# PEDRO RESOURCES LTD.

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**MARCH 31, 2017**

**(Unaudited- Prepared by Management)**
**(Expressed in Canadian Dollars)**

**In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed interim financial statements for the three months ended March 31, 2017.**

# Pedro Resources Ltd.
# Statements of Condensed Interim Financial Position

As at
(Unaudited- Prepared by Management)
(Expressed in Canadian Dollars)

| | | March 31, 2017 | | December 31, 2016 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current** | | | | |
| Cash | $ | **2,309** | $ | **9,313** |
| Receivables | | **2,199** | | **2,628** |
| Prepaid expenses | | **1,250** | | **2,303** |
| | | **5,758** | | **14,244** |
| Equipment (Note 6) | | **1,167** | | **1,256** |
| | $ | **6,925** | $ | **15,500** |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities (Note 8) | $ | **206,704** | $ | **182,980** |
| **SHAREHOLDERS' DEFICIENCY** | | | | |
| Share capital (Note 7) | | **6,191,080** | | **6,191,080** |
| Reserves (Note 7) | | **1,441,566** | | **1,441,566** |
| Deficit | | **(7,832,425)** | | **(7,800,126)** |
| | | **(199,779)** | | **(167,480)** |
| | $ | **6,925** | $ | **15,500** |

**Nature of Business and Continuance of Operations (Note 1)**

**APPROVED ON BEHALF OF THE BOARD ON May 23, 2017:**

*"John B. McCleery"*, Director

*"Wayne Johnstone"*, Director

# Pedro Resources Ltd.
# Condensed Interim Statements of Loss and Comprehensive Loss

For the three months ended
(Unaudited- Prepared by Management)
(Expressed in Canadian Dollars)

| | | March 31, 2017 | | March 31, 2016 |
|---|---|---|---|---|
| **General and administrative expenses** | | | | |
| Consulting | **$** | **3,000** | $ | 3,000 |
| Depreciation | | **89** | | 150 |
| Directors' fees | | **-** | | 6,000 |
| Management fees | | **13,500** | | 13,500 |
| Office and general | | **36** | | 57 |
| Professional fees | | **5,000** | | - |
| Regulatory and transfer agent fees | | **6,174** | | 1,988 |
| Rent | | **4,500** | | 4,500 |
| **Net loss and Comprehensive loss for the period** | **$** | **(32,299)** | $ | (29,195) |
| **Loss per share – basic and diluted** | **$** | **(0.00)** | $ | (0.01) |
| **Weighted average number of shares outstanding – basic and diluted** | | **14,024,949** | | 5,024,949 |

- See accompanying notes to the financial statements -

# Pedro Resources Ltd.
# Condensed Interim Statements of Cash Flows

For the three months ended
(Unaudited- Prepared by Management)
(Expressed in Canadian Dollars)

| | | March 31, 2017 | | March 31, 2016 |
|---|---|---|---|---|
| **Cash provided by (used in):** | | | | |
| **Operating activities** | | | | |
| Net loss for the period | **$** | **(32,299)** | $ | (29,195) |
| Items not affecting cash: | | | | |
| Depreciation | | **89** | | 150 |
| | | **(32,210)** | | (29,045) |
| Changes in non-cash working capital items | | | | |
| Receivables | | **429** | | (925) |
| Prepaid expenses | | **1,053** | | - |
| Accounts payable and accrued liabilities | | **23,724** | | 27,371 |
| | | **(7,004)** | | (2,599) |
| **Change in cash** | | **(7,004)** | | (2,599) |
| Cash – beginning of year | | **9,313** | | 4,454 |
| **Cash – end of period** | **$** | **2,309** | **$** | 1,855 |

- See accompanying notes to the financial statements -

# Pedro Resources Ltd.
## Condensed Interim Statements of Changes in Shareholders' Deficiency

(Unaudited- Prepared by Management)
*Expressed in Canadian Funds*

| | Share Capital (Number of Shares) | Share Capital (Amount) | Share-based Payment Reserve | Other Paid-in Capital | Deficit | Total |
|---|---|---|---|---|---|---|
| **December 31, 2015** | **5,024,949** | **$ 5,949,833** | **$ 302,350** | **$ 1,304,724** | **$(7,869,011)** | **$ (312,104)** |
| **Net loss for the period** | **-** | **-** | **-** | **-** | **(29,195)** | **(29,195)** |
| **March 31, 2016** | **5,024,949** | **5,949,833** | **302,350** | **1,304,724** | **$(7,898,206)** | **$ (341,299)** |
| | | | | | | |
| **December 31, 2016** | **14,024,949** | **$6,191,080** | **$ 136,842** | **$1,304,724** | **$(7,800,126)** | **$ (167,480)** |
| **Net loss for the period** | **-** | **-** | **-** | **-** | **(32,299)** | **(32,299)** |
| **March 31, 2017** | **14,024,949** | **$6,191,080** | **$ 136,842** | **$1,304,724** | **$(7,832,425)** | **$ (199,779)** |

### 1. Nature of Business and Continuance of Operations

Pedro Resources Ltd. ("the Company") is transitioning to mineral exploration and is currently reviewing prospects which may be suitable for its current level of operations.

