

CKR CARBON CORPORATION
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017

UNAUDITED – PREPARED BY MANAGEMENT

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 43 (3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been review by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

CKR CARBON CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)

	March 31, 2017	December 31, 2016
Assets		
Current		
Cash	\$ 1,587,999	\$ 303,170
Restricted cash (Note 4)	16,329	16,329
Receivables	41,446	79,920
Prepaid expenses	5,000	5,000
	-	-
	1,650,774	404,419
Exploration and evaluation assets (Note 3)	2,228,463	1,972,749
Property and equipment (Note 4)	438,895	438,895
	\$ 4,318,132	\$ 2,816,063
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5&7)	\$ 434,037	\$ 407,031
Flow through premium liability	54,333	13,333
	488,370	420,364
Shareholders' equity (deficiency)		
Share capital (Note 6)	11,170,137	9,271,073
Share based payment reserve (Note 6)	1,164,113	1,093,653
Deficit	(8,504,488)	(8,419,027)
	3,829,762	2,395,699
	\$ 4,318,132	\$ 2,816,063

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 9)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"Roger Moss"
Director

"Luisa Moreno"
Director

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

CKR CARBON CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND
COMPREHENSIVE LOSS
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)
FOR THE THREE MONTH PERIOD ENDED MARCH 31,

	2017	2016
Operating expenses		
Marketing	\$ 11,344	\$ 21,701
Investor relations	1,284	10,358
Consulting fees	-	1,250
Filing fees and permits	7,073	9,005
Interest	(34)	1,127
Management fees	33,000	35,500
Office and other	5,543	7,467
Professional fees	27,252	9,000
Share-based compensation (Note 6)	-	6,740
Travel, meals and accommodation	-	-
Loss and comprehensive loss for the period	\$ (85,461)	\$ (102,328)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding	50,957,336	24,004,053

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

CKR CARBON CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)
FOR THE THREE MONTH PERIOD ENDED MARCH 31,

	2017	2016
Operating Activities		
Loss for the period	\$ (85,461)	\$ (102,238)
Non-cash items:		
Share-based compensation	-	6,740
Accrued interest on loan payable	-	(89)
Changes in receivables	38,474	7,665
Changes in accounts payable and accrued liabilities	27,079	(60,263)
Cash used for operating activities	(19,978)	(40,762)
Investing Activities		
Exploration and evaluation expenditures, net of recoveries	(255,714)	(6,000)
Cash used for investing activities	(255,714)	(6,000)
Financing Activities		
Private placement proceeds	1,764,050	-
Share issuance costs	(203,529)	-
Loan proceeds (repayment)	-	34,800
Loan from related party	-	9,000
Cash provided by financing activities	1,560,521	43,800
Changes in cash	1,284,829	(2,962)
Cash – beginning of period	303,170	5,765
Cash – end of period	\$ 1,587,999	\$ 2,803
Non-cash supplemental information:		
Shares issued for loan repayment	\$ -	\$ 25,163
Cash paid for interest	\$ -	\$ -
Cash paid for taxes	\$ -	\$ -

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CKR CARBON CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)

	Number of shares	Share capital	Share-based payment reserve	Deficit	Total equity
December 31, 2015	23,741,394	7,917,221	977,033	(7,806,714)	1,087,540
Shares for debt	764,712	61,180	-	-	61,180
Share-based compensation	-	-	6,740	-	6,740
Loss for the period	-	-	-	(102,328)	(102,328)
March 31, 2016	24,506,106	\$ 7,978,401	\$ 983,773	\$ (7,909,042)	\$ 1,053,132
December 31, 2016	50,531,892	9,721,073	1,093,653	(8,419,027)	2,395,699
Shares issued for private placements	19,145,000	1,764,050	-	-	1,764,050
Share issuance costs - cash	-	(203,526)	-	-	(203,526)
Share issuance costs - broker warrants	-	(70,460)	70,460	-	-
Flowthrough share premium liability	-	(41,000)	-	-	(41,000)
Share-based compensation	-	-	-	-	-
Loss for the period	-	-	-	(85,461)	(85,461)
March 31, 2017	69,676,892	\$ 11,170,137	\$ 1,164,113	\$ (8,504,488)	\$ 3,829,762

