PEDRO RESOURCES LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

March 31, 2018

(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, 2018

Pedro Resources Ltd.
Statements of Condensed Interim Financial Position

As at
Unaudited (Expressed in Canadian Dollars)

		March 31, 2018		December 31, 2017
ASSETS				
Current				
Cash (Note 3h (i))	**$**	**412,231**	$	446,698
HST receivable		**17,679**		13,913
Prepaid expenses		**-**		-
		429,910		460,611
	$	**429,910**	$	460,611
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 7)	**$**	**95,074**	$	77,755
		95,074		77,755
SHAREHOLDERS' DEFICIENCY				
Share capital (Note 6)		**6,689,801**		6,631,826
Reserves (Note 6)		**1,964,309**		1,992,284
Deficit		**(8,319,274)**		(8,241,254)
		334,836		382,856
	$	**429,910**	$	460,611

Nature of Business and Continuance of Operations (Note 1)

APPROVED ON BEHALF OF THE BOARD

"Brian Murray", Director

"Glenda Kelly", Director

Pedro Resources Ltd.
Condensed Interim Statements of Loss and Comprehensive Loss
For the three month periods ended
Unaudited (Expressed in Canadian Dollars)

		March 31, 2018		March 31, 2017
General and administrative expenses				
Consulting	**$**	**29,917**	$	3,000
Depreciation		**-**		89
Management fees (Note 7)		**14,310**		13,500
Office and general		**120**		36
Professional fees		**5,101**		5,000
Property investigation		**22,000**		-
Regulatory and transfer agent fees		**2,074**		6,174
Rent		**4,500**		4,500
Net loss and Comprehensive loss for the year	**$**	**(78,021)**	$	(32,299)
Loss per share – basic and diluted	**$**	**(0.01)**	$	(0.00)
Weighted average number of shares outstanding – basic and diluted		**11,737,229**		14,024,949

Pedro Resources Ltd.
Condensed Interim Statements of Cash Flows

For the three month periods ended
Unaudited (Expressed in Canadian Dollars)

		March 31, 2018		March 31, 2017
Cash provided by (used in):				
Operating activities				
Net loss for the year	**$**	**(78,021)**	$	(32,299)
Items not affecting cash:				
Depreciation		**-**		89
		(78,021)		(32,210)
Changes in non-cash working capital items				
Receivables		**(3,765)**		429
Prepaid expenses		**-**		1,053
Accounts payable and accrued liabilities		**17,319**		23,724
		(64,467)		(7,004)
Financing Activities				
Repayment of loans from directors		**-**		
Options exercised		**30,000**		
		30,000		-
Change in cash		**(34,467)**		(7,004)
Cash – beginning of year		**446,698**		9,313
Cash – end of year	**$**	**412,231**	$	2,309

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

For the periods ended March 31, 2018 and 2017
Unaudited (Expressed in Canadian Funds)

	Share Capital (Number of Shares)	Share Capital (Amount)	Share-based Payment Reserve	Other Paid-in Capital	Deficit	Total
Balance - December 31, 2016	**2,805,007**	**$ 6,191,080**	**$ 136,842**	**$ 1,304,724**	**$ (7,800,126)**	**$ (167,480)**
Net loss for the year					(32,299)	(32,299)
Balance - March 31, 2017	**2,805,007**	**$ 6,191,080**	**$ 136,842**	**$ 1,304,724**	**$ (7,832,425)**	**$ (199,779)**
Balance - December 31, 2017	**11,693,896**	**$ 6,631,826**	**$ 336,881**	**$ 1,655,403**	**$ (8,241,254)**	**$ 382,856**
Options exercised	150,000	$ 57,975	$ (27,975)			30,000
Net loss for the period					$ (78,021)	(78,021)
Balance - March 31, 2018	**11,843,896**	**$ 6,689,801**	**$ 308,906**	**$ 1,655,403**	**$ (8,319,274)**	**$ 334,836**

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 2200, HSBC Building, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8. The address of the Company's registered office is Suite 2200 - 885 West Georgia Street, Vancouver, British Columbia, 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 (2017 – $441,128 and 2016 - $233,465), has a deficit of $8,319,274 as at March 31, 2018 (December 31, 2017 - $8,241,254), 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.

The financial statements of the Company for the periods ended March 31, 2018 and 2017 are approved and authorized for issue by the Board of Directors on May 30, 2018.

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

2. Basis of Presentation - continued

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, 2017.

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. The adoption of this standard has no significant impact to the Company's financial statements.

