

ELEMENT 79 CAPITAL INC./  
CAPITAL ÉLÉMENT 79 INC.  
Unaudited - see Notice to Reader  
For the period ended September 30, 2017

**ELEMENT 79 CAPITAL INC./  
CAPITAL ÉLÉMENT 79 INC.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

Unaudited - see Notice to Reader  
September 30, 2017

ELEMENT 79 CAPITAL INC./  
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## **NOTICE TO READER**

Management of the Company has prepared these unaudited condensed interim financial statements and their accompanying notes and is responsible for the integrity and fairness of the financial information presented therein. These have been reviewed and approved by the Company's Audit Committee and the Board of Directors. The Company's auditors have not reviewed or audited these condensed interim unaudited financial statements.

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**Statement of Financial Position**

	September 30, <b>2017</b>	December 31, <b>2016</b>
<b>Assets</b>	<b>\$</b>	<b>\$</b>
<b>Current Assets</b>		
Cash	207,950	104,033
Taxes Recoverable	4,611	
Prepaid Expenses	-	-
<b>Total Current Assets</b>	<b>212,561</b>	<b>104,033</b>
<b>Total Assets</b>	<b>212,561</b>	<b>104,033</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts Payable and Accrued Liabilities	27,231	15,931
Refundable Share Deposits	-	-
<b>Total Liabilities</b>	<b>27,231</b>	<b>15,931</b>
<b>Shareholders's equity</b>		
Share Capital	849,390	697,390
Reserves	97,038	97,038
Deficit	(761,098)	(706,326)
<b>Total shareholders' equity</b>	<b>185,330</b>	<b>88,103</b>
<b>Total liabilities and shareholders' equity</b>	<b>212,561</b>	<b>104,033</b>

Going concern (Note 2)

**On behalf of the board:**

“signed” *Brendan Purdy*  
 Director

“signed” *Rukie Liyanage*  
 CFO

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## Statement of Changes in Shareholders' Equity

	Number of Shares	Share Capital \$	Reserves \$	Deficit \$	Total \$
Balance - December 31, 2016	8,972,066	697,390	97,038	(706,326)	88,102
Share Issuance	3,040,000	152,000			152,000
Net loss and comprehensive loss for the period			-	(54,773)	(54,773)
<b>Balance - September 30, 2017</b>	<b>12,012,066</b>	<b>849,390</b>	<b>97,038</b>	<b>(761,099)</b>	<b>185,330</b>
	Number of Shares	Share Capital \$	Reserves \$	Deficit \$	Total \$
Balance - December 31, 2015	6,012,066	449,390	97,038	(324,810)	221,618
Net loss and comprehensive loss for the period	-	-	-	(162,868)	(162,868)
<b>Balance - September 30, 2016</b>	<b>6,012,066</b>	<b>449,390</b>	<b>97,038</b>	<b>(487,678)</b>	<b>58,750</b>

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**Statement of Operations and  
Comprehensive Loss**

	Three Months ended		Nine months ended	
	September 30		September 30	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Expenses</b>				
Office	-	197	20	2,037
Insurance	-	1,145	3,455	5,388
Professional Fees	5,355	2,500	29,079	36,081
Consulting Fees	-	-	10,000	-
Financing Fees	-	-	2,000	-
Travel and promotion	-	2,587	-	6,510
Public company expenses	2,706	13,663	10,225	21,441
Interest and bank charges	-	130	(7)	346
<b>Loss before undernoted items</b>	<b>(8,061)</b>	<b>(20,222)</b>	<b>(54,773)</b>	<b>(71,803)</b>
Recovery (impairment) loans receivable	-	-	-	(93,270)
Interest Income	-	-	-	2,205
Accreted interest on convertible debt				
<b>Net loss and comprehensive loss</b>	<b>(8,061)</b>	<b>(20,222)</b>	<b>(54,773)</b>	<b>(162,868)</b>
<b>Loss per share:</b>				
Basic and fully diluted	-0.0007	-0.0101	-0.0048	-0.0809
<b>Weighted Average number of common shares</b>				
<b>Outstanding for the year</b>	11,505,399	2,012,066	11,505,399	2,012,066