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

CKR CARBON CORPORATION
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2017

1. NATURE OF OPERATIONS AND GOING CONCERN

On October 19, 2015, the Company changed its name to CKR Carbon Corporation (formerly Caribou King Resources Ltd.) (hereafter the “Company” or “CKR” which was incorporated under the Business Corporations Act (Ontario), R.S.O. 1990, on February 27, 2007 and is listed on the TSX Venture Exchange (“TSX-V”). The Company’s corporate office is located at 96 Avenue Road, Toronto, Ontario, Canada. The Company is a junior exploration company primarily engaged in the acquisition and exploration of exploration and evaluation assets located primarily in Canada and Namibia.

These condensed consolidated interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation for the foreseeable future. The operations of the Company were primarily funded by the issue of share capital and loans. The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financing, or generate profitable operations in the future. These condensed interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

The Company is in the business of exploring for minerals that by its nature involves a high degree of risk. There can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of the exploration and evaluation assets and the Company’s continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to obtain financing or, alternatively, upon the Company’s ability to dispose of its interest on an advantageous basis. Additionally the Company estimates that it will need additional capital to operate for the upcoming year. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

2. SUMMARY OF ACCOUNTING POLICIES

Basis of presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The condensed consolidated interim financial statements are presented in Canadian dollars which is the functional currency of the Company.

In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The policies applied in the condensed interim financial statements are presented below and are based on IFRS’ issued and outstanding as of May 30, 2017; the date the Board of Directors approved the condensed consolidated interim financial statements.

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2. SUMMARY OF ACCOUNTING POLICIES (cont'd....)

Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment of the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statement of financial position.
- ii) The inputs in the Black-Scholes option pricing model to value stock options and agent warrants.

Critical judgements exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

- i) Economic recoverability and probability of future benefits of exploration and evaluation costs

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

- ii) Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity settled benefits.

Financial instruments

Financial assets

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

Fair value through profit or loss - 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 statement of financial position at fair value with changes in fair value recognized through profit or 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 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.

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2. SUMMARY OF ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Financial assets (cont'd...)

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 directly in 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 through profit or loss.

All financial assets except for those at fair value through profit or loss 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.

The Company has classified its cash and marketable securities at fair value through profit or loss. The Company's due from related party and deposit is classified as loans and receivables.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - 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 statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities: This category includes accounts payables and accrued liabilities and loans payable which are recognized at amortized cost using the effective interest method.

Financial instruments that are measured at fair value use inputs, which are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

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

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2. SUMMARY OF ACCOUNTING POLICIES (cont'd...)

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the period.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Exploration and evaluation assets

Upon acquiring the legal right to explore a property, costs related to the acquisition, exploration and evaluation are capitalized by property. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the period received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

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2. SUMMARY OF ACCOUNTING POLICIES (cont'd...)

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If 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 profit or loss for the period. For an asset that does not generate largely 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 amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

Decommissioning and restoration provision

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

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

During the periods presented, the Company does not have any decommissioning or restoration obligations.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

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

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2. SUMMARY OF ACCOUNTING POLICIES (cont'd...)

Property and equipment (cont'd...)

Depreciation is calculated using a straight-line method to write-off the cost of the assets. The depreciation rates applicable to each category of property and equipment are as follows:

Asset	Basis	Period
Land	nil	nil
Equipment	Straight-line	3 years

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in a private placement was determined to be the more easily measurable component and were valued at their fair value. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as share-based payment reserve.

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2. SUMMARY OF ACCOUNTING POLICIES (cont'd...)

Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options and compensatory warrants are measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Share issue costs

Costs directly identifiable with the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby any premium paid for the flow through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to flow-through premium liability and included in profit or loss at the same time the qualifying expenditures are made.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. 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.

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2. SUMMARY OF ACCOUNTING POLICIES (cont'd...)