IFRS 15, Revenue from Contracts with Customers -
The IASB has issued IFRS 15 Revenue from Contracts with Customers. The standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets From Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. The Company believes IFRS 15 has no significant impact on the financial statements.

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. The Company is currently assessing the impact of the adoption this standard to the Company's financial statements

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.

3. Significant Accounting Policies – continued

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.

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 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.

c) Foreign currencies

The functional currency is the Canadian dollar which is the currency of the primary economic environment in which the entity operates. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates ("IAS 21").

Any transactions in currencies other than the functional currency have been translated to the Canadian dollar in accordance with IAS 21. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in the statements of comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The Company's presentation currency is the Canadian dollar ("$").

d) Loss per share

Basic loss per share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the loss per share. The calculation proved to be anti-dilutive for fiscal 2017 and 2016.

e) Share-based compensation

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of options granted to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period during which the share purchase options vest. The fair value of the

3. Significant Accounting Policies - continued

share purchase options granted is measured taking into account the terms and conditions upon which the share purchase options were granted. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument 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. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

f) Equipment

Equipment is stated at cost less accumulated amortization and any impairment in value.

The initial cost of an asset is comprised of its purchase price and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, the expenditures are capitalized as an additional cost of equipment.

Assets are depreciated at the following rates:

Computer equipment	55% declining balance
Furniture and fixtures	20% declining balance

The remaining useful lives, residual values and depreciation method are reviewed and adjusted, if appropriate, at financial year-end to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of equipment.

The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of equipment is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gains or losses arising on the retirement and disposal of an item of equipment are included in the statement of loss and comprehensive loss in the period of retirement or disposal.

g) Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of loss for the period. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying

3. Significant Accounting Policies - continued

amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

h) Financial instruments

Financial assets

Financial assets are classified into one of the following categories:

- fair value through profit or loss (“FVTPL”);
- available for sale (“AFS”);
- held-to-maturity (“HTM”); and,
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

(i) FVTPL financial assets

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial asset that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

The Company has classified cash as FVTPL.

As at March 31, 2018, the Company’s cash consist of cash at bank balance of $199,517 (December 31, 2017 $224,158) and cash in trust balance of $212,715 (December 31, 2017 - $222,540). Cash in trust is held by the Company’s lawyer for funds received from the private placement in 2017.

(ii) AFS financial assets

Investments held by the Company that are classified as AFS are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in accumulated other comprehensive income. Interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, are recognized directly in profit or loss rather than equity. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in accumulated other comprehensive income is included in the statement of loss and comprehensive loss for the year. The fair value of AFS monetary assets denominated in a foreign currency is translated at the spot rate at the statement of financial position date. The change in fair value attributable to translation differences due to a change in amortized cost of the asset is recognized in profit or loss, while all other changes are recognized in equity.

3. Significant Accounting Policies - continued

(iii) HTM investments

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs.

(iv) Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Company has classified receivables as loans and receivables.

(v) Effective interest method
The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial instrument, or, where appropriate, a shorter period.

(vi) Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial instruments are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial instrument, the estimated future cash flows of the investment have been impacted. Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial instruments carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial instrument's original effective interest rate.

The carrying amount of all financial instruments, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial instrument cannot exceed its amortized cost had impairment not been recognized.

(vii) Derecognition of financial assets

A financial instrument is derecognized when:

- the contractual right to the asset's cash flows expire; or
- if the Company transfers the financial instrument and all risks and rewards of ownership to another entity.

3. Significant Accounting Policies - continued

h) Financial instruments - continued

Financial liabilities

Financial liabilities are classified into one of the following categories:

- fair value through profit or loss ("FVTPL"); or
- other financial liabilities;

The classification is determined at initial recognition and depends on the nature and purpose of the financial liability.

(i) FVTPL financial liabilities
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 statements of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

(ii) Other financial liabilities
This category includes accounts payable and accrued liabilities. These are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The Company has classified accounts payable and accrued liabilities and loans payable as other financial liabilities.

(iii) Effective interest method
The effective interest method calculates the amortized cost of a financial liability and allocates interest expense over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial liability, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial instruments classified as FVTPL.

(iv) Derecognition of financial liabilities
Financial liabilities are derecognized when the Company's obligations are discharged, cancelled or they expire.

i) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statements of loss and comprehensive loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred taxes are recorded whereby deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

3. Significant Accounting Policies - continued

i) Income taxes - continued

The effect on tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the asset.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities that do not affect accounting or taxable loss, goodwill and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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, 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.

5. Financial Instruments - continued

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.