The address of the Company's corporate office and principal place of business is Suite 801 - 2222 Bellevue Avenue, West Vancouver, BC, V7V 1C7. The address of the Company's registered office is Suite 2200 - 885 Burrard Street, Vancouver, BC, V6C 3E8.

These financial statements have been prepared on the assumption that the Company is a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations.

Management believes the Company will be successful at securing additional funding so that its capital resources will be sufficient to carry its operations through the next twelve months. However, there are several conditions that cast significant doubt on the Company's ability to continue as a going concern, including that the Company has incurred significant operating losses over the past fiscal years (2016 - $233,465; 2015 - $131,723), has a deficit of $7,832,425 (December 31, 2016 - $7,800,126), limited resources, no source of operating cash flow and no assurances that sufficient funding will be available.

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Management is actively engaged in the review and due diligence on new projects, is seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost-cutting measures. There can be no assurance that management's plan will be successful. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments could be material.

### 2. Basis of Presentation

**Basis of measurement**

These financial statements have been measured on an historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

**Statement of compliance with international financial reporting standards**

These unaudited condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" using accounting polices consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2016.

## 2. Basis of Presentation - continued

**Statement of compliance with international financial reporting standards - continued**

The accounting policies applied in preparation of these unaudited condensed interim financial statements are consistent with those applied and disclosed in the Company's financial statements for the year ended December 31, 2016, with the exception of certain amendments to accounting standards issued by the IASB. These amendments did not have a significant impact on the Company's unaudited condensed interim financial statements.

The Company's interim results are not necessarily indicative of its results for a full year.

## 3. Significant Accounting Policies

### a) New accounting pronouncements

Changes in Accounting Standards

IFRS 9 - Financial Instruments -
Effective for annual periods beginning on or after January 1, 2018, a revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities and carrying over the existing de-recognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 16 – Leases -
Effective for annual periods commencing on or after January 1, 2019, this new standard eliminates the classification of leases as either operating or finance leases and introduces a single lessee accounting model which requires the lessee to recognize assets and liabilities for all leases with a term of longer than 12 months.

### b) Significant Accounting Estimates and Judgments

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The most significant accounts that require the use of judgment and assumptions as a basis for determining the stated amounts include the depreciation of equipment, carrying values of assets, the determination of share-based payments and any amounts recognized with respect to deferred tax amounts.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and further periods.

b) **Significant Accounting Estimates and Judgments - continued**

Critical accounting estimates relate to, but are not limited to, the following:

- The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments and warrants. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates and forfeiture rates. Changes in input assumptions can materially affect the fair value of the estimate and the Company's earnings and equity reserves;
- The recognition of deferred tax assets is determined on whether it is more probable than not that these assets will be recovered.

## 4. Capital Management

The capital structure of the Company consists of shareholders' deficiency. The Company's objectives when managing capital are to ensure sufficient liquidity for operations and adequate funding for growth and capital expenditures while maintaining an efficient balance between debt and equity.

The Company makes adjustments to its capital structure upon approval from its Board of Directors, in light of economic conditions and the Company's working capital requirements. There were no changes in the Company's approach to capital management during the period. The Company does not presently utilize any quantitative measures to monitor its capital. There are no external restrictions on capital.

## 5. Financial Instruments

The Company is exposed in varying degrees to a variety of financial instrument related risk. The Board of Directors approves and monitors the risk management processes, inclusive of documented 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 Values

For certain of the Company's financial instruments, including receivables, accounts payable and accrued liabilities and loans payable, the carrying amounts approximate fair value due to their immediate or short-term maturity. Cash is measured at fair value using level 1 inputs.

b. Currency Risk

The Company currently does not have any significant exposure to foreign currency risk.

c. Credit Risk

Credit risk arises from cash held with banks and financial institutions, and credit exposure to clients, including outstanding receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets. To reduce credit risk, cash is held at major financial institutions.

*(Expressed in Canadian Dollars)*

## 5. Financial Instruments - continued

d. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet is 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 tries to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Currently, the Company's main source of funding is from the issuance of equity securities for cash, primarily through private placements and from unsecured non-interest bearing loans from directors. At March 31, 2017, the Company had cash of $2,309 (December 31, 2016 - $9,313) and accounts payable and accrued liabilities and loans payables of $206,704 (December 31, 2016 - $182,980).