Newly adopted accounting policies

IFRS 13 Fair Value Measurement defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

Future accounting pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its condensed interim financial statements.

IFRS 9 Financial Instruments replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value. This standard has an effective date of January 1, 2018.

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3. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets summary

	March 31, 2017			
	Montpellier, Quebec	Buckingham, Quebec	Aukam Namibia	Total
Acquisition costs, beginning of period	\$ 250,993	\$ 66,357	540,896	\$ 858,246
Additions	-	-	58,717	58,717
Written-off	-	-	-	-
Acquisition costs, end of period	250,993	66,357	599,613	916,963
Exploration costs, beginning of period	41,366	422,731	650,406	1,114,503
Additions				
Fieldwork, supplies and other	769	-	28,448	29,217
Geological and other consulting	-	-	43,943	43,943
Equipment	-	-	4,912	4,912
Drilling	-	-	73,011	73,011
Transport	-	-	8,813	8,813
Travel and accommodation	-	-	37,101	37,101
Exploration costs, end of period	42,135	422,731	846,634	1,311,500
Total, end of period	\$ 293,128	\$ 489,088	1,446,247	\$ 2,228,463

Montpellier, Quebec

On December 9, 2013, the Company entered into an option agreement, with a corporation that is related by virtue of a common director, to acquire certain claims located in the Hartwell Township, Casse Laurentides Region in Quebec. As consideration, the Company must:

- i) issue 400,000 common shares (issued at a value of \$210,000);
- ii) issue 66,667 common shares by December 9, 2014 (issued at a value of \$6,000);
- iii) incur \$50,000 in exploration expenditures by December 9, 2015. (The Company issued 400,000 common shares at a value of \$34,000 on October 12, 2016 in satisfaction of this condition.)

The vendors have been granted a 2% net smelter royalty ("NSR"). The Company has the right to repurchase a 1% NSR from the vendors for \$1,000,000.

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3. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Tac, Lac Vert and Buckingham, Quebec

In February 2013, the Company entered into an option agreement, amended on April 22, 2014, to acquire a 100% interest in the Tac, Lac Vert and Buckingham properties located in the Province of Quebec. In consideration, the Company will:

- i) issue 266,667 common shares (issued at a value of \$160,000);
- ii) issue 66,667 common shares by April 6, 2014 (issued at a value of \$30,000);
- iii) issue 33,333 common shares by September 16, 2014 (issued at a value of \$1,500);
- iv) issue 33,333 common shares by March 15, 2015 (issued at a value of \$4,000);
- v) spend exploration expenditures of \$40,000 on or before May 31, 2013 (incurred);
- vi) spend exploration expenditures of \$110,000 by February 25, 2016 (incurred).

The Company also issued 26,667 common shares (at a value of \$16,000) as a finder's fee.

The vendor has been granted a 3% NSR. The Company has the right to repurchase a 1% NSR from the vendor for \$1,000,000.

During the year ended December 31, 2016, the Company decided not to continue exploring the Tac and Lac Vert properties and have written off all costs associated with the properties resulting in the amount of \$162,821.

Aukam Graphite Project, Namibia

During the year ended December 31, 2015, the Company acquired 100% of the issued and outstanding share capital of Micron Investment Pty. Ltd. ("Micron") which held an option to acquire 63% of the Aukam Exclusive Prospecting License (EPL) 3895 (the "License") located in Namibia's Karas Region, Africa, which has been accounted for as an asset acquisition. In consideration for transfer of the option and net assets of \$39,255, the Company issued 3,500,000 common shares (issued at a value of \$350,000) and agreed to pay \$30,000 in cash. The excess amounts paid over net assets acquired were allocated to the mineral property.

As per a Joint Venture Agreement dated June 8, 2015, amended July 17, 2015 between Micron and Next Graphite Pty. Ltd. ("Next") and a subsequent Farm-out Agreement dated September 12, 2016, between the Company, and Next, the Company can earn 63% of the License by:

- i) Spending USD \$1,100,000 on the property; or
- ii) Completing the plant and infrastructure set up; and
- iii) Obtaining government authorization to begin commercial operations; and
- iv) Making quarterly payments for a total of USD\$180,000 (USD\$132,500 paid (\$177,634 CDN) during the farm-out period (from June 8, 2015 until i, ii and iii are complete).

