Financial Statements

For the Years Ended December 31, 2017 and 2016

RED MOON RESOURCES INC.
December 31, 2017 and 2016

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April 26, 2018

Independent Auditor's Report

To the Shareholders of
Red Moon Resources Inc.

We have audited the accompanying financial statements of Red Moon Resources Inc., which comprise the balance sheets as at December 31, 2017 and December 31, 2016 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Red Moon Resources Inc. as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 1 of the financial statements which describe matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Red Moon Resources Inc.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

RED MOON RESOURCES INC.
Balance Sheets
As at December 31

(in Canadian dollars)	**2017**	2016
	$	$
Assets		
Current assets		
Cash	**28,609**	65,833
Accounts receivable	**7,153**	9,001
Government grant receivable (Note 5)	**14,401**	2,587
Prepaid expenses	**5,900**	5,900
	56,063	83,321
Capital assets	**1,750**	-
Mineral exploration and evaluation (Note 6)	**2,037,910**	1,954,338
Total Assets	**2,095,723**	2,037,659
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	**199,412**	55,598
Total Liabilities	**199,412**	55,598
Shareholders' Equity		
Share capital (Notes 8 (a) and (b))	**2,622,179**	2,622,929
Warrants (Note 8 (d))	**66,000**	66,000
Contributed surplus	**180,752**	170,967
Deficit	**(972,620)**	(877,835)
Total Shareholders' Equity	**1,896,311**	1,982,061
Total Liabilities and Shareholders' Equity	**2,095,723**	2,037,659

Nature of operations and going concern (Note 1)

Approved on behalf of the Board of Directors

Patrick J. Laracy **Director**

William Koenig **Director**

See accompanying notes to the financial statements

RED MOON RESOURCES INC.
Statements of Loss and Comprehensive Loss
Years Ended December 31

(in Canadian dollars)	**2017**	2016
	$	$
Income (Expenses)		
Interest income	**52**	348
Other income (Note 8 (c))	**-**	2,500
Management and subcontract fees (Note 10)	**(14,000)**	(34,049)
Transfer agent, regulatory and professional fees	**(38,834)**	(39,993)
Office and other	**(22,152)**	(27,721)
Directors' fees (Note 10)	**-**	(12,500)
Conferences and travel	**(6,670)**	(1,138)
Depreciation	**(750)**	-
Exploration and evaluation expense	**(6,840)**	(3,918)
Share-based compensation (Note 9 (b))	**(5,591)**	(24,660)
Net and comprehensive loss	**(94,785)**	(141,131)
Net loss per share - basic and diluted	**(0.002)**	(0.003)
Weighted-average number of common shares outstanding - basic and diluted	**48,050,004**	48,050,004

See accompanying notes to the financial statements

RED MOON RESOURCES INC.
Statements of Changes in Equity

(in Canadian dollars)

	Share Capital	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
	$	$	$	$	$
Balance, December 31, 2015	2,622,929	109,500	98,810	(736,704)	2,094,535
Net and comprehensive loss					
January 1, 2016 - December 31, 2016	-	-	-	(141,131)	(141,131)
Transfer to contributed surplus upon expiry of warrants	-	(43,500)	43,500	-	-
Share-based compensation	-	-	28,657	-	28,657
Balance, December 31, 2016	2,622,929	66,000	170,967	(877,835)	1,982,061
Net and comprehensive loss					
January 1, 2017 - December 31, 2017	-	-	-	(94,785)	(94,785)
Share issuance costs	(750)	-	-	-	(750)
Share-based compensation	-	-	9,785	-	9,785
Balance, December 31, 2017	**2,622,179**	**66,000**	**180,752**	**(972,620)**	**1,896,311**

See accompanying notes to the financial statements

RED MOON RESOURCES INC.
Statements of Cash Flows
Years Ended December 31

(in Canadian dollars)	**2017**	2016
	$	$
Operating Activities		
Net loss	**(94,785)**	(141,131)
Adjustment for non-cash item:		
Depreciation	**750**	-
Share-based compensation	**5,591**	24,660
	(88,444)	(116,471)
Changes in non-cash working capital		
Accounts receivable	**1,848**	(3,826)
Prepaid expenses	**-**	4,975
Accounts payable and accrued liabilities	**96,708**	8,760
	10,112	**(106,562)**
Financing Activities		
Reduction of flow through premium liability (Note 8 (c))	**-**	(2,500)
Share issuance costs	**(750)**	**-**
	(750)	(2,500)
Investing Activities		
Mineral exploration and evaluation assets	**(95,509)**	(50,564)
Purchase of capital assets	**(2,500)**	**-**
Change in accounts payable-mineral exploration assets	**47,106**	(35,649)
Change in accounts receivable-mineral exploration assets	**-**	8,610
Government grant	**4,317**	7,222
	(46,586)	(70,381)
Net change in cash for the year	**(37,224)**	(179,443)
Cash, beginning of year	**65,833**	245,276
Cash, end of year	**28,609**	65,833