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## Statement of Cash Flows

	Three months ended		Nine months ended	
	September 30		September 30	
	2017	2016	2017	2016
	\$		\$	
<b>Cash flows for operating activities</b>				
Net loss and comprehensive loss	(8,061)	(20,222)	(54,773)	(58,418)
Items not affecting cash:				
Reduction of Prepaid	-			
Increase in Taxes Recoverable	(645)		(4,611)	
Impairment of loan receivable	-		-	-
Investment income recognized in net loss	-		-	(25)
	(8,705)	(20,222)	(59,384)	(58,443)
Net change in non-cash working capital items	(11,980)	(20,310)	11,300	14,887
<b>Net cash used in operating activities</b>	<b>(20,686)</b>	<b>(40,532)</b>	<b>(48,084)</b>	<b>(43,556)</b>
<b>Cash flows for investing activities</b>				
Repayment of loan receivable	-	-		
Investment income	-	-	-	25
<b>Net cash provided by investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25</b>
<b>Cash flows for financing activities</b>				
Loans from Directors	-	-	-	2,070
Issuance of shares, net of share issuance costs	-	-	152,000	-
Accounts receivable	-	-	-	-
Net cash flows provided by financing activities	-	-	152,000	2,070
<b>Net increase in cash and cash equivalents</b>	<b>(20,685)</b>	<b>(40,531)</b>	<b>103,916</b>	<b>(41,461)</b>
<b>Cash and cash equivalents - beginning of period/year</b>	<b>228,635</b>	<b>99,387</b>	<b>104,033</b>	<b>41,461</b>
<b>Cash and cash equivalents - end of year</b>	<b>207,949</b>	<b>58,855</b>	<b>207,950</b>	<b>-</b>

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## Notes to the Financial Statements

### 1. Nature of business

The Company, incorporated under the Canada Business Corporations Act on February 6, 2013, is classified as a Capital Pool Company, as defined by TSX Venture Exchange ("TSX-V") Policy 2.4.

The address of the Company's registered and head office is 1000 Sherbrooke St. West, Suite 2700, Montreal, Quebec, Canada.

The principal business of the Company is the identification and evaluation of assets or a business and, once identified or evaluated, to negotiate an acquisition or participation in such assets or business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

On November 14, 2013, the Company completed its initial public offering by issuing 2,012,066 common shares at \$0.15 per share for gross proceeds of \$301,810 and began trading on the TSX-V under the stock symbol "EMS.P".

On December 9, 2016, because of the Company's inability to secure a qualifying transaction involving the Abernethy Gold Project with Benton Resources Inc. within the time period prescribed by the TSX Venture Exchange ("the Exchange"), the Company was approved to transfer to the NEX Board on the Exchange.

On August 16, 2017, the Company announced that it has signed a non-binding letter of intent (the "LOI") with Mondias Natural Products Inc. ("Mondias"), a corporation existing under the laws of Canada, which outlines the general terms and conditions pursuant to which the Company and Mondias would be willing to complete a transaction that will result in a reverse take-over of the Company by the shareholders of Mondias (the "Transaction"). The Company intends for the Transaction to constitute its "Qualifying Transaction", as such term is defined in the policies of the TSX Venture Exchange (the "TSXV"). The LOI was negotiated at arm's length and is effective as of July 6, 2017.

Prior to completion of the Transaction, the Company intends to consolidate (the "Consolidation") its common shares (each, an "Element 79 Share") on a 1 for 1.5 basis, and close a non-brokered private placement (the "Concurrent Financing") of a minimum of 12,000,000 post-Consolidation Element 79 Shares at a price per share of \$0.105, for minimum gross proceeds of \$1,260,000. Element 79 may pay a cash commission of 7% of the gross proceeds of the offering and may issue an aggregate of 1,500,000 post-consolidation Element 79 Shares as a finder fee as consideration for the finders introducing the Company to Mondias.