The Company shall have the option to buy an incremental 10% of Next's remaining interest for a cash payment of USD\$180,000 if mutually agreed to by the parties. Should the Farm-out period need to be extended beyond six months following receipt of a mining license, Next will continue to be paid USD\$25,000 until ii and iii are completed. In the case where the Farm-out period is extended as above and the revenue is less than USD\$100,000 per month, the Company will loan Next US\$25,000 per quarter. Interest on the loan will be compounded monthly at a rate equal to one-month term LIBOR plus one.

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3. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Should the Company fail to provide payment or work expenditures for any farm-out period or fail to complete ii) and iii) above 6 months after receipt of the mining license it will forfeit 2% of its interest for each 30-day delay.

Following conclusion of the Farm-out period the Company will for the first 5 months fund all operations to run all plant related activities and expenditures. Thereafter, each party will contribute funding proportionate to their respective holdings.

As at December 31, 2016, The Company had earned a 51.84% participating interest in the Aukam license.

There is a 2% gross revenue royalty on the Aukam Mine.

On February 1, 2017, the Company paid USD \$47,500 (\$58,717 CDN) relating to the quarterly payments within the farm-out agreement.

4. Property and Equipment

Cost	Land	Equipment	Total
At December 31, 2016	-	-	-
2017 Additions	369,434	69,461	438,895
At March 31, 2017	369,434	69,461	438,895

During the year end December 31, 2016, the Company acquired property in the town of Luderitz, Namibia in the acquisition of Ludbay Properties Pty Ltd. which has been accounted for as an asset acquisition. In consideration for all the outstanding shares of Ludbay, the Company issued 3,500,000 shares valued at \$315,000, paid cash of \$50,000, assumed restricted cash of \$16,329, accounts payable of \$20,743 with the net amount of \$ 369,434 allocated to land.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2017	December 31, 2016
Trade payables	\$ 323,822	\$ 316,539
Accrued liabilities	110,215	90,492
	\$ 434,037	\$ 407,031

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6. SHARE CAPITAL

Common Shares

Authorized - An unlimited number of common shares

The following summarizes the share issuance transactions:

During the period ended March 31, 2017, the Company:

- a. Completed a private placement of 15,045,000 units at a price of \$0.09 per unit for aggregate gross proceeds of \$1,354,050. Each unit consisted of one common share and one common share purchase warrant of the Company. Each whole warrant entitles the holder to purchase an additional common share in the capital of the Company at a price of \$0.20 per share until March 29, 2020.

Completed a private placement of 4,100,000 flow-through shares at a price of \$0.10 per share for aggregate gross proceeds of \$410,000

The Company paid to the finders cash compensation of \$176,405 and issued 1,504,500 broker warrants in relation to the sale of the non-flow through units with an exercise price of \$0.09 and 410,000 broker options in relation to the flow through shares.

Stock Options

The Company has adopted an incentive stock option plan in accordance with the policies of the TSX-V (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, at its discretion, grant to directors, officers, employees and consultants of the Company options to purchase common shares, provided that the number of shares reserved for the issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares, exercisable for a period and the exercise price to be determined by the Board at the time the option is granted.

A summary of option transactions is as follows:

	Three months period ended March 31, 2017		Year ended December 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	2,243,333	\$ 0.11	1,965,000	\$ 0.15
Granted	-	-	1,483,333	0.09
Exercised	-	-	-	-
Expired/Cancelled	-	-	(1,205,000)	0.15
Balance, end of period	2,243,333	\$ 0.11	2,243,333	\$ 0.11

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6. SHARE CAPITAL (cont'd...)