## 6. Equipment

| | Computer equipment | Furniture and fixtures | Total |
|---|---|---|---|
| **Cost** | | | |
| Balance, December 31, 2015 | 2,572 | 4,507 | 7,079 |
| Additions | - | - | - |
| **Balance, December 31, 2016 and March 31, 2017** | $ 2,572 | $ 4,507 | $ 7,079 |
| **Accumulated Amortization** | | | |
| Balance, December 31, 2015 | 1,912 | 3,308 | 5,220 |
| Depreciation | 363 | 240 | 603 |
| **Balance, December 31, 2016** | **2,275** | **3,548** | **5,823** |
| **Depreciation** | **41** | **48** | **89** |
| **Balance, March 31, 2017** | **$ 2,316** | **$ 3,596** | **$ 5,912** |
| **Carrying amounts** | | | |
| December 31, 2016 | $ 297 | $ 959 | $ 1,256 |
| **March 31, 2017** | **$ 256** | **$ 911** | **$ 1,167** |

*(Expressed in Canadian Dollars)*

## 7. Share Capital and Reserves

a. Authorized

Unlimited number of common shares without par value.

b. Private placement

On June 10, 2016, the Company completed a private placement of 9,000,000 units at a price of $0.03 per unit for gross proceeds of $270,000. Each unit consisted of one share and one common share purchase warrant with each warrant entitling the holder to purchase an additional share at a price of $0.10 for a period of sixty months. As part of the private placement the Company incurred costs of $12,452 and issued 290,000 finders' warrants at a fair value of $16,301 having the same terms and conditions as the warrants issued pursuant to the private placement.

c. Share purchase options

In fiscal 2011, the Company adopted a stock option plan ("SOP") pursuant to which the Company is able to grant to directors, officers, employees and service providers options to purchase common shares of the Company. The maximum number of options which may be granted at any point in time is 10% of the Company's then outstanding common shares. Generally, options granted have a maximum term of ten years, a vesting period determined by the directors and the exercise price may not be less than the discounted market price, as prescribed by the policies of the TSX Venture Exchange.

The following is a summary of stock option transactions:

| | Number | Exercise Price | Expiry Date |
|---|---|---|---|
| Balance, December 31, 2015 | 300,000 | 1.80 | |
| Expired | (300,000) | (1.80) | |
| Granted | 800,000 | 0.16 | August 10, 2019 |
| Balance, December 31, 2016 | 800,000 | 0.16 | August 10, 2019 |
| Granted/expired | - | | |
| Balance, March 31, 2017 | 800,000 | $0.16 | August 10, 2019 |

During the three months ended March 31, 2017, the Company granted nil (2016- nil) stock options.

During the year ended December 31, 2016, the Company granted stock options. The fair value of options granted during the year ended December 31, 2016, was estimated on the date of the grant using the Black-Scholes option pricing model, with the following weighted average assumptions:

| | **December 31, 2016** | December 31, 2015 |
|---|---|---|
| Risk-free interest rate | **0.50%** | **-** |
| Expected dividend yield | **Nil** | **-** |
| Expected stock price volatility | **218%** | **-** |
| Expected life | **3 Years** | **-** |

During the three months ended March 31, 2017, share-based compensation of $nil (year ended December 31, 2016 - $120,541, March 31, 2016 - $nil) was recognized for options vested.

*(Expressed in Canadian Dollars)*

## 7. Share Capital and Reserves – continued

d. Share-based payment reserve

The share-based payment reserve records items recognized as share-based compensation expense until such time that the stock options or compensatory warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the options or compensatory warrants expire unexercised or are cancelled, the amount recorded is transferred to deficit or share capital.

e. Warrants

| | Number of Warrants | Exercise Price | Expiry Date |
|---|---|---|---|
| Balance, December 31, 2015 | - | - | - |
| Issued | 9,290,000 | $ 0.10 | June 10, 2021 |
| Balance, December 31, 2016 | 9,290,000 | 0.10 | June 10, 2021 |
| Issued | - | - | - |
| Balance, March 31, 2017 | 9,290,000 | $ 0.10 | June 10, 2021 |

During the year ended December 31, 2016, the Company issued warrants in conjunction with a private placement. Included in warrants issued during that period were 290,000 warrants issued as finders' fees. The following assumptions were used for the Black-Scholes valuation of the finders' warrants at a fair value of $16,301.

| | December 31, 2016 |
|---|---|
| Risk-free interest rate | 1.00% |
| Expected life | 5.0 years |
| Annualized volatility | 175.0% |
| Expected dividend yield | Nil |

## 8. Related Party Transactions

Related parties and related party transactions impacting the financial statements are summarized below.

The Company incurred the following transactions with directors and a company owned by the CEO:

| | | Three months ended March 31, 2017 | | Three months ended March 31, 2016 |
|---|---|---|---|---|
| Management and consulting fees | $ | 16,500 | $ | 16,500 |
| Directors' fees | $ | - | $ | 6,000 |
| Rent | $ | 4,500 | $ | 4,500 |
| | $ | 21,000 | $ | 27,000 |

As at March 31, 2017 accounts payable and accrued liabilities include $54,975 (December 31, 2016 - $34,650) owing to related parties for expense reimbursements, management, consulting and directors' fees.

*(Expressed in Canadian Dollars)*

## 8. Related Party Transactions - continued

During the three months ended March 31, 2017, the Company paid or accrued rent of $4,500 (2016 - $4,500) with respect to space jointly utilized by the CEO and the Company.

Key management personnel:

Key management personnel includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of executive and non-executive members of the Company's Board of Directors as well as corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer and/or their companies.

Key management personnel compensation included above is as follows:

| | **March 31, 2017** | March 31, 2016 |
|---|---|---|
| Compensation | $ **16,500** | $ 22,500 |