Pursuant to the Transaction, an aggregate of 35,000,000 post-consolidation Element 79 Shares, at a deemed value of \$0.105 per Element 79 Share, will be issued to the Mondias Shareholders in exchange for all of the Mondias Shares issued and outstanding as at the effective date of the Transaction.

Mondias is a company specialized in the development and commercialization of evidence-based botanical products for the health care and agriculture markets. Mondias is developing both oral and topical botanical drug agents to help manage unmet medical needs, such as fungal infections of nails and skin, insomnia, and products that provide a safe and effective alternative to synthetic drugs for the management of conditions such as acne and wound healing. Upon completion of the Transaction, the Company will carry on the business of Mondias.

### 2. Going concern

The accompanying financial statements have been prepared on the basis that the Company will continue as a going concern. Accordingly, they do not purport to give effect to adjustments, if any, that may be necessary should the Company be unable to continue its operations and therefore be required to realize its assets and discharge its liabilities and commitments in other than the ordinary course of business.

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The Company does not currently have operations or assets capable of generating revenue or cash flows. As at September 30, 2017, the Company incurred a net loss of \$54,773 with an accumulated deficit of \$761,098 and expects to incur further losses in the development of its business. There is no assurance that it will complete a Qualifying Transaction within the time period specified by the TSX-V Policy 2.4. The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or business, which would be a "Qualifying Transaction". Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval.

**3. Basis of preparation**

The financial statements were authorized for issuance on September 30, 2017 by the board of directors of the Company.

**3.1 Statement of compliance**

These audited financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

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As at September 30, 2017

**NOTES TO FINANCIAL STATEMENTS**

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**3. Basis of preparation – Cont'd**

**3.2 Basis of measurement**

The financial statements have been prepared under the historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss or available for sale which are measured at fair value. In addition, the financial statements have been prepared using the accrual basis of accounting and are presented in Canadian dollars, which is the functional currency of the Company.

**3.3 Accounting judgements, estimates and assumptions**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions about the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from those estimates and such differences could be significant.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Company. 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 future periods.

Critical accounting estimates and judgements are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. Key areas of estimation, where management has made difficult, complex or subjective judgements, often as a result of matters that are inherently uncertain, include the valuation of share based payments, accrued liabilities and deferred taxes.

**4. Summary of significant accounting policies**

**4.1 Share-based payments**

The Company uses the fair-value method of accounting for all equity-settled share-based payments. Stock-based payments to directors, employees and others providing similar services are measured at the fair value of the equity instruments at the grant date using the Black-Scholes option pricing model, which includes estimates of the number of awards that are expected to vest over the vesting period. Where granted share options vest in installments over the vesting period (defined as graded vesting), the Company treats each installment as a separate share option grant. Share-based compensation expense is recognized over the vesting period, or as specific vesting conditions are satisfied, and credited to equity settled employee benefits reserve. When stock options are exercised, the proceeds, together with the amount recorded in stock option reserve, are recorded in share capital.

Details of the Company's stock option plan and related disclosures are described in Note 8.

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As at September 30, 2017

**NOTES TO FINANCIAL STATEMENTS**

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**4. Summary of significant accounting policies – Cont'd**

**4.1 Share-based payments – Cont'd**

The Company granted stock options to Agents in connection with the issuance of shares ("Agents' Options") using the fair value method. Under this method, the fair value of broker options is first determined based on the value of the goods or services received. In situations where some or all of the goods or services received by the Company as consideration cannot be specifically identified, the fair value of Agents' Options is then determined using the Black-Scholes option pricing model as described above. The fair value of Agents' Options is recognized as a cost of the shares issued and recorded in share capital.

**4.2 Income taxes**

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the tax bases of assets and liabilities and the corresponding carrying amounts in the financial statements. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured, on a non-discounted basis, using the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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.

**4.3 Cash and cash equivalents**

Highly liquid investments with a maturity of three months or less from the date of purchase are classified as cash and cash equivalents. Highly liquid investments which the Company cannot use for current operations because they are pledged as security or otherwise restricted are excluded from cash and cash equivalents.