Stock options (cont'd)

At March 31, 2017 the following options were outstanding and exercisable:

Exercise price	Number outstanding	Weighted average exercise price	Number exercisable
1.05	23,333	1.05	23,333
0.75	6,667	0.75	6,667
0.14	130,000	0.14	130,000
0.13	460,000	0.13	460,000
0.10	1,320,000	0.10	1,320,000
0.09	133,333	0.09	133,333
0.075	300,000	0.075	300,000
	2,273,333	0.11	2,273,333

Warrants

The Company has issued and outstanding the following share purchase warrants:

	Three months ended March 31, 2017		Year ended December 31, 2016	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Balance, beginning of period	14,931,021	\$ 0.13	4,983,492	\$ 0.21
Granted	18,464,000	0.19	13,256,021	0.13
Exercised	-	-	-	-
Expired	1,675,000	0.15	3,308,492	0.24
Balance, end of period	31,720,021	\$ 0.17	14,931,021	\$ 0.13

As of March 31, 2017 the following share purchase warrants were outstanding and exercisable:

Expiry Date	Number of Warrants	Weighted Average Exercise Price
April 28, 2017	750,000	\$ 0.13
May 3, 2017	3,967,295	0.13
May 3, 2017	741,896	0.07
November 4, 2017	6,632,196	0.15
November 4, 2017	1,164,634	0.08
March 29, 2019	1,504,500	0.09
March 29, 2019	410,000	0.10

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March 29, 2020	16,549,500		0.20
	31,720,021	\$	0.17

6. SHARE CAPITAL (cont'd...)

Warrants (cont'd...)

The fair value of agent's warrants is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Year ended December 31, 2016
Expected dividend yield	0.00%
Stock price volatility	76.59%
Risk-free interest rate	0.62%
Expected life of warrants	2.0 years

7. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company defines key management as officers and directors.

During the three months period ended March 31, 2017, the Company:

- i) accrued management fees of \$24,000 to a company controlled by the CEO.
- ii) accrued \$ 9,000 compensation for the CFO

SEGMENTED INFORMATION

The Company's primary business activity is the acquisition and exploration of mineral properties in Canada and Namibia.

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8. RISK MANAGEMENT, FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

Fair value

The fair value of cash and marketable securities are measured on level 1 of the fair value hierarchy. Given that they will mature shortly, the fair value of due from related party, deposit, accounts payable and accrued liabilities and loan payable approximate their carrying value.

Financial Risk

The primary goals of the Company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's net assets from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risks through preventive controls and transferring risk to third parties. The Company's exposure to potential loss from financial instruments is primarily due to credit risk, liquidity risk and various market risks, including interest rate and foreign exchange.

Foreign Exchange

The Company's cash is held in US dollar and Canadian dollar denominated accounts with a major Canadian chartered bank. The Company is not exposed to financial risk arising from fluctuations in foreign exchange rates.

Interest Rate Risk

The Company has limited exposure to financial risk arising from fluctuations in interest rates earned on short-term investments given their short-term nature. As a result fluctuations in market interest rates during the current period would not have any material impact on the Company's financial results.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments. Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day lookout periods. The Company's ability to meet its commitments for exploration programs, and meet all of its general and administrative costs on a continuous basis is dependent on the continued support of the financial markets. In particular, the Company may have to issue additional common shares.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. All of the cash is held with one financial institution. Consequently the Company is exposed to concentration of credit risks of that institution. However, the credit risk is limited, based on the high quality external credit rating of that institution. Commodity taxes recoverable is due from a government agency.

Capital Management

The Company considers the items included in equity as capital. The Company's objective in managing capital is to ensure sufficient liquidity to pursue its exploration activities and may raise additional capital through the equity markets as additional capital is required. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. There was no change in the Company's capital management strategy during the period ended March 31, 2017.

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9. SUBSEQUENT EVENTS

Subsequent to March 31, 2017, the Company:

- a. Issued 4,650,000 options to purchase common shares of the Company to officers and directors of the Company at an option price of \$0.17 for a term of five years.
- b. Issued 1,314,877 common shares upon exercise of warrants for gross proceeds of \$129,931.