

PARLANE RESOURCE CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended November 30, 2017

(Stated in Canadian Dollars)

(Unaudited)

PARLANE RESOURCE CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Stated in Canadian Dollars)
(Unaudited)

As at	November 30, 2017	May 31, 2017
<u>ASSETS</u>		
Current assets		
Cash	\$ 2,482,302	\$ 426,274
Amounts receivable – Note 3	35,860	59,491
Marketable securities – Note 4	-	23,705
Assets held for sale – Note 5	-	1,683,884
Prepaid expenses	-	1,057
	2,518,162	2,194,411
Non-current assets		
Reclamation deposit – Note 5	-	25,000
Exploration and evaluation assets – Note 5	3,057	3,057
	3,057	28,057
Total Assets	\$ 2,521,219	\$ 2,222,468
<u>LIABILITIES</u>		
Current liabilities		
Trade and other payables – Note 7	\$ 25,688	\$ 292,497
<u>EQUITY</u>		
Share capital – Note 6	5,686,592	5,686,592
Equity reserve – Note 6	836,337	836,337
Accumulated other comprehensive income (loss)	(9,913)	1,389
Accumulated deficit	(4,017,485)	(4,594,347)
	2,495,531	1,929,971
Total Liabilities and Equity	\$ 2,521,219	\$ 2,222,468

Subsequent Events – Note 11

APPROVED ON BEHALF OF THE BOARD:

<i>“Robert Eadie”</i> Robert Eadie	Director	<i>“Gary Arca”</i> Gary Arca	Director
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The accompanying notes form an integral part of these condensed interim consolidated financial statements

PARLANE RESOURCE CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND
COMPREHENSIVE LOSS
(Stated in Canadian Dollars)
(Unaudited)

For the six months ended November 30,	For the three months ended November 30,		For the six months ended November 30,	
	2017	2016	2017	2016
Expenses:				
Accounting and audit fees – Note 7	\$ 3,700	\$ 500	\$ 12,456	\$ 500
Foreign exchange loss	(639)	-	-	1,190
Legal and corporate services – Note 7	22,086	10,279	49,084	10,279
Management services – Note 7	15,000	15,000	63,853	30,000
Office, rent and administration – Note 7	17,036	6,000	25,737	6,000
Shareholder communications – Note 7	1,615	46,356	10,364	73,676
Transfer agent and filing fees	4,391	8,745	6,494	9,557
Total expenses	(63,189)	(86,880)	(167,988)	(131,202)
Other gains (losses):				
Finance revenue (cost)	2,073	(4,697)	7,732	(8,929)
Gain on sale of Big Bear and Nechako – Note 5	17	-	726,128	-
Gain on sale of marketable securities – Note 4	-	-	10,990	-
Total other gains (losses)	2,090	(4,697)	744,850	(8,929)
Income (loss) for the period	(61,099)	(91,577)	576,862	(140,131)
Other comprehensive loss:				
Unrealized gain (loss) on marketable securities – Note 4	-	(466)	(11,302)	3,797
Total comprehensive income (loss) for the period	\$ (61,099)	\$ (92,043)	\$ 565,560	\$ (136,334)
Basic and diluted income (loss) per share – Note 8	\$ (0.00)	\$ (0.01)	\$ 0.04	\$ (0.01)

The accompanying notes form an integral part of these condensed interim consolidated financial statements

PARLANE RESOURCE CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in Canadian Dollars)
(Unaudited)

For the six months ended November 30,	2017	2016
Operating Activities:		
Gain (Loss) for the period	\$ 576,862	\$ (136,334)
Adjustments to reconcile loss to net cash used in operating activities:		
Unrealized foreign exchange loss	-	1,340
Gain on sale of marketable securities	(10,990)	(3,797)
Finance costs	488	8,285
Gain on sale of Big Bear and Nechako	(726,128)	-
Write-down of non-recoverable cost	1,057	-
Changes in non-cash working capital items:		
Value added taxes recoverable	21,033	(7,788)
Trade and other payables	(266,184)	31,929
Cash outflows from operating activities	(403,862)	(106,365)
Investing Activities:		
Cash received from sale of E&E property	2,500,000	-
Interest received	1,485	-
Investment in exploration and evaluation assets	(89,988)	(156,134)
Sale of investment in marketable securities	23,393	-
Recovery of reclamation deposit	25,000	-
Cash inflows (outflows) from investing activities	2,459,890	(156,134)
Financing Activities:		
Proceeds from share issuance	-	325,977
Share subscription received	-	350,000
Share issuance cost	-	(8,938)
Cash inflows from financing activities	-	667,039
Total increase in cash during the period	2,056,028	404,540
Cash, beginning of the period	426,274	72,485
Cash, end of the period	\$ 2,482,302	\$ 477,025