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**ELEMENT 79 CAPITAL INC./  
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**NOTES TO FINANCIAL STATEMENTS**

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**4. Summary of significant accounting policies – Cont'd**

**4.4 Loss per share**

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by dividing the applicable net loss by the sum of the weighted average number of shares outstanding during the year and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the year. The treasury stock method is used to compute the dilutive effect of stock options, warrants and similar instruments.

The computation of diluted loss per share is equal to the basic loss per share due to the anti-dilutive effect of the stock options and warrants.

**4.5 Financial instruments**

**4.5.1 Financial assets**

Financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling it in the near term; if on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income.

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 measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of

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**NOTES TO FINANCIAL STATEMENTS**

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**4. Summary of significant accounting policies - Cont'd**

**4.5 Financial instruments – Cont'd**

**4.5.1 Financial assets – Cont'd**

allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

The Company has classified all its financial assets as follows:

<b>Financial Asset</b>	<b>Classification</b>	<b>Subsequent Measurement</b>
Cash and cash equivalents	Held for trading	Fair value
Short-term investment	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost

**4.5.2 Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

**4.5.3 Derecognition of financial assets**

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

**4.5.4 Financial liabilities and equity instruments issued by the Company**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

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**NOTES TO FINANCIAL STATEMENTS**

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**4. Summary of significant accounting policies - Cont'd**

**4.5 Financial instruments – Cont'd**

**4.5.4 Financial liabilities and equity instruments issued by the Company – Cont'd**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near term; or if on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or if it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; if the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or if it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income.

Other financial liabilities, including borrowings, 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 effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

The Company has classified all of its financial liabilities as follows:

<b>Financial liability</b>	<b>Classification</b>	<b>Subsequent measurement</b>
Trade and other payables	Other financial liability	Amortized cost

**4.5.5 Derecognition of financial liabilities**

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

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**NOTES TO FINANCIAL STATEMENTS**

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**4. Summary of significant accounting policies - Cont'd**

**4.6 Future accounting changes**

**4.6.1 New standard IFRS 9 “Financial Instruments”**

In November 2009, the IASB issued IFRS 9 "Financial Instruments: classification and evaluation", which represents a new standard for the classification and measurement of financial assets that will replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 has two categories of evaluation: amortized cost and fair value. Debt instruments are valued at amortized cost only if the entity has the objective to collect the contractual cash flows and the cash flows represent principal and interest. Otherwise, they are measured at fair value through profit and loss.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would be generally recorded in other comprehensive income.

This new standard applies to fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently evaluating any impact that this new standard may have on the Company's financial statements.

**4.6.2 IFRS 15 “Revenue from Contracts with Customers”**

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides a model for the recognition and measurement of gains or losses from sale of non-financial assets.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The standard permits the use of either full or modified retrospective application. This new accounting guidance will also result in enhanced disclosures about revenue. The Company does not expect this amendment to have a material impact on its consolidated financial statements.

**4.6.3 IFRS 16 “Leases”**

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. This standard is effective for annual periods beginning on or after January 1, 2019. The Company is in the process of assessing the impact of this pronouncement.

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**5. Cash and cash equivalents**

Cash and cash equivalents are comprised of the following:

	September 30, 2017	December 31, 2016
	\$	\$
Cash	207,950	104,033
Cashable guaranteed investment certificate with the Company's bank bearing interest at 0.65%, maturing within one year and whose market value approximates cost	-	-
	<u>207,950</u>	<u>104,033</u>

**6. Loans receivable**

	September 30, 2017	December 31, 2016
	\$	\$
Unsecured, non-interest bearing advance to CanGold in contemplation of the letter of intent. This advance is due on demand.	-	-
Loans to CanGold in contemplation of the Transaction bearing interest at the rate of 6% per annum, mature no later than July 28, 2015 and are secured by a general security over the assets of CanGold and its wholly-owned subsidiary, Minera Bestep S.A. de C.V.	-	-
Accrued interest on loan	-	-
		(50,000)
Recovery (impairment) of loans		50,000
	-	-

In 2015, Following the termination of the agreement with CanGold and as a result of changes in market conditions impacting the value of the assets of CanGold, its parent company Ontop Capital Limited and CanGold's wholly-owned subsidiary, Minera Bestep S.A. de C.V., management determined that it was possible that all of the funds were not recoverable and accordingly, has provided for impairment of the loans.

In 2016, the Company received repayment of a portion of the loan of \$50,000. This resulted in a reversal of loan impairment. This amount is reflected on the balance sheet and statement of operations. The remaining amount of the loan was forgiven and no further repayments will be made.

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**NOTES TO FINANCIAL STATEMENTS**

**7. Share capital**

**Share Cancellation**

On December 9, 2016, as a result of the Company's inability to secure a qualifying transaction involving the Abernethy Gold Project with Benton Resources Inc. within the time period prescribed by the TSX Venture Exchange ("the Exchange"), the Company was accepted to transfer to the NEX Board on the Exchange. As required under Exchange Policy 2.4 an aggregate of 2,000,000 common shares of the Company subject to escrow and held by the company officers, directors and 10% shareholders have been cancelled and returned to treasury.

**Private Placement**

On December 30, 2016, the TSX Venture Exchange approved and the Company closed the first tranche of non-brokered private placement. The Company issued 4,960,000 common shares at \$0.05 per share. There are 14 places approved for this placement. There are no warrants attached to this share issuance. The shares are subject to a four-month escrow. The total proceeds of the placement was \$248,000.

On Feb. 1, 2017 Element 79 announced that it closed the second tranche of a non-brokered private placement by issuing 3,040,000 common shares, at a price of \$0.05 per share, for gross proceeds to the Company of \$152,000. No warrants were issued. In connection with the closing of the Offering, the Company paid a cash finder's fee of \$2,000 to an arm's length registered dealer. No Broker warrants were issued.

**Authorized:**

An unlimited number of common shares and an unlimited number of preferred shares without nominal or par values.

**Issued:**

September 30, 2017	December 31, 2016	September 30, 2016 \$	December 31, 2016 \$
12,012,066	8,972,066	849,390	697,390

**Capital stock transactions are summarized as follows:**

	Number of shares	\$
On May 17, 2013, the Company issued 4,000,000 common shares to directors, officers and founding shareholders of the Company at a price of \$0.075 per share for total proceeds of \$300,000. These shares are subject to escrow conditions and will be released in stages upon completion of the Company's Qualifying Transaction.	4,000,000	300,000
On November 14, 2013, the Company completed its initial public offering ("IPO") and issued 2,012,066 common shares at a price of \$0.15 per share for gross proceeds of \$301,810 less fees.	2,012,066	149,390

Cont'd...

**ELEMENT 79 CAPITAL INC./**  
**CAPITAL ÉLÉMENT 79 INC.**

As at September 30, 2017

**NOTES TO FINANCIAL STATEMENTS**

Founders' Shares cancelation	(2,000,000)	-
Non-brokered private placement (Dec. 30, 2016)	4,960,000	248,000
Non-brokered private placement (Feb. 1, 2017)	3,040,000	152,000
Balance - September 30, 2017	12,012,066	849,390

As of September 30, 2017, 2,000,000 of the issued and outstanding shares are subject to escrow conditions.

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the period. Outstanding shares that are contingently returnable are excluded from the calculation of basic earnings per share. A summary of the weighted average number of common shares outstanding are as follows:

	<b>September 30, 2017</b>	<b>September 30, 2016</b>
Weighted average number of common shares outstanding	<b>11,674,288</b>	<b>6,012,066</b>
Weighted average of contingently returnable shares	<b>2,000,000</b>	<b>4,000,000</b>
Weighted average number of non-contingently returnable shares	<b>9,674,288</b>	<b>2,012,066</b>

**8. Share-based payments**

On November 14, 2013, the Company established an incentive stock option plan (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase common shares. These options may vest over a period determined by the Board of Directors when granted and expire after a period of up to ten years, provided that the number of common shares reserved for issuance under the Stock Option Plan does not exceed 601,206 shares. The Board of Directors determines the price per common share and the number of common shares that may be allotted to each director, officer, employee and consultant of the Company and all other terms and conditions of the options granted under the Stock Option Plan.

The Company accounts for options granted using the fair value method.

During the period ended September 30, 2017, there were no options granted to directors and officers.

During the period ended September 30, 2017, there were no options granted to consultants of the Company.

A summary of changes in the Company's common share purchase options is presented below:

Cont'd...

**ELEMENT 79 CAPITAL INC./  
CAPITAL ÉLÉMENT 79 INC.**

As at September 30, 2017

**NOTES TO FINANCIAL STATEMENTS**

**8. Share-based payments – Cont'd**

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance - beginning of period	601,206	0.1500	601,206	0.1500
Expired during the period	-	-		0.1500
Balance - end of period	601,206	0.1500	601,206	0.1500
Balance exercisable - end of period	601,206	0.1500	601,206	0.1500

Common share purchase options outstanding, exercisable, granted to directors, officers, consultants and Agents of the Company as at September 30, 2017 are summarized as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Range of Expiry Date	Weighted Average Remaining Contractual Life
601,206	601,206	0.15	November 14, 2023	74 months

**9. Statement of cash flows**

Changes in non-cash working capital items:	Three months ended September 30,	
	2017	2016
	\$	\$
Accounts Payable & Accrued Liabilities	-11,980	18,173
	<b>-11,980</b>	<b>18,173</b>

**10. Related party transactions**

Upon inception, the Company issued 1,493,334 commons shares at \$0.075 per share for total proceeds of \$112,000 to the following related parties:

- 1,253,334 common shares to a company controlled by a director and officer of the Company;
- 80,000 common shares to each of the two other directors and to the Chief Financial Officer of the Company.

These transactions are measured at the exchange amount, which is the amount of consideration determined and agreed to by the related parties.

Cont'd...

# **ELEMENT 79 CAPITAL INC./ CAPITAL ÉLÉMENT 79 INC.**

Unaudited - see Notice to Reader

For the period ended September 30, 2017

## **11. Capital disclosures**

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders;
- to maintain sufficient cash resources to support its ongoing activities;
- to maintain a flexible capital structure which optimizes the cost of capital at an acceptable level of risk.

In the management of capital, the Company considers the items included in shareholders' equity in the definition of capital.

The Company manages its capital structure and adjusts it in light of economic conditions and the risk characteristics of the underlying assets. The Company, upon the approval of the Board of Directors, will balance its overall capital structure through the issue of new shares, acquiring or disposing of assets, or by undertaking other activities as deemed appropriate under specific circumstances.

The proceeds raised from the issue of shares may only be used to identify and evaluate assets or businesses for future investments with the exception that up to \$400,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the policies of the TSX-V.

The Company not exposed to any other externally imposed capital requirements.

## **12. Financial instruments and risk management**

### *Fair Value*

The carrying values of cash and cash equivalents, short-term investment, sales taxes refundable and accrued liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments.

The determination of the fair value of cash and cash equivalents was calculated using level 1 of the fair value hierarchy.

### *Credit risk*

The Company is exposed to credit risk through its cash and cash equivalents and its loans receivable described in notes 5 and 6 respectively. Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract.

Cash and cash equivalents are maintained with a high quality financial institution. As the Company's cash is held by a single Canadian bank, there is a concentration of credit risk. The carrying amount of cash and cash equivalents and short-term investment represents the Company's maximum credit exposure.

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For the period ended September 30, 2017

**12. Financial instruments and risk management – Cont'd**

*Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Company manages its short-term investments based on its cash flow needs. A change in the interest rates of 1% will not have a significant impact on the operations and cash flows of the Company.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by continuously forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

**13. Subsequent events**

There are no reportable events subsequent to September 30, 2017.