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. As at March 31, 2018, the Company had cash of $412,231 (December 31, 2017 $446,698) and accounts payable and accrued liabilities $95,074 of (December 31, 2017 - $77,755).

6. Share Capital and Reserves

a. Authorized

Unlimited number of common shares without par value.

b. Share consolidation

Effective August 4, 2017, the Company completed a consolidation of its outstanding share capital on the basis of five old shares for one new share. All share, per share, share purchase warrants and stock options information has been presented on a post-consolidated basis.

c. Private placement

On October 17, 2017 the Company completed a non-brokered private placement of 8,888,889 units at a price of $0.09 per unit for gross proceeds of $800,000. Each unit consisted of one share and one share purchase warrant entitling the holder to acquire one share at a price of $0.125 per share for a period of one year. As part of the private placement the Company incurred costs of $24,876.

On June 10, 2016, the Company completed a private placement of 1,800,000 units at a price of $0.15 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 $0.50 for a period of sixty months. As part of the private placement the Company incurred costs of $12,452 and issued 58,000 finders' warrants at a fair value of $16,301 having the same terms and conditions as the warrants issued pursuant to the private placement.

d. 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.

Unaudted (Expressed in Canadian Dollars)

6. Share Capital and Reserves - continued

During the year ended December 31, 2016, the Company granted 160,000 stock options to directors having a total fair value of $120,541 and a weighted average grant-date fair value of $0.80 per option. On November 6, 2017, these stock options were cancelled and none were exercised.

On November 6, 2017, the Company granted 1,160,000 stock options to directors, officers and consultants exercisable at a price of $0.20 per share for a period of sixty months, vesting immediately. In connection with the grant of options, the Company arranged to cancel all previously issued stock options.

On March 5, 2018, 150,000 options were exercised at a price of $0.20 each.

The following is a summary of stock option transactions:

	Number	Exercise Price	Expiry Date
Balance, December 31, 2015	60,000	9.00	April 14, 2016
Expired	(60,000)	(9.00)	April 14, 2016
Granted	160,000	0.80	August 10, 2019
Balance, December 31, 2016	160,000	0.80	August 10, 2019
Cancelled	(160,000)	(0.80)	August 10, 2019
Granted	1,160,000	0.20	November 6, 2022
Balance, December 31, 2017	1,160,000	0.20	November 6, 2022
Exercised	(150,000)	(0.20)	November 6, 2022
Balance, March 31, 2018	1,160,000	0.20	November 6, 2022

During the twelve months ended December 31, 2017, the Company granted 1,160,000 (2016 - 160,000) stock options. The fair value of options granted during the year ended December 31, 2017, was estimated on the date of the grant using the Black-Scholes option pricing model, with the following weighted average assumptions:

	December 31, 2017	December 31, 2016
Risk-free interest rate	**1.62%**	0.50%
Share price	**$0.19**	$0.16
Expected dividend yield	**Nil**	Nil
Expected stock price volatility	**211%**	218%
Expected life	**5 Years**	3 Years

During the twelve months ended December 31, 2017, share-based compensation of $216,340 (December 31, 2016 - $120,541) was recognized for options vested.

e. 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.

Unaudted (Expressed in Canadian Dollars)

6. Share Capital and Reserves - continued

f. Warrants

	Number of Warrants	Weighted Average Exercise Price	Expiry Date
Balance, December 31, 2016	1,858,000	0.50	June 10, 2021
Issued	8,888,889	0.125	October 17, 2018
Balance, December 31, 2017 and March 31, 2018	10,746,889	$ 0.19	

f. Warrants - continued

During the year ended December 31, 2017, the Company issued warrants in conjunction with a private placement. The following assumptions were used for the Black-Scholes valuation of the warrants at a fair value of $345,109. Issuance costs were allocated in a pro-rata manner between shares and warrants resulting in a net increase to paid in capital of $334,378 due to the allocation of warrants.

	December 31, 2017	December 31, 2016
Risk-free interest rate	**0.53%**	1.00%
Share price	**$0.30**	$0.06
Expected life	**1.0 year**	5.0 years
Annualized volatility	**168.6%**	175.0%
Expected dividend yield	**Nil**	Nil

7. Related Party Transactions

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

The Company incurred the following transactions with directors:

		2018		2017
Management and consulting fees	**$**	**15,917**	$	16,500
Directors' fees		**-**		-
Rent and occupancy costs		**4,500**		4,500
	$	**20,417**	$	21,000

Key management personnel:

Key management personnel include 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:

		2018		2017
Compensation	**$**	**15,917**	$	16,500
Share- based compensation		**-**		-
	$	**15,917**	$	16,500