Cash transactions – Notes 4 & 5

Non-cash transactions – Notes 3 & 6

The accompanying notes form an integral part of these condensed interim consolidated financial statements

PARLANE RESOURCE CORP.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the periods ended November 30, 2017 and 2016
(Stated in Canadian Dollars)

	Number of shares outstanding	Share capital	Equity reserve	Subscription received	Accumulated other comprehensive income (loss)		Accumulated deficit	Total equity
					Foreign currency translation reserve	Unrealized gain (loss) on marketable securities		
Balance – May 31, 2016	10,523,085	\$5,003,434	\$ 736,139	\$ -	\$ (9,913)	\$ -	\$ (4,240,120)	\$ 1,489,540
Common shares issued pursuant to:								
- Private placement - at \$0.15	2,173,180	325,977	-	-	-	-	-	325,977
Shares issuance cost	-	(8,936)	-	-	-	-	-	(8,936)
Subscription received	-	-	-	350,000	-	-	-	350,000
Net loss for the period	-	-	-	-	-	-	(136,334)	(136,334)
Balance – November 30, 2016	12,696,265	5,320,475	736,139	350,000	(9,913)	-	(4,376,454)	2,020,247
Common shares issued pursuant to:								
- Private placement - at \$0.25	1,520,000	288,800	91,200	-	-	-	-	380,000
- Convertible debenture - at \$0.12	720,000	86,400	(85)	-	-	-	-	86,315
Shares issuance cost	-	(9,083)	9,083	-	-	-	-	-
Subscription received	-	-	-	(350,000)	-	-	-	(350,000)
Unrealized gain on marketable securities	-	-	-	-	-	11,302	-	11,302
Net loss for the period	-	-	-	-	-	-	(217,893)	(217,893)
Balance – May 31, 2017	14,936,265	5,686,592	836,337	-	(9,913)	11,302	(4,594,347)	1,929,971
Realized loss on marketable securities	-	-	-	-	-	(11,302)	-	(11,302)
Net gain for the period	-	-	-	-	-	-	576,862	576,862
Balance – November 30, 2017	14,936,265	\$5,686,592	\$ 836,337	\$ -	\$ (9,913)	\$ -	\$ (4,017,485)	\$ 2,495,531

The accompanying notes form an integral part of these interim financial statements

PARLANE RESOURCE CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
November 30, 2017 and 2016
(Stated in Canadian Dollars)
(Unaudited)

Note 1 **Corporate Information**

Parlane Resource Corp. (the “Company” or “Parlane”) is the parent company of its consolidated group (the “Group”) and was incorporated in the Province of British Columbia on June 1, 2007 under the Business Corporations Act of British Columbia. The Company is listed on the TSX Venture Exchange (the “Exchange”), having the symbol PPP-V as a Tier 2 issuer and is in the process of evaluating its exploration assets.

The address of the Company’s corporate office and principal place of business is 750 – 580 Hornby Street, Vancouver, British Columbia, Canada.

Note 2 **Basis of Preparation**

a) Statement of Compliance

These unaudited condensed interim consolidated financial statements for the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. These condensed interim consolidated financial statements, for the six month period ended November 30, 2017, have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting, however, they do not include all of the information required for full annual financial statements.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s 2017 annual financial statements.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on March 1, 2018.

b) Basis of Measurement

The condensed interim consolidated financial statements have been prepared on a historical cost basis.

The condensed interim consolidated financial statements financial statements are presented in Canadian dollars, which is also the parent Company’s functional currency.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Notes 3 and 4 of the Company’s 2017 annual financial statements.

Parlane Resource Corp.