See accompanying notes to the financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was formed on June 15, 2011 under the Alberta Business Corporations Act and was listed on the TSX Venture Exchange on August 17, 2012. Prior to listing on the TSX Venture Exchange, the Company was inactive. Its registered address is 333 Duckworth Street, St. John's, NL A1C 1G9. On November 14, 2016, the Company changed its name from Red Moon Potash Inc. to Red Moon Resources Inc. to more accurately reflect the nature of its operations.

Red Moon Resources Inc. (the "Company") is a junior mineral exploration company engaged in the acquisition, evaluation and exploration of mineral properties in Newfoundland and Labrador. The Company's immediate objectives are to define and develop a world-class industrial mineral projects. The Company plans to ultimately develop properties as joint ventures, bring them into production, option or lease properties to third parties, or sell the properties outright. The Company has not determined whether its properties contain reserves that are economically recoverable and the Company is considered to be in the exploration stage.

These financial statements have been prepared using accounting principles applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due. The Company reflected a loss of $94,785 for the year ended December 31, 2017 ($141,131- year ended December 31, 2016) and had an accumulated deficit of $972,620. The Company had no income or cash flow from operations at December 31, 2017 and had a negative working capital of $143,349. The Company must secure sufficient funding to meet its on-going working capital requirements, as well as to identify, acquire and maintain exploration licenses. Such material uncertainties cast significant doubt as to the ability of the Company to meet its obligations as they come due, and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there is no assurance that these initiatives will be successful or sufficient.

The Company's ability to continue as a going concern is dependent upon its ability to fund working capital and future acquisition costs and exploration requirements and eventually to generate positive cash flows, either from operations or proceeds from disposition of exploration assets. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. BASIS OF PRESENTATION

The Company prepares its financial statements with Canadian generally accepted accounting principles ("GAAP") as set out in the Canadian Professional Accountants of Canada Handbook – Accounting – Part I ("CPA Canada Handbook") which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

A summary of the Company's significant accounting policies under IFRS is presented in Note 3.

These financial statements have been prepared on an historical cost basis.

The functional and presentation currency of the financial statements is Canadian dollars.

These financial statements were approved and authorized for issuance by the Board of Directors on April 26, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Mineral exploration and evaluation assets

All costs directly associated with the exploration and evaluation of mineral properties is initially capitalized. Mineral exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. These costs include unproved property acquisition costs, geological and geophysical costs, exploration and evaluation drilling, sampling and appraisals. Costs incurred prior to acquiring the legal rights to explore an area are charged directly to net loss as exploration and evaluation expense.

When an area is determined to be technically feasible and commercially viable, the accumulated costs are transferred to property, plant and equipment. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to net loss as exploration and evaluation expense.

Incidental revenue and cost recoveries relating to mineral exploration and evaluation assets are recorded first as a reduction of the specific exploration and evaluation property to which the fees and payments relate, and any excess as other revenue on the statement of loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Impairment of non-financial assets

The carrying amount of the Company's mineral exploration and evaluation assets is assessed at each reporting period to determine whether there is any indication of impairment. If an indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Assets are grouped at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets (cash generating unit or "CGU"). A CGU may include certain aggregated exploration and evaluation assets. A CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount, with the impairment loss recognized in net loss for the reporting period.

Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount, but only to the extent that this amount does not exceed the carrying amount that would have been recognized, net of depletion, depreciation and amortization, had an impairment loss not been recognized in previous periods.

c) Government Grant

Government grant received or receivable in respect of mineral exploration and evaluation assets is reflected as a reduction of the cost of the mineral exploration and evaluation asset.

d) Capital Assets

Capital Assets are recorded at cost. Depreciation is based on the estimated useful life using the declining balance metho. The Company has one class of capital asset, computer equipment - depreciated at 30% declining balance.

e) Share-based compensation

The Company has an equity settled share-based payment plan. The Company uses the fair value method to measure compensation expense at the date of grant of stock options to directors, officers and employees. The fair value of options is determined using the Black-Scholes option pricing model and is amortized to earnings or loss over the vesting period with a corresponding increase to contributed surplus. When options are exercised, the corresponding contributed surplus and the proceeds received by the Company are credited to share capital. Forfeiture of stock options is estimated on issuance, and the number of stock options expected to vest is reviewed at least annually with any adjustment being recognized immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Warrants

Share purchase warrants are issued together with shares as private placement units. The shares issued to raise capital are classified in equity in accordance with IAS 32. The fair value of the proceeds of the units is allocated to separate compnents of equity – share capital and warrants. Subsequent modifications to an entire class of share purchase warrants classified as equity are not subsequently remeasured.

g) Income taxes

Income tax expense is comprised of current and deferred income tax. Current tax and deferred tax are recognized in earnings or loss except to the extent that they relate to items recognized directly in shareholders' equity or in other comprehensive income.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset tax liabilities and assets and they relate to income taxes levied by the same tax authority on either the same taxable entity, or on different taxable entities, which intend to settle tax liabilities and assets on a net basis or realize their tax assets and liabilities simultaneously.

A deferred tax asset is recognized for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the unused tax losses, unused tax credits and temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that all or part of the related tax benefit will be realized.

h) Earnings (loss) per share

Basic net earnings (loss) per share is calculated by dividing net earnings (loss) by the weighted-average number of common shares outstanding during the period. Diluted net loss per share is equivalent to basic loss per share as the inclusion of outstanding options and warrants is anti-dilutive.

i) Cash

Cash consists of balances on hand and amounts on deposit in banks.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial instruments

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortized cost less any provision for impairment.

Fair value through profit or loss

This category includes derivatives and investments acquired for the purpose of selling or repurchasing in the near term. These assets are reflected on the balance sheet at fair value with changes in fair value recognized in the statement of net and comprehensive loss. The Company currently has no financial instruments recorded in this category.

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company intends to hold until maturity. These assets are measured at amortized cost using the effective interest rate method. If there is evidence that the investment is impaired, the financial asset is measured at the present value of estimated future cash flows. Any changes in the carrying amount of the investment are recognized in the statement of loss. The Company currently has no financial instruments recorded in this category.

Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available for sale. These assets are carried at fair value with changes in fair value recognized directly in the statement of other comprehensive loss. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the accumulated loss is removed from other comprehensive loss and recognized in the statement of loss. The Company currently has no financial instruments recorded in this category.

Financial liabilities

The Company classifies its financial liabilities into one of two categories:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial instruments (continued)

Fair value through profit or loss

This category includes derivatives, or liabilities incurred for the purpose of selling or repurchasing in the near term. They are carried on the balance sheet at fair value with changes in fair value recognized in the statement of comprehensive loss. The Company currently has no financial instruments recorded in this category.

Other financial liabilities

This category includes accounts payable and accrued liabilities which are recognized at amortized cost.

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as “fair value through profit or loss”, “loans and receivables”, “available-for-sale”, “held-to-maturity”, or "financial liabilities measured at amortized cost” as defined by the accounting standard.

k) Significant management accounting estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from the estimates. Significant estimates and judgments made by management in the preparation of these financial statements are outlined below.

Mineral exploration and evaluation assets: At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as, the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted and results of exploration and evaluation activities on the exploration and evaluation assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Significant management accounting estimates and judgments (continued)

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value of mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the Company does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through the use of, where available, comparison to similar market assets and, where available, industry benchmarks. Actual results may differ materially from these estimates.

Going concern: When preparing financial statements, management is requirement to make an assessment of the entity's ability to continue as a going concern. This assessment requires management to estimate the Company's ability to meet current obligations and commitments over the upcoming 12 months.

l) Flow-through shares

The Company finances a portion of its exploration activities through the issuance of flow-through common shares, whereby the related resource expenditure deductions normally available for income tax purposes are renounced to investors, in accordance with flow-through share agreements. At the time of share issuance, the proceeds are allocated between share capital and the obligation to deliver the tax deduction (flow through premium liability).

Deferred income taxes related to the temporary differences created by the renouncement of flow-through share tax benefits to subscribers are recorded on a pro-rata basis as the qualified expenditures are incurred. The tax value of the renunciation is recorded as a deferred income tax liability with a corresponding charge to deferred income tax expense in the statement of loss. Additionally, as the qualified expenditures are incurred, the Company recognizes a pro-rata reduction of the flow through premium liability as other income in the statement of loss.

4. NEW AND AMENDED ACCOUNTING STANDARDS

New and amended standards adopted by the Company

The following standard has been adopted by the Company for the period beginning on January 1, 2017:

IAS 12, *"Income Taxes"* ("IAS 12") was amended to provide guidance on the recognition of deferred tax assets for unrealized losses, effective for annual periods beginning on or after January 1, 2017. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The adoption of this standard had no impact on the Company's financial statements.

Standards and amendments not yet effective and not yet applied

In July 2014, the IASB issued IFRS 9 Financial Instruments. The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and substantially completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only three classification categories: amortized cost and fair value through other comprehensive loss and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. The standard introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and it lowers the threshold for recognition of full lifetime expected losses. The new standard also introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity and aligns hedge accounting more closely with risk management. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

IFRS 16, *"Leases"* ("IFRS 16") is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted for entities that have also adopted IFRS 15, "*Revenue from contracts with customers*" ("IFRS 15"). IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17, "Leases" ("IAS 17"). Qualifying leases will be recorded on the balance sheet as an asset under property and equipment, and will have a corresponding liability with both current and long-term portions.

The Company is reviewing the standards and amendments, to determine the potential impact, if any, on its financial statements.

5. GOVERNMENT GRANT

The Company has reflected a government grant receivable in the amount of $14,401 from the Government of Newfoundland and Labrador under the "Junior Exploration Assistance" (JEA) program, with a corresponding amount reflected as a reduction of mineral exploration and evaluation assets. The difference, if any, between the amount recorded and the amount ultimately received will be recorded as an adjustment to the related mineral exploration and evaluation asset. In 2017, the Company received a grant in the amount of $4,317 from the Government of Newfoundland and Labrador under the JEA program, related to exploration expenditures incurred in 2016. The Company had previously recognized a government grant receivable in the amount of $2,587 with a corresponding reduction of mineral exploration and evaluation assets in 2016. The difference was recorded as a reduction of mineral exploration and evaluation assets in 2017.

6. MINERAL EXPLORATION AND EVALUATION ASSETS

The Company has 17 mineral licences (2016 -20) which consist of 625 claims (2016 – 1,015 claims), which are active and in good standing with the Department of Natural Resources in the Province of Newfoundland and Labrador. These licences are in the exploration and evaluation stage. The Company has a mining lease (Ace Mining Lease #239) registered with the Department of Natural Resources in the Province of Newfoundland and Labrador on mineral licence 022132M situated near St. George's, Western Newfoundland.

A summary of the costs of these licences is as follows:

	2017				2016		
	Balance, Beginning of Year	**Additions**	**Writedowns**	**Balance, End of Year**	Balance, Beginning of Year	Additions	Balance End of Year
	$	**$**		**$**	$	$	$
Property acquisition costs	**1,084,350**	**1,815**	**(6,840)**	**1,079,325**	1,048,115	36,235	1,084,350
Exploration costs	**869,988**	**88,597**		**958,585**	861,471	8,517	869,988
	1,954,338	**90,412**	**(6,840)**	**2,037,910**	1,909,586	44,752	1,954,338

Current year additions to mineral exploration and evaluation assets have been reduced by a government grant of $16,131 (December 31, 2016- $9,809) (Note 5). Current year additions to mineral exploration costs include share based compensation of $4,194 (December 31, 2016- $3,997).

7. INCOME TAXES

a) Deferred income taxes

The Company has an unrecorded deferred income tax asset as follows:

	2017	2016
	$	$
Temporary differences related to mineral exploration and evaluation assets	**5,748**	4,238
Non-capital loss carryforwards	**(250,570)**	(226,029)
Unrecognized deferred tax asset	**(244,822)**	(221,791)

b) Income tax rates

Income taxes differ from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 30% (2016-30%) to (loss) before income taxes as follows:

	2017	2016
	$	$
Expected income tax recovery	**(28,210)**	(42,339)
Non-deductible share-based compensation	**1,677**	7,398
Deferred tax asset not recognized	**26,533**	28,475
Effect of rate changes on temporary differences	**-**	6,466
Deferred income tax expense	**-**	**-**

c) Non-capital losses

The Company has non-capital losses amounting to $835,234 which are available to reduce taxable income of future years. These non-capital losses expire as follows:

2032	$ 93,451
2033	$ 234,530
2034	$ 178,848
2035	$ 150,367
2036	$ 96,235
2037	$ 81,803

The Company also has Canadian exploration expense of $2,015,771 which may be deducted in determining taxable income of future years.

8. SHARE CAPITAL

a) Authorized

Unlimited number of voting common shares
Unlimited number of preferred shares, issuable in series

b) Issued and outstanding

	2017		2016	
	Number	**Share Capital**	Number	Share Capital
Common Shares		**$**		$
Balance, beginning of year	**48,050,004**	**2,622,929**	48,050,004	2,622,929
Share issuance cost	**-**	**(750)**	-	-
Balance, end of year	**48,050,004**	**2,622,179**	48,050,004	2,622,929

c) Pursuant to a private placement dated December 1, 2015, the Company issued 4,800,000 units at $0.05 per unit for total cash consideration of $240,000 and 250,000 flow-through units at $0.06 per unit for total cash consideration of $15,000. Each unit consist of one common share and one-half of a common share purchase warrant. Each flow-through unit consist of one flow-through common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of $0.10 per share until December 1, 2017. An amount of $186,500 has been allocated to share capital, $66,000 to the fair value of the warrants (note 8 (d)) and $2,500 to flow-through premium liability representing the obligation to deliver the tax deduction to the subscriber. Parent company, Vulcan Minerals Inc., subscribed for 4,000,000 units. In 2016 the Company fulfilled its obligation to deliver the tax deduction to the flow-through subscribers and the amount of $2,500 has been reflected as miscellaneous income with a corresponding reduction of the flow- through premium liability account.

d) Warrants

A summary of warrants as at December 31, 2017 and 2016 and changes during the years then ended is as follows:

	2017		2016	
	Number of Warrants	**Weighted-Average Exercise Price**	Number of Warrants	Weighted-Average Exercise Price
		$		$
Outstanding, beginning of year	**2,525,000**	**0.10**	5,025,000	0.17
Expired	**-**	**-**	(2,500,000)	0.25
Outstanding, end of year	**2,525,000**	**0.10**	2,525,000	0.10

8. SHARE CAPITAL (continued)

	2017	2016
	$	$
Balance, beginning of year	**66,000**	109,500
Expired during the year	**-**	(43,500)
Balance, end of year	**66,000**	66,000

On November 6, 2017 the Board approved ammendments to the terms of the outstanding warrants that were issued on Dec 1, 2015 to extend the expiry date of the 2,525,000 warrants with an exercise price of $0.10 from Dec 1, 2015 to November 6, 2020. Costs of $750 were incurred to extend the warrants.

9. SHARE-BASED COMPENSATION

a) Stock option plan

The Company has a stock option plan under which directors, officers, management, consultants and employees of the Company are eligible to receive stock options. The aggregate number of shares to be issued upon exercise of all options granted under the plan shall not exceed 10% of the issued shares of the Company at the time of granting the options. The number of shares which may be reserved for issuance in any 12 month period to any one individual may not exceed 5% of the issued shares or 2% if the optionee is a consultant, and the number of shares which may be reserved for issuance in any 12 month period to all optionees engaged in investor relations activities may not exceed 2% in the aggregate of the issued shares on a yearly basis. Options may be exercisable over periods of up to ten years, as determined by the Board of Directors of the Company and are required to have an exercise price no less than the closing market price of the Company's shares prevailing on the day that the option is granted less a discount of up to 25%, with the amount of the discount varying with market price in accordance with the policies of the TSXV.

9. SHARE-BASED COMPENSATION (continued)

b) Stock options

A summary of stock options outstanding and exercisable is as follows:

	2017		2016	
	Number of Options	**Weighted-Average Exercise Price**	Number of Options	Weighted-Average Exercise Price
		$		$
Outstanding, beginning of year	**3,350,000**	**0.10**	1,750,000	0.10
Granted	**-**	**-**	1,600,000	0.10
Forfeited	**(100,000)**	**0.10**	-	-
Cancelled	**(100,000)**	**0.10**	-	-
Outstanding, end of year	**3,150,000**	**0.10**	3,350,000	0.10
Outstanding and exercisable, end of year	**3,150,000**	**0.10**	2,550,000	0.10

The weighted average remaining contractual life of outstanding options is 1.47 years (December 31, 2016 – 2.57 years). The weighted average remaining contractual life of exercisable options is 1.47 years (December 31, 2016- 2.07 years).

No stock options were granted in 2017. The weighted average fair value of stock options granted in the year ended December 31, 2016 was estimated on the date of the grant to be $0.025 using the Black-Scholes fair value option pricing model and the following weighted average assumptions:

	2017	2016
Expected volatility (%)	**-**	270
Risk free interest rate (%)	**-**	0.73
Weighted-average expected life (years)	**-**	5.0
Dividend yield (%)	**-**	0

The Company recognized share-based compensation in the amount of $9,785 in the year ended December 31, 2017 ($28,657- year ended December 31, 2016). Share-based compensation in the amount of $5,591 was expensed for the year ended December 31, 2017 ($24,660- year ended December 31, 2016) and $4,194 (December 31, 2016- $3,997) was capitalized to mineral exploration and evaluation assets.

10. RELATED PARTY TRANSACTIONS

The Company is controlled by Vulcan Minerals Inc., which owns 66.6% of the Company's common shares (2016- 66.6%). The remaining 33.4% (2016-33.4%) is widely held. The following transactions were carried out with related parties:

	2017	2016
	$	$
Expenditures paid/payable to Vulcan Minerals Inc., parent of the Company and reflected as:		
Mineral exploration and evaluation assets	**29,960**	21,392
General and administrative expenses	**14,000**	22,507
Rent paid to a corporation which is controlled by the President of the Company	**12,000**	18,750

Compensation for key management personnel, which includes the President and Chief Executive Officer, Chief Financial Officer and Directors, is as follows:

	2017	2016
	$	$
Management fees, salaries and benefits for key management personnel paid/payable to parent and included in Note 10 above, and reflected as the following:		
General and administrative expenses	**14,000**	18,807
Capitalized as mineral and exploration and evaluation assets	**3,700**	5,959
Other fees paid directly by the Company:		
Management fee- other	**-**	11,250
Directors' fees	**-**	12,500
Share-based compensation		
General and administrative expense	**5,591**	24,660
Mineral exploration and evaluation assets	**4,194**	3,997
	27,485	77,173

Accounts payable and accrued liabilities include $179,462 owing to parent company, Vulcan Minerals Inc. at December 31, 2017 ($27,750 – December 31, 2016). Included in expenses are costs of $87,676 (2016 - $9,671) that were recharged from the Company's parent. These expenses are from third party vendors and are directly related to the operations of the Company.

11. CAPITAL MANAGEMENT

The capital structure of the Company consists of equity comprised of share capital, contributed surplus, warrants, and deficit. The Company's objective when managing capital is to safeguard its accumulated capital in order to maintain its ability to continue as a going concern and to fund exploration activities. The Company maintains its capital on deposit with Canadian chartered banks.

12. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

Fair values of financial instruments

The carrying amount of cash, accounts payable and accrued liabilities, approximate their fair value due to their short-term nature. The Company does not have any other financial assets or liabilities.

The Company has exposure to credit risk, liquidity risk and market risk. The source of risk exposure and how each is managed is outlined below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligation. The Company is exposed to credit risk on its cash and accounts receivable. Cash is maintained on deposit with a major Canadian chartered bank. The Company believes its credit risk with respect to cash and accounts receivable is not significant.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. As of December 31, 2017 the Company had a cash balance of $28,609 and a negative working capital of $143,349. The Company has no source of operating cash flow. There is no assurance that additional funding will be available to allow the Company to fund exploration programs. Liquidity risk is significant to the Company (refer to Note 1).

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and commodity prices will affect the Company's net loss or the value of its financial instruments.

Commodity price risk

The recoverability of the Company's mineral exploration and evaluation assets is partially related to the market price of base metals and commodities. The Company does not hedge this exposure to fluctuations in commodity prices. The Company's ability to continue with its exploration programs is also indirectly subject to commodity prices.

CORPORATE INFORMATION

OFFICERS AND MANAGEMENT

Patrick J. Laracy
President and Chairman

Jennifer Button
Chief Financial Officer and Corporate Secretary

BOARD OF DIRECTORS

Patrick J. Laracy

Rex Gibbons

Carson Noel

William Koenig

EXCHANGE LISTING
TSX Venture – "RMK"

LEGAL COUNSEL
Morris McManus, Calgary, AB
Cox & Palmer, St. John's, NL

REGISTRAR AND TRANSFER AGENT
Computershare Trust Company of Canada

AUDITORS
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