

