Notes to the Condensed Interim Consolidated Financial Statements

November 30, 2017

(Stated in Canadian Dollars)

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Note 2 Basis of Preparation – (cont'd)

c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and all of its subsidiaries, which are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity; is exposed to variable returns in connection with its interest in the entity; and a linkage exists between this power and exposure to variable returns. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposal or loss of control. The Company had two subsidiaries, Minera Mexicana Parlane, S.A. de C.V. (“Minera Mexicana”), which was incorporated in Mexico on November 25, 2009, to carry out Mexican operations, currently inactive, and Little Bear Gold Corp. (“Little Bear”), which was incorporated in the Province of British Columbia on July 12, 2011 as 0915318 BC Ltd., to carry out operations on the Company’s Bearcat property. On May 4, 2017 the parent company amalgamated with the Canadian subsidiary, Little Bear.

All intra-group transactions, balances, income and expenses are eliminated, in full, on consolidation.

d) Going Concern of Operations

The Company has not generated revenue from operations. The Company achieved net income of \$576,862 during the period ended November 30, 2017, due to the gain on sale of a property. As of November 30, 2017, the Company’s accumulated deficit was \$4,017,485. During this period, the Company received \$2.5 million for the sale of its Big Bear and Nechako properties (see note 5) and, as such, has sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period.

As the Company is currently in the exploration stage (see note 11 for change of business event), the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures.

These condensed interim consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of operations, and at amounts different from those recorded in the condensed interim consolidated financial statements.

Parlane Resource Corp.

Notes to the Condensed Interim Consolidated Financial Statements

November 30, 2017

(Stated in Canadian Dollars)

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Note 3 Amounts Receivable

At November 30, 2017, amounts receivable comprised of GST receivable of \$1,290 (May 31, 2017 – \$24,921) and BC Exploration tax credit of \$34,570 (May 31, 2017 – \$34,570).

Note 4 Marketable Securities

Marketable securities consisted of an available-for-sale investment in Global Resource Investment Trust PLC (“GRIT”). During the period ended November 30, 2017, the Company sold the entire investment for net proceeds of \$23,393 and a realized gain on sale of marketable securities of \$10,990 was recorded in profit of loss.

Note 5 Assets Held for Sale and Exploration and Evaluation Assets

<i>Exploration and evaluation assets</i>	Big Bear Property	Bearcat Property	Nechako Property	Total
<u>Acquisition costs:</u>				
Balance, May 31, 2016	\$ 909,460	\$ 682	\$ -	\$ 910,142
Acquisition cost	-	-	50,000	50,000
Reclassification to assets held for sale	(909,460)	-	(50,000)	(959,460)
Balance, May 31& November 30, 2017	\$ -	\$ 682	\$ -	\$ 682
<u>Exploration costs:</u>				
Balance, May 31, 2016	\$ 643,761	\$ 2,375	\$ -	\$ 646,136
Assays and sampling	31,466	-	-	31,466
Geological consulting	62,177	-	-	62,177
Truck usage and repair	7,653	-	-	7,653
Travel	13,937	-	-	13,937
Exploration tax credit	(34,570)	-	-	(34,570)
Reclassification to assets held for sale	(724,424)	-	-	(724,424)
Balance, May 31& November 30, 2017	\$ -	\$ 2,375	\$ -	\$ 2,375
Total Exploration and evaluation assets				
Balance, May 31, 2017	\$ -	\$ 3,057	\$ -	\$ 3,057
Balance, November 30, 2017	\$ -	\$ 3,057	\$ -	\$ 3,057

Parlane Resource Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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(Stated in Canadian Dollars)

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Note 5 Assets Held for Sale and Exploration and Evaluation Assets – (cont'd)

	Big Bear Property	Nechako Property	Total
<i>Assets held for sale</i>			
Balance, May 31, 2016	\$ -	\$ -	\$ -
Reclassification to assets held for sale	1,633,884	50,000	1,683,884
Balance, May 31, 2017	1,633,884	50,000	1,683,884
Additions	89,988	-	89,988
Disposal of Big Bear and Nechako	(1,723,872)	(50,000)	(1,773,872)
Balance, November 30, 2017	\$ -	\$ -	\$ -
Total Assets held for sale			
Balance, May 31, 2017	\$1,633,884	\$ 50,000	\$ 1,683,884
Balance, November 30, 2017	\$ -	\$ -	\$ -

Big Bear and Nechako Project

On June 16, 2017, at a special shareholder meeting, the sale of all of the Company's interest in the Big Bear and Nechako properties, to New Gold Inc. ("New Gold") for a total cash consideration of \$2.5 million was approved. The sale proceeds were subsequently collected and the properties transferred to New Gold. The disposition of Big Bear was recorded during the period ended November 30, 2017 and a gain of \$726,128 is reported on profit or loss. In addition, the Company had been required to provide financial assurance to the Ministry of Energy and Mines for the reclamation costs on the property of \$25,000. During the quarter ended November 30, 2017, amounts on deposit with the ministry of \$26,182, including finance income of \$1,182, for the reclamation bond were refunded to the Company.

Bearcat Claim

During the year ended May 31, 2015, the Company staked the 389-hectare Bearcat 1 claim situated 76 kilometres west of Quesnel and six kilometres northwest of Nazko.

Environmental Protection Practices and Rehabilitation Provision

The Company is subject to laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in a material liability to the Company.

Parlane Resource Corp.

Notes to the Condensed Interim Consolidated Financial Statements

November 30, 2017

(Stated in Canadian Dollars)

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Note 6 **Share Capital**

a) Common Shares

The Company is authorized to issue an unlimited number of common shares, without par value, issuable in series.

The holders of common shares are entitled to one vote per share at meetings of the Company and to receive dividends, which are declared from time-to-time. No dividends have been declared by the Company since its inception. All shares are ranked equally with regard to the Company's residual assets.

During the period ended November 30, 2017, the Company did not issue any common shares.

Issuances for Cash

On December 7, 2016, the Company completed tranche 1 of a non-brokered private placement with the issuance of 1,520,000 units priced at \$0.25 per unit, for gross proceeds of \$380,000. Each Unit consists of one common share of the Company and one share purchase warrant, each warrant entitling the holder thereof to acquire an additional common share of the Company for a period of five years at a price of \$0.30 per share. The private placement was subscribed to by certain directors and officers of the Company.

The Company calculated the fair value of the share component to be the lesser of the market price for the shares on the date of grant, which was \$0.19 per share, and the offering price, which was \$0.25 per unit. The shares, therefore, had a market price of \$0.19 per share or \$288,800. As a result, the fair value of the warrants was calculated to be \$0.06 per one warrant, or \$91,200, being the difference between the \$0.25 per unit price and the \$0.19 value of the share component of the units. As such, share capital was increased by \$288,800 and equity reserve increased by \$91,200.

On October 4, 2016 the Company completed tranche 2 of a non-brokered private placement with the issuance of 765,400 units priced at \$0.15 per unit, for gross proceeds of \$114,810. Each unit consists of one common share of the Company and one-half of one share purchase warrant with each whole warrant entitling the holder thereof to acquire an additional common share of the Company for a period of two years at a price of \$0.20 per share. The fair value of the shares was equal to the proceeds raised in the private placement and as a result, no amount was allocated as the fair value of the warrants. A cash payment of \$8,036 and 53,578 agents' warrants, with the same terms and conditions as the unit warrants, was paid as a finders' fee. Share issue costs include \$9,083 calculated as the fair value of the agents' warrants.

Parlane Resource Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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(Stated in Canadian Dollars)

(Unaudited) - Page 6

Note 6 **Share Capital** – (cont'd)

a) Common Shares – (cont'd)

Issuances for Cash – (cont'd)

The fair value of agents' warrants was determined using the Black-Scholes model with the following assumptions:

Stock price	\$0.18
Exercise price	\$0.20
Dividend rate	0%
Expected life	2 Years
Expected annual volatility	270.84%
Risk-free rate	0.57%

On August 2, 2016 the Company completed tranche 1 of a non-brokered private placement with the issuance of 1,407,780 units priced at \$0.15 per unit, for gross proceeds of \$211,167. Each unit consists of one common share of the Company and one-half of one share purchase warrant with each whole warrant entitling the holder thereof to acquire an additional common share of the Company for a period of two years at a price of \$0.20 per share. A cash payment of \$900 was paid as a finders' fee. The fair value of the shares was equal to the proceeds raised in the private placement and as a result, no amount was allocated as the fair value of the warrants.

Convertible Debenture

During the year ended May 31, 2017 the holder of the Debenture elected to convert the Debenture into Units of the Company priced at \$0.15 per Unit. The Debenture, together with interest at 8.0% per annum, was converted into 720,000 common shares of the Company and 360,000 warrants. A price of \$0.12, being the Company's closing market price on the date of issuance, was used in the determination of the \$86,400 fair value of the shares. Equity reserve includes \$21,600 calculated as the fair value of the warrants, being the residual value of the unit price and the market price of the shares. Upon conversion, the convertible option value of \$21,685 was transferred from equity reserve to share capital.

Parlane Resource Corp.

Notes to the Condensed Interim Consolidated Financial Statements

November 30, 2017

(Stated in Canadian Dollars)

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Note 6 Share Capital – (cont'd)b) Share Purchase Warrants

A summary of the Company's outstanding share purchase warrants is presented below:

	Number of Warrants	Weighted Average Exercise Price
Outstanding at May 31, 2016	-	\$ -
Warrants Issued	3,020,167	0.25
Outstanding at May 31 and November 30, 2017	3,020,167	\$ 0.25

At November 30, 2017, there were 3,020,167 warrants outstanding and exercisable to purchase one common share for each option held as follows.

Number of Shares	Exercise Price	Expiry Date
703,889	\$0.20	August 2, 2018
436,278	\$0.20	October 4, 2018
360,000	\$0.20	April 20, 2019
1,520,000	\$0.30	December 7, 2021
3,020,167	\$0.25	

c) Share-Based Payments

The Company, in accordance with the policies of the Exchange, is authorized to grant share purchase options to directors, officers, employees and service providers to acquire up to 10% of common shares outstanding (the "Plan"). Under the Plan, options may be granted at no less than the closing market price of the Company's shares on the day preceding the grant for a maximum term of 5 years.

No amounts are paid or payable by the recipient on receipt and the options are not dependent on any performance-based criteria. Share purchase options will vest when granted except where granted for investor relations activities which vest and may be exercised in accordance with the vesting provisions as to ¼ of the options each 3 months.

No share purchase options were granted during the period ended November 30, 2017 and the year ended May 31, 2017, and 2,000 options remain outstanding at an exercise price of \$1.00 expiring December 20, 2017.

Subsequent to the period ending November 30, 2017, 2,000 at \$1.00 share purchase options expired.

Parlane Resource Corp.

Notes to the Condensed Interim Consolidated Financial Statements

November 30, 2017

(Stated in Canadian Dollars)

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Note 7 Related Party Transactions

The following is a summary of charges incurred by the Company with related parties:

<u>For the period ended November 30,</u>	<u>2017</u>	<u>2016</u>
Accounting fees	\$ 3,000	\$ -
Legal fees	500	3,000
Management services	50,000	30,000
Office, rent and administration	6,500	6,000
Shareholder Communication	500	-
<u>Total</u>	<u>\$ 60,500</u>	<u>\$ 39,000</u>

During the period ended November 30, 2017, the Company incurred expenses of \$60,500 (November 30, 2016 - \$39,000) from companies controlled by directors and officers of the Company.

Included in accounts payable at November 30, 2017 is \$25,625 (May 31, 2017: \$155,125) due to directors of the Company and to a company controlled by a director. These balances are in respect of management activities and reimbursable expenses.

Note 8 Loss Per Share

The denominator for the calculation of loss per share, being the weighted average number of common shares, is calculated as follows:

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>November 30,</u>		<u>November 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Issued and outstanding, beginning of the period	14,936,265	11,930,865	14,936,265	10,523,085
Weighted average shares issued during the period	-	479,426	-	1,161,538
<u>Basic and diluted weighted average number of shares</u>	<u>14,936,265</u>	<u>12,410,291</u>	<u>14,936,265</u>	<u>11,684,623</u>

Parlane Resource Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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(Stated in Canadian Dollars)

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Note 9 **Capital Management**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders.

The Company is not subject to externally imposed capital requirements. There have been no changes in the Company's approach to capital management during the period ended November 30, 2017.

Note 10 **Financial Instruments**

a) Interest Rate Risk

The Company's cash earns interest at a variable interest rate. Because of the nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair values as of November 30, 2017. Future cash flows from interest income on cash and reclamation deposits will be affected by interest rate fluctuations.

Interest rate risk consists of two components:

- (i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk. The Company's exposure to interest rate fluctuations is minimal.

b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash, the balance of which at November 30, 2017, is \$2,482,302. Cash and GIC are held at a chartered Canadian financial institution, accordingly management believes credit risk is minimal.

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Notes to the Condensed Interim Consolidated Financial Statements

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Note 10 **Financial Instruments** – (cont'd)

c) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. As at November 30, 2017, the Company was holding cash and cash equivalents of \$2,482,302. The Company's trade and other payables are due in the short term.

As at November 30, 2017, the Company had a working capital of \$2,492,474. The Company has sufficient cash resources to meet its immediate obligations for at least twelve months from the end of the reporting period. While the Company has been successful in obtaining the necessary financing through the issuance of common shares and loans from related parties in the past, if management believes that additional funds are required, there is no assurance it will be able to raise funds in this manner in the future.

Note 11 **Subsequent Events**

a) Mining of Cryptocurrency

On January 9, 2018, the Company entered into a binding letter agreement whereby it will engage a third party to host cryptocurrency mining activities on behalf of the Company.

Pursuant to the agreement, the Company will initially acquire 500 S9 Antminer rigs at a cost of US\$2,000,000, and will engage a Quebec based company (the "Provider") to set-up, host and operate the cryptocurrency mining activities. In exchange for such services, the Provider will receive (i) 6,000,000 shares of the Company, and (ii) 10% of net profits generated by the mining activities. The Company will be responsible for all operating costs, to be at an all-in cost of US\$0.10 per kilowatt hour per mining rig. The Company may add additional mining rigs from time to time. The shares of the Company to be received by the Provider will be subject to resale restrictions such that 1,000,000 shares will be restricted for four months, 2,500,000 shares will be restricted for six months, and 2,500,000 shares will be restricted for 12 months.

The above transactions will constitute a change of business for the Company, as such term is defined in TSX Venture Exchange ("TSXV") policies, in that the Company will be involved in mining for cryptocurrencies rather than exploring for minerals. Consequently:

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Notes to the Condensed Interim Consolidated Financial Statements

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Note 11 **Subsequent Events** – (cont'd)

a) Mining of Cryptocurrency – (cont'd)

- (a) the Company has halted trading of its common shares; and trading will remain halted until the transactions have closed;
- (b) closing of the transactions (including issuance of shares to the Provider) is subject to the approval of the TSXV;
- (c) closing of the transactions is also subject to the approval of the Company's shareholders. In this regard, the Company anticipates it will obtain such approval by way of consent resolution; and
- (d) The Company will prepare and file a TSXV Filing Statement, in the prescribed form.

The transactions with the Provider were negotiated at arm's length. The shares issued to the Provider will be re-distributed by it to its shareholders, such that there will be no new control blocks or insiders created. There will be no change in the board of directors of the Company, and no change of management. As such, no new escrow of any new or previously issued shares is expected to occur. Closing of the transactions is subject to a number of conditions precedent, including due diligence investigations, negotiation of a definitive agreement with the Provider, raising of sufficient funds, and shareholders' and TSXV approvals; and there is no assurance all of the conditions will be satisfied.

The Company has approximately C\$2,500,000 of cash resources; and estimates it will be required to raise an additional \$750,000 to finance the transactions outlined above. To that end, the Company has completed a non-brokered financing and issued 5,100,000 Subscription Receipts (the "Receipts") at \$0.15 per Receipt; each Receipt convertible at no additional cost into either:

- (i) Units of the Company, in the event the transactions close. Each Unit to be comprised of one common share and one-half warrant ("Warrant"). Each whole Warrant will entitle the holder thereof to acquire one additional common share of the Company at a price of \$0.25 for a period of 12 months from the date of issuance of the Warrant; or
- (ii) the return of all of the subscription proceeds for such Receipts, in the event the transactions do not close.

Finder's fees were paid in the form of a cash payment of \$41,850 and 278,699 brokers' warrants with the same terms and conditions as the warrants comprising part of the units were issued. The brokers' warrants will not be delivered until final Exchange approval.

Proceeds from the Receipt financing are held by the Company pending closing of the transactions.

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Note 11 **Subsequent Events** – (cont'd)

a) Mining of Cryptocurrency – (cont'd)

In conjunction with the Company's change of business, it will also be:

- Changing its name to more accurately reflect its new business focus; and
- Acquiring the intellectual property rights to the "iMining" brand, including worldwide tradename, trademarks, and URL site. The cost to acquire these rights has been negotiated as \$550,000 to be paid as to \$250,000 in cash and 2,000,000 shares of the Company at a fair value of \$0.15 per share.

b) Sale of Mexican subsidiary

Subsequent to November 30, 2017, the Company finalized an agreement to sell its subsidiary, Minera Mexicana Parlane, S.A. de C.V. for US\$59,400. The value of the subsidiary was determined to be the fair value of the tax credits available.