period	-	-	-	-	(515,492)	(515,492)
Balance, November 30, 2016	6,782,115	\$ 20,857,292	-	\$ 2,014,645	\$ (22,838,450)	\$ 33,487

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

BERKWOOD RESOURCES LTD.
Interim Consolidated Statements of Cash Flows
(expressed in Canadian Dollars)

	Three Months Ended November 30, 2017	Three Months Ended November 30, 2016	Nine Months Ended November 30, 2017	Nine Months Ended November 30, 2016
Cash flows from (used in)				
Operating activities				
Net loss for the period	\$ (1,895,692)	\$ (410,346)	\$ (3,303,038)	\$ (515,492)
Items not affecting cash:				
Stock-based compensation	411,449	131,593	994,247	131,593
Amortization	2,303	-	2,303	-
Change in fair value of investments	-	-	-	17,598
Settlement of debt by transferring investments	-	-	-	42,402
	(1,481,940)	(278,753)	(2,306,488)	(323,899)
Changes in non-cash working capital items:				
Accounts receivable	(48,265)	(7,767)	(25,803)	44,843
Share subscription receivables	458,260	-	(87,000)	-
Prepaid expenses	89,277	(82,274)	(37,988)	(80,759)
Accounts payable and accrued liabilities	(124,677)	280,900	(43,378)	496,496
Due to related parties	(136,600)	8,181	(261,925)	(264,510)
	(1,243,945)	(79,713)	(2,762,582)	(127,829)
Investing activities				
Plant and equipment	-	-	(30,704)	-
Exploration advances	122,956	-	-	-
Mineral property interest	(40,000)	-	(76,088)	(25,000)
	82,956	-	(106,792)	(25,000)
Financing activities				
Issuance of common shares	3,228,260	650,643	5,949,180	830,816
Shares issuance costs	(122,793)	(53,000)	(195,659)	(53,000)
Warrants exercised	59,500	-	59,500	-
Shares subscribed	-	-	(609,278)	-
	3,164,967	597,643	5,203,743	777,816
Change in cash during the period	2,003,978	517,930	2,334,369	624,987
Cash, beginning of the period	863,094	107,914	532,703	857
Cash, end of the period	\$ 2,867,072	\$ 625,844	\$ 2,867,072	\$ 625,844

Supplemental disclosure with respect to cash flows (Note 11)

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

BERKWOOD RESOURCES LTD.
Notes to Interim Consolidated Financial Statements
Periods ended November 30, 2017 and 2016
(expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Berkwood Resources Ltd. (the “Company” or “Berkwood”) was incorporated under the laws of British Columbia on January 15, 1979 and its principal business activities include the exploration and development of natural resource properties.

The Company is publicly listed on the TSX Venture Exchange (the “Exchange”) under the symbol “BKR”.

The Company’s corporate office and principal place of business is 14th Floor, 1111 West Georgia Street, Vancouver, British Columbia V6E 4M3.

On March 17, 2017, the Company consolidated its common shares on the basis of 5 pre-consolidation common shares for 1 post-consolidation common share. All the figures as to the number of common shares, stock options, warrants, prices of issued shares, exercise prices of stock options and warrants, as well as loss per share, in the consolidated financial statements are post-consolidation amounts and the prior year comparatives have been retroactively restated to present the post-consolidation amounts.

These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. The Company had a working capital of \$2,959,448 as at November 30, 2017 compared to working capital of \$168,985 as at February 28, 2017 and an accumulated deficit of \$26,825,428 (February 28, 2017 - \$23,522,390).

The ability of the Company to continue as a going concern and meet its commitments as they become due, including exploration and development of its mineral property interests, is dependent on the Company’s ability to obtain the necessary financing. Management is currently assessing alternatives to raising additional funding, which includes additional equity offerings or alternatively to dispose of its interests in certain mineral properties. The outcome of these matters cannot be predicted at this time. If the Company is unable to obtain additional financing, management will be required to curtail the Company’s operations.

The business of mining exploration involves a high degree of risk and there is no assurance that current exploration projects will result in future profitable mining operations. The Company has no source of revenue and has significant cash requirements to meet its administrative overhead, pay its debts and liabilities, and maintain its mineral property interests. The recoverability of amounts shown for mineral property interests is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral property interests. The carrying value of the Company’s mineral property interests may not reflect current or future values.

The above indicate material uncertainties about the Company’s ability to be able to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PREPARATION

(a) Statement of compliance

These interim consolidated financial statements, as at and for the nine months ended November 30, 2017, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

These interim consolidated financial statements were approved and authorized for issue by the Board of Directors on January 19, 2018.

BERKWOOD RESOURCES LTD.
Notes to Interim Consolidated Financial Statements
Periods ended November 30, 2017 and 2016
(expressed in Canadian Dollars)

2. BASIS OF PREPARATION (Continued)

(b) Basis of measurement

These consolidated financial statements are presented in Canadian dollars. These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments carried at fair value, and uses the accrual basis of accounting, except for cash flow information.

The accounting policies set out in Note 3 have been applied consistently by the Company and its subsidiaries for all periods presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

(a) Basis of consolidation

The consolidated financial statements of the Company include its wholly owned subsidiaries, Compania Minera Spire, S.A. de C.V. incorporated in Mexico, Berkwood Resources PTE. Ltd., incorporated in Singapore, and PT. Berkwood Resources Indonesia, incorporated in Indonesia. A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investee. All intercompany transactions and balances have been eliminated upon consolidation.

(b) Mineral property interests

Acquisition costs for mineral property interests, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs may include cash consideration, the value of common shares issued based on fair values, and the fair value of share purchase warrants and options issued based on amounts determined using the Black-Scholes option pricing model.

Exploration and evaluation expenditures, net of recoveries, are charged to operations as incurred. After a property is determined by management to be commercially feasible, development expenditures on the property are capitalized.

When there is little prospect of further work on a property being carried out by the Company, when a property is abandoned or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount. Acquisition costs are also tested for impairment before the assets are transferred to development properties. The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and amortized using the unit-of-production method.

Mineral property interests acquired under an option agreement where payments are made at the sole discretion of the Company are capitalized at the time of payment.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures, which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized, with any excess cash recognized in profit or loss.

BERKWOOD RESOURCES LTD.
Notes to Interim Consolidated Financial Statements
Periods ended November 30, 2017 and 2016
(expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Impairment of non-current assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there are any indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets (the CGU), where the recoverable amount of the CGU is the greater of the CGU's fair value less costs to sell and its value in use) to which the assets belong.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss for the period, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

Where an impairment loss subsequently reverses, the carrying amount of the asset (the CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(d) Mining exploration tax credit

The Company recognizes mining exploration tax recoveries in the period in which the related recoveries are received. The amount recoverable is subject to review and approval by the taxation authorities.

(e) Equipment

Equipment is recorded at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated on a declining-balance basis at a rate of 30% per annum. Additions during the year are amortized on a pro-rated basis.

(f) Financial instruments

(i) Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial instruments at initial recognition. The Company's accounting policy for each category is as follows:

BERKWOOD RESOURCES LTD.
Notes to Interim Consolidated Financial Statements
Periods ended November 30, 2017 and 2016
(expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(i) Financial assets (Continued)

Fair value through profit or loss (“FVTPL”) – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in net loss.

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income as a component of equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

All financial assets, except for those classified as FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Transaction costs related to financial instruments classified as FVTPL are expensed as incurred. All other transaction costs related to financial instruments are recorded as part of the instruments and are amortized using the effective interest rate.

(ii) Financial liabilities

The Company classifies its financial liabilities into one of two categories. The Company's accounting policy for each category is as follows:

FVTPL – This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities – This category includes non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

BERKWOOD RESOURCES LTD.
Notes to Interim Consolidated Financial Statements
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(expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(iii) Fair value hierarchy

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- | | |
|---------|---|
| Level 1 | Quoted prices in active markets for identical assets or liabilities; |
| Level 2 | Inputs, other than quoted prices in Level 1 that are observable for the asset or liability either directly or indirectly; and |
| Level 3 | Unobservable inputs that are not based on observable market data. |

The Company's financial instruments are comprised of cash, investments, reclamation bond, accounts payable and accrued liabilities, and due to related parties. Cash is classified as FVTPL; investments are classified as available-for-sale; reclamation bond is classified as held-to-maturity; and accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities.

(g) Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares.

At the time of closing a financing involving flow-through shares, the Company allocates proceeds received first to share capital based on the market close price of the common shares at the time the flow-through shares are priced, and any excess is allocated to flow-through premium liability. At the time of closing a financing involving flow-through units consisting of common shares and warrants, the Company allocates proceeds received as follows:

- Share capital – the market close price of the common share;
- Warrant reserve – based on the valuation derived using the Black-Scholes option pricing model; and
- Flow-through premium liability – any excess, recorded as a liability.

Thereafter, as qualifying resource expenditures are incurred, these costs are charged to operations and the flow-through premium, if any, is amortized to profit or loss.

At the end of each reporting period, the Company reviews its tax position and records an adjustment to its deferred tax accounts for taxable temporary differences, including those arising from the transfer of tax benefits to investors through flow-through shares. For this adjustment, the Company considers the tax benefits (of qualifying resource expenditures already incurred) to have been effectively transferred, if it has formally renounced those expenditures at any time.

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 flow-through regulations. When applicable, this tax is accrued and recorded to profit or loss.

BERKWOOD RESOURCES LTD.
Notes to Interim Consolidated Financial Statements
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(expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Non-monetary transactions

Equity instruments issued for consideration other than cash are valued at the fair value of assets received or services rendered or the estimated fair value of the equity instruments at the date of issuance, whichever is determined to be the more reliable measure.

(i) Accounting for equity units

The Company uses the residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The proceeds from the issue of units is allocated between common shares and share purchase warrants on a residual value basis, wherein the fair value of the common shares is based on the market close price on the date the units are priced and the balance, if any, is allocated to the attached warrants. Share issue costs are recorded against share proceeds.

(j) Stock-based compensation

Stock-based compensation to employees is measured at the fair value of the equity instruments issued and amortized over the vesting periods. Stock-based compensation to non-employees is measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined 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 corresponding amount is recorded to contributed surplus.

The fair value of options is determined using the Black-Scholes option pricing model, which incorporates all market vesting conditions. 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.

(k) Provisions

(i) Rehabilitation provision

The Company recognizes statutory, contractual or other legal obligations related to the retirement of mineral properties when such obligations are incurred, if a reliable estimate of the expenditure required to settle the obligation can be made. These obligations are measured initially at the present value of the expenditures required to settle the obligation and the resulting amount is capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The asset retirement cost is accreted to profit or loss.

(ii) Other provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

BERKWOOD RESOURCES LTD.
Notes to Interim Consolidated Financial Statements
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(expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the enactment date. Deferred tax assets are recognized to the extent it is probable that they will be able to be utilized against future taxable income.

(m) Foreign currency translation

The functional currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the date of the transactions. Balances denominated in foreign currencies are translated as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect as at the consolidated statement of financial position date;
- (ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- (iii) Expenses (excluding depreciation and amortization, which are translated at the same rate as the related asset), at the exchange rates in effect on the date of the transaction.

Exchange differences arising from the translations are recorded as a gain or loss on foreign currency translation in profit or loss.

(n) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Basic and diluted loss per share is the same for the years presented.

(o) Use of judgments and estimates

Apart from making estimates and assumptions as described below, the Company's management makes critical judgments in the process of applying its accounting policies that have significant effect on the amounts recognized in the Company's consolidated financial statements. The significant judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimation uncertainties, that have the most significant effect include, but are not limited to:

BERKWOOD RESOURCES LTD.
Notes to Interim Consolidated Financial Statements
Periods ended November 30, 2017 and 2016
(expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Use of judgments and estimates (Continued)

(i) Indicators of impairment of mineral property interests

Assets or CGUs are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral property interests. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, economics assessment/studies, accessible facilities and existing permits.

(ii) Mining exploration tax credits

The Company is entitled to refundable tax credits on qualified resource expenditures incurred in Canada. Management's judgment is applied in determining whether the resource expenditures are eligible for claiming such credits.

(iii) Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include:

(i) Valuation of asset retirement and environmental obligations

The Company is subject to laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations, are measured initially based on the estimated future cash flows discounted at a credit-adjusted risk-free rate to the present value. Management estimates that the amount of asset retirement and environmental obligations are not significant at November 30, 2017 and February 28, 2017.

(ii) Utilization of deferred income tax assets

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Use of judgments and estimates (Continued)

(iii) Assumptions in the Black-Scholes option pricing model

The fair values of warrants and options granted are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of future share prices, changes in subjective input assumptions can materially affect the fair value estimate.

(iv) Recoverable value of mineral property interests

The carrying value of mineral property interests and the likelihood of future economic recoverability of these carrying values is subject to significant management estimates. The application of the Company's accounting policy for and determination of recoverability of capitalized assets is based on assumptions about future events or circumstances. New information may change estimates and assumptions made. If information becomes available indicating that recovery of expenditures are unlikely, the amounts capitalized are impaired and recognized as a loss in the period that the new information becomes available. A change in estimate could result in the carrying amount of capitalized assets being materially different from their presented carrying costs.

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact financial performance and cash flows.

(p) New accounting pronouncement

The new and revised standard described below may be early-adopted. The Company has not yet assessed the impact of the standard.

IFRS 9 *Financial Instruments* (2014)

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- **Classification and measurement of financial assets:**
Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- **Classification and measurement of financial liabilities:**
When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) New accounting pronouncement (Continued)

IFRS 9 *Financial Instruments* (2014) (Continued)

- **Impairment of financial assets:**
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at “amortized cost” or “fair value through other comprehensive income”, lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- **Hedge accounting:**
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

Applicable to the Company's annual periods beginning March 1, 2018.

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4. EQUIPMENT

	Furniture and Equipment \$	Field Equipment \$	Total \$
Cost			
Balance at February 29, 2016	64,343	-	64,343
Disposal of equipment	(64,343)	-	(64,343)
Balance at February 28, 2017	-	-	-
Addition	-	30,704	30,704
Balance at November 30, 2017	-	30,704	30,704
Accumulated amortization			
Balance at February 29, 2016	64,343	-	64,343
Write-off of equipment	(64,343)	-	(64,343)
Balance at February 28, 2017	-	-	-
Addition	-	2,303	2,303
Balance at November 30, 2017	-	2,303	2,303
Carrying amounts			
At February 28, 2017	-	-	-
At November 30, 2017	-	28,401	28,401

5. MINERAL PROPERTY INTERESTS

The Company has capitalized the following acquisition expenditures during the period ended November 30, 2017 and February 28, 2017:

	Lac Gueret East, Quebec \$	Lac Gueret South, Quebec \$	Toco/Takwa Quebec \$	Cobalt Fold Quebec \$	Delbreuil Quebec \$	Roscoe Vanadium Quebec \$	Total \$
Balance, February 29, 2016	1,000	80,838	49,312	-	-	-	131,150
Impairment	-	(43,000)	(49,312)	-	-	-	(92,312)
Property acquisition	-	50,000	-	-	-	-	50,000
Balance, February 28, 2017	1,000	87,838	-	-	-	-	88,838
Impairment	-	-	-	-	-	-	-
Property acquisition	-	77,963	-	759,000	708,000	412,500	1,957,463
Balance, November 30, 2017	1,000	165,801	-	759,000	708,000	412,500	2,046,301

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5. MINERAL PROPERTY INTERESTS (Continued)

The Company has expensed the following exploration and evaluation expenditures during the periods ended November 30, 2017 and 2016:

November 30, 2017	Lac Gueret South, Quebec \$	Total \$
Drilling	302,388	302,388
Travel	66,759	66,759
Field and camp costs	93,233	93,233
Fuel	38,102	38,102
Geological Consulting	284,851	284,851
Freight	6,880	6,880
Assays	35,700	35,700
Equipment rental	5,680	5,680
Mob-Demob	74,045	74,045
Total	907,638	907,638

November 30, 2016	Lac Gueret South, Quebec \$	Total \$
Geological Consulting	4,296	4,296
Total	4,296	4,296

(a) Lac Gueret East Property, Quebec

The Company entered into an option agreement dated May 18, 2012, as amended December 5, 2012, to acquire a 100% interest in the Lac Gueret East Property. The agreement was approved by the Exchange on June 8, 2012. The Company entered into an amended agreement with the optionors dated December 5, 2012.

Under the terms of the option agreement, the Company may acquire a 100% interest in the Lac Gueret East graphite property by making cash payments and issuing the Company's securities as set forth below:

- (i) On signing of the option agreement: \$25,000 (paid);
- (ii) Within seven days of the date of approval of the agreement by the Exchange: \$35,000 (paid) and 50,000 units (issued). Each unit comprises one common share and one common share purchase warrant, exercisable for 24 months at \$0.45 to acquire an additional common share;
- (iii) Within six months of the date of approval of the agreement by the Exchange: \$30,000 (paid) and 16,667 common shares (issued) (amended from \$75,000 and 33,333 common shares);
- (iv) Within 12 months of the date of approval of the agreement by the Exchange: \$30,000 (paid) and 8,333 common shares (issued) (amended from \$75,000 and 25,000 common shares); and
- (v) Within 18 months of the date of approval of the agreement by the Exchange: \$30,000 (paid) and 8,333 common shares (issued) (amended from \$75,000 and 25,000 common shares).

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5. MINERAL PROPERTY INTERESTS (Continued)

(a) Lac Gueret East Property, Quebec (Continued)

The total cash payable to the optionors was reduced from \$285,000 to \$150,000 and the number of common shares issuable to the optionors were reduced from 83,333 common shares to 33,333 common shares.

The finder's fee payable in conjunction with this transaction was reduced to 8% of the cash paid and shares issued under the amended agreement.

A 2% NSR is payable to the optionors on all metals produced from the property. The Company has the right at any time to buy back 1% of the NSR from the optionors for \$1,000,000.

During the year ended February 29, 2016, certain claims lapsed and management concluded that the Company would not perform further exploration on the Lac Gueret East Property, and accordingly, indicators of impairment existed leading to an assessment of the recoverable amount of the property, which resulted in an impairment loss of \$217,907. A value in use calculation was not applicable as the Company does not have any expected cash flows from using the property based on its stage of development. In estimating the fair value less costs of disposal, management had unobservable inputs to estimate a recoverable amount of \$1,000, representing the estimated re-staking costs. As this valuation technique requires management's judgment and estimates of the recoverable amount, it is classified within Level 3 of the fair value hierarchy.

(b) Lac Gueret South Property, Quebec

The Company entered into an option agreement dated July 26, 2014 to acquire 100% interest in the Lac Gueret South Property. The agreement was approved by the Exchange on August 13, 2014.

Under the terms of the option agreement, the Company may acquire a 100% interest in the Lac Gueret South graphite property by making cash payments and issuing the Company's securities as set forth below:

- (i) On signing of the option agreement: \$15,000 (paid);
- (ii) Within seven days of the date of approval of the agreement by the Exchange: \$10,000 (paid) and 150,000 units (issued). Each unit comprised one common share and one common share purchase warrant, exercisable for 24 months at \$0.10 to acquire an additional common share;
- (iii) Within thirty days of the date of approval of the agreement by the Exchange: \$10,000 (paid);
- (iv) Within six months of the date of approval of the agreement by the Exchange: \$25,000 (amended to be due July 29, 2016) (paid); and
- (v) Within 12 months of the date of approval of the agreement by the Exchange: \$25,000 (amended to be due January 29, 2017) (paid).

On July 27, 2016, the Company received \$25,000 for the option payment due July 29, 2016 from a related party as a non-interest-bearing loan and repayment required within six months. During the year ended February 28, 2017, the Company repaid this loan in full to the related party.

A 2% NSR is payable to the optionors on all minerals produced from the property. The Company has the right at any time to buy-back 2% of the NSR from the optionors for \$1,000,000.

During the year ended February 29, 2017, certain claims lapsed, and accordingly, indicators of impairment existed leading to an assessment of the recoverable amount of the property, which resulted in an impairment loss of \$43,000. A value in use calculation was not applicable as the Company does not have any expected cash flows from using the property based on its stage of development. In estimating the fair value less costs of disposal, management had unobservable inputs to estimate a recoverable amount of

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5. MINERAL PROPERTY INTERESTS (Continued)

Lac Gueret South Property, Quebec (Continued)

87,838, representing the estimated restaking costs. As this valuation technique requires management's judgment and estimates of the recoverable amount, it is classified within Level 3 of the fair value hierarchy.

On August 29, 2017 the Company expanded its Lac Gueret Extensions project (South & East blocks). Owing to the success of its Phase 1 drill program since commencement, the Company decided to immediately acquire more claims adjacent to and on-trend with Mason Graphite. In response Berkwood acquired a further two hundred and ninety five (295) claims in its Lac Gueret Extensions project (South & East blocks) region, to extend the previously held 3,942Ha (hectares) covered by 73 claims to a new total of 19,884Ha covered by 368 claims. The newly controlled claims were acquired by direct staking (95 claims, 5,122Ha) and by purchase of additional claims from Mr. Francois Marcotte, an experienced area prospector (200 claims, 10,820Ha).

The Company paid \$25,000 and has issued 125,000 common shares of the Company.

(c) Cobalt Fold Property, Quebec

On June 5, 2017, the Company entered into an agreement to acquire 1084422 B.C. Ltd., a private B.C. Company, which sole asset is the Cobalt Ford Property. The Cobalt Fold Property is located in the Côte-Nord area of Quebec.

The acquisition is an arm's-length transaction in which the Company has issued 2,400,000 common shares by way of a share exchange agreement and paid cash payment of \$15,000. There are no royalties payable and the Company will own 100 % of the property. The issuance of the acquisition has been approved by TSX Venture.

(d) Delbreuil Propert, Quebec

On July 7, 2017, the Company entered into an agreement with 1124026 B.C. Ltd to acquire a package of 53 claims located over a lithium rich zone of the Abitibi area, east of Simon Lake, Quebec, which the company has named the Delbreuil Lithium Project.

The Company has issued 2,100,000 common shares and paid cash payment of \$15,000. The issuance of the acquisition has been approved by TSX Venture.

(e) Roscoe Vanadium, Quebec

On October 13, 2017, the Company acquired Roscoe Vanadium Property in the Cote-Nord area, Quebec. The Roscoe Property comprises forty (40) claims totalling 2,189.19Ha (21.89km²). The Company has paid \$15,000 to 1129961 B.C. Ltd and issued 1,500,000 common shares. The Company will own 100% of the property with no royalties attached. The transaction has been approved by TSX-V.

(f) Realization

The Company's investment in and expenditures on mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in the assets is dependent on establishing legal ownership of the property interest, on the attainment of successful commercial production or from the proceeds of its disposal. The recoverability of the amounts shown for the mineral property interest is dependent upon the existence of economically recoverable reserves, the ability of the

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5. MINERAL PROPERTY INTERESTS (Continued)

Company to obtain necessary financing to complete the development of the property interest, and upon future profitable production or proceeds from the disposition thereof.

a. Title

Although the Company has taken steps to ensure the title to the mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures may not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

b. Environmental

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral property interest, the potential for production on the property may be diminished or negated.

6. RELATED PARTY TRANSACTIONS

- (a) During the period ended November 30, 2017, the Company incurred consulting fees of \$121,630 (2016 - \$110,000) with directors and companies owned by the directors. These transactions are in the normal course of operations.

As at November 30, 2017, \$15,750 (2016 - \$277,675) was owing to directors and companies owned by the directors of the companies.

- (b) During the period ended November 30, 2017, the Company incurred professional fees of \$43,000 (2016 - \$nil) with an officer and director of the Company.

- (c) During the period ended November 30, 2017, the Company incurred geological consulting fees of \$5,000 (2016 - \$nil) with directors and companies owned by the directors.

Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

	2017	2016
Consulting fees	\$ 126,630	\$ 110,000
Professional fees	\$ 43,000	\$ -
Stock-based compensation	\$ 264,904	\$ -

Amounts due to related parties are non-interest-bearing, unsecured and without specified terms of repayment.

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7. SHARE CAPITAL

On March 17, 2017, the Company consolidated its common shares on the basis of 5 pre-consolidation common shares for 1 post-consolidation common share. All the figures as to the number of common shares, stock options, warrants, prices of issued shares, exercise prices of stock options and warrants, as well as loss per share, in the consolidated financial statements are post-consolidation amounts and the prior year comparatives have been retroactively restated to present the post-consolidation amounts.

(a) **Authorized**

Unlimited common shares without par value. All shares issued are fully paid.

7. SHARE CAPITAL (Continued)

(b) **Issued**

During the period ended November 30, 2017:

On May 26, 2017, the Company completed a non-flow through private placement of 6,152,843 units as a price of \$0.26 per unit for a gross amount of \$1,599,739. Each unit is comprised of one common share and one share purchase warrant, with each whole warrant exercisable into one common share at a price of \$0.35 for a period of two years from closing.

The Company has paid a finder's fee of \$40,684 and legal fees of 11,241 in cash and has also issued 156,480 broker's warrants. The finder fee warrants are exercisable for two years at \$0.35.

On June 23, 2017, the Company issued 2,400,000 shares pursuant to a property agreement for deemed value of \$744,000. (Note 5 (c))

On July 6, 2017, the Company issued 200,000 shares pursuant to an exercise of stock options for the gross proceed of \$68,000.

On July 26, 2017, the Company issued 200,000 shares pursuant to an exercise of stock options for the gross proceed of \$68,000.

On August 17, 2017, the Company issued 2,100,000 shares pursuant to a property agreement for deemed value of \$693,000. (Note 5 (d))

On August 25, 2017, the Company completed a non-flow through private placement of 623,805 units as a price of \$0.33 per unit for a gross amount of \$205,856. Each unit is comprised of one common share and one share purchase warrant, with each whole warrant exercisable into one common share at a price of \$0.45 for a period of two years from closing.

On August 25, 2017, the Company completed a flow through private placement of 100,000 units as a price of \$0.40 per unit for a gross amount of \$40,000. Each unit is comprised of one common share and one share purchase warrant, with each whole warrant exercisable into one common share at a price of \$0.50 for a period of two years from closing. The Company paid \$8,850 legal fees.

On August 29, 2017, the Company completed a non-flow through private placement of 1,998,176 units as a price of \$0.37 per unit for a gross amount of \$739,325. Each unit is comprised of one common share and one share purchase warrant, with each whole warrant exercisable into one common share at a price of \$0.49 for a period of two years from closing.

The Company has paid a finder's fee of \$4,440 and legal fees of 7,650 in cash and has also issued 12,000 broker's warrants. The finder fee warrants are exercisable for two years at \$0.49.

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7. SHARE CAPITAL (Continued)

On September 15, 2017, the Company issued 125,000 shares pursuant to a property agreement for deemed value of \$46,875. (Note 5 (b))

On October 3, 2017, the Company completed a non-flow through private placement of 1,308,620 units as a price of \$0.29 per unit for a gross amount of \$379,500. Each unit is comprised of one common share and one share purchase warrant, with each whole warrant exercisable into one common share at a price of \$0.35 for a period of two years from closing.

The Company has paid a finder's fee of \$23,200 and legal fees of \$4,350 in cash and has also issued 40,000 broker's warrants and 40,000 common shares. The finder fee warrants are exercisable for two years at \$0.35.

On October 24, 2017, the Company issued 1,500,000 shares pursuant to a property agreement for deemed value of \$397,500. (Note 5 (e))

On October 25, 2017, the Company completed a non-flow through private placement of 2,314,655 units as a price of \$0.29 per unit for a gross amount of \$671,250. Each unit is comprised of one common share and one share purchase warrant, with each whole warrant exercisable into one common share at a price of \$0.35 for a period of two years from closing.

The Company has paid a finder's fee of \$1,160 and has also issued 18,000 broker's warrants and 14,000 common shares. The finder fee warrants are exercisable for two years at \$0.35. The legal fee was \$6,787.

On November 14, 2017, the Company completed a non-flow through private placement of 1,261,000 units as a price of \$0.29 per unit and 5,844,581 flow-through units @\$0.31 for a gross amount of \$2,177,510. Each unit is comprised of one common share and one share purchase warrant, with each whole warrant exercisable into one common share at a price of \$0.35 for a period of two years from closing.

The Company has paid a finder's fee of \$76,746 and legal fee of \$10,550. The Company has also issued 455,566 broker's warrants. The finder fee warrants are exercisable for two years at \$0.36 and \$0.31.

On November 24, 2017, the Company issued 115,000 shares pursuant to an exercise of warrants for the gross proceed of \$40,250.

On November 29, 2017, the Company issued 55,000 shares pursuant to an exercise of warrants for the gross proceed of \$19,250.

During the year ended February 28, 2017:

The Company issued 453,321 common shares for exercise of warrants for gross proceeds of \$226,660.

The Company issued 183,302 common shares for exercise of options for gross proceeds of \$104,156.

The Company completed a private placement of 555,555 flow-through shares at a price of \$0.90 per flow-through share for gross proceeds of \$500,000. The Company also paid a cash finder's fee of \$45,000 and incurred \$8,000 in administration expenses.

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7. SHARE CAPITAL (Continued)

(c) Share purchase warrants

A summary of the Company's issued and outstanding share purchase warrants as at November 30, 2017 and February 28, 2017 and changes during those years are presented below:

	Warrants Outstanding	Weighted Average Exercise Price
Balance, February 29, 2016	1,708,297	\$0.50
Issued	4,431	\$0.35
Exercised	(453,321)	\$0.50
Expired/Cancelled	(1,254,976)	\$0.50
Balance, February 28, 2017	4,431	\$0.35
Issued	20,285,726	\$0.37
Exercised	(170,000)	\$0.35
Expired/Cancelled	-	-
Balance, November 30, 2017	20,120,157	\$0.37

At November 30, 2017, the following warrants were outstanding:

Number of shares	Exercise Price \$	Expiry Date	Weighted Average Remaining Contractual Life
4,431	0.35	August 8, 2018	0.75 years
6,139,323	0.35	May 26, 2019	1.50 years
100,000	0.50	August 25, 2019	1.75 years
623,805	0.45	August 25, 2019	1.75 years
1,998,176	0.49	August 29, 2019	1.75 years
12,000	0.49	August 29, 2019	1.75 years
1,348,620	0.35	October 3, 2019	1.83 years
2,332,655	0.35	October 25, 2019	1.83 years
7,432,115	0.36	November 14, 2019	1.92 years
129,032	0.31	November 14, 2019	1.92 years
20,120,157			1.71 years

(d) Stock options

As at November 30, 2017, the following stock options were outstanding and exercisable:

Number of Shares	Exercise Price	Expiry Date
500,000	\$0.525	January 18, 2022
160,000	\$0.35	April 12, 2022
200,000	\$0.34	June 01, 2022
470,000	\$0.34	July 07, 2022
240,000	\$0.41	August 02, 2022
285,000	\$0.42	August 28, 2022
340,000	\$0.26	October 4, 2022
900,000	\$0.27	November 14, 2022
3,095,000		

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7. SHARE CAPITAL (Continued)

(d) Stock options (Continued)

A summary of the status of the Company's stock options as at November 30, 2017 and February 28, 2017, and changes during those years is presented below:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance, February 29, 2016	67,018	\$1.90	0.73
Issued	660,000	\$0.55	
Exercised	(183,302)	\$0.60	
Expired	(43,716)	\$1.90	
Balance, February 28, 2017	500,000	\$0.53	4.82
Issued	2,995,000	\$0.32	
Exercised	(400,000)	\$0.34	
Balance, November 30, 2017	3,095,000	\$0.35	4.66

8. CONTRIBUTED SURPLUS

The following table reconciles the Company's contributed surplus:

Balance, February 29, 2016	\$	2,014,645
Options granted		430,591
Options exercised		(137,745)
Warrants exercised		(54,877)
Balance, February 28, 2017		2,252,614
Options granted		994,247
Fair value of options exercised		(136,000)
Fair value of broker's warrants		218,621
Balance, November 30, 2017	\$	3,329,482

The Company has adopted an incentive stock option plan. The maximum number of shares issuable under the plan shall not exceed 10% of the Company's issued and outstanding shares on each date where options are granted. Options that have been cancelled or expired continue to be issuable under the plan. Options granted may have a maximum term of five years and must have an exercise price greater than or equal to the closing price of the Company's shares on the day preceding the grant date.

When the Company issues stock options, it records a stock-based payment compensation expense in the year or period in which the options are granted and/or vested. Stock-based compensation expense is estimated using the following assumptions. The expected volatility assumption is based on the historical and implied volatility of the Company's common share price on the Exchange. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life. The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The Company has not paid and does not anticipate paying dividends on its common stock. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the expense recorded in the accompanying consolidated statements of loss and comprehensive loss.

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8. CONTRIBUTED SURPLUS (Continued)

During the period ended November 30, 2017 the Company has recognized \$994,247 (February 28, 2017 - \$430,591) in compensation upon grant of 2,995,000 (February 28, 2017 - 660,000) stock options. These options vested 100% on the grant date. The fair values of these options were determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions.

	November 30, 2017	February 28, 2017
Risk-free interest rate	1.03% - 1.68%	0.71%
Experienced life of options	5	5
Annualized volatility	253.44% - 271.64%	260.03%
Dividend rate	-	-

9. CAPITAL MANAGEMENT

The Company's objective in managing its capital is to maintain the ability to continue as a going concern and to continue to explore on mineral property interests for the benefits of its stakeholders.

The Company considers its capital to be the components of shareholders' equity (deficiency). Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals.

The Company monitors actual expenses to budget on all exploration projects and overheads to manage costs, commitments and exploration activities.

As the Company is in the exploration stage, its operations have been and will likely continue to be funded by the sale of equity to investors. Although the Company has been successful in raising funds in the past through issuing common shares, it is uncertain whether it will be able to continue to raise financing due to difficult conditions.

The Company is not subject to any externally imposed capital requirements and did not change its approach to capital management during the period ended November 30, 2017.

10. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Fair value of financial instruments

As at November 30, 2017, the Company's financial instruments consist of cash, accounts payable and accrued liabilities, and due to related parties.

IFRS requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. IFRS establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS prioritizes the inputs into three levels that may be used to measure fair value.

The fair value of cash is determined based on Level 1 inputs which consist of quoted prices in active markets for identical assets. The fair value for the available-for-sale investment in Westhaven was recorded at fair

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10. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

value when it is acquired and is considered to be Level 3. As at November 30, 2017, the Company believes that the carrying values of accounts payable and accrued liabilities and due to related parties approximate the fair values because of their nature and relatively short maturity dates or durations.

(b) Credit risk

Credit risk is the risk of a financial loss to the Company if counterparties to a financial instrument fail to meet their contractual obligations.

The Company's primary exposure to credit risk is on its cash held in financial institutions. The majority of cash is deposited in bank accounts held with major financial institutions in Canada. Credit risk is managed by using major banks that are high credit quality financial institutions as determined by ratings agencies. The maximum exposure to credit risk for cash is \$2,867,072 (February 28, 2017 – \$532,703).

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to significant interest rate risk.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate, as they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company was not exposed to significant other price risk with respect to its investment in securities as they were carried at cost. The Company's sensitivity analysis suggests that a 10% change in market prices would have an insignificant impact on net loss and comprehensive loss.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company endeavors to have sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Historically, the Company's main source of funding has been from the issuance of equity securities for cash, primarily through private placements. As at November 30, 2017, the Company has sufficient funding to meet its financial obligations and for working capital.

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10. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

At November 30, 2017, the Company had accounts payable and accrued liabilities and due to related parties totaling \$129,375 (February 28, 2017 - \$434,678).

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Non-cash investing and financing activities for the period ended November 30, 2017 were as follows:

- (a) Issued 2,400,000 common shares with a value of \$744,000 pursuant to the property agreement (Note 5 (c)).
- (b) Issued 2,100,000 common shares with a value of \$693,000 pursuant to the property agreement (Note 5 (d)).
- (c) Issued 125,000 common shares with a value of \$46,875 pursuant to the property agreement (Note 5 (b)).
- (d) Issued 1,500,000 common shares with a value of \$397,500 pursuant to the property agreement (Note 5 (e)).
- (e)

Non-cash investing and financing activities for the year ended February 28, 2017 were as follows:

- (a) Settlement of related party liabilities of \$42,402 with Westhaven shares, which resulted in a loss on settlement of debt of \$17,598.
- (b) Settlement of due to related parties of \$5,500, which resulted in a gain on settlement of \$5,500.

12. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition and exploration of mineral property interests. All assets and operations of the Company are located in Canada.

13. COMMITMENT

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined under Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances that are allotted for such expenditure, but have not yet been spent.

In connection with the flow-through shares issued during the period ended August 31, 2017, the Company has an obligation to incur qualified expenditures of \$40,000 by December 31, 2018.

In connection with the flow-through shares issued during the year ended February 28, 2017, the Company has an obligation to incur qualified expenditures of \$500,000 by December 31, 2017.

On November 30, 2017, the Company has spent full amount of qualified expenditures.

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14. EVENTS AFTER THE REPORTING DATE

On January 16th, 2018 the Company announced it is designing an exploration program on its wholly owned Cobalt Ford Property (the "Property") located approximately 180 km northwest of Baie Comeau, Quebec.

The Company has conducted a preliminary review of historic exploration and is currently designing an exploration program that is considering a detailed unmanned aerial vehicle magnetometer survey ("UAV-MAGTM Survey") offered by Pioneer Aerial Surveys Ltd, ("Pioneer"). The innovative survey would be flown to modernise project baseline data and to identify high-priority targets for follow up ground testing. The survey is expected to offer high quality data at reduced cost in comparison with conventional magnetics data collection.

Pioneer has extensive experience flying Unmanned Aerial Vehicle ("UAV") based magnetometer and remote sensing surveys for the mining and exploration sector and has successfully flown over 12,000 line km in surveys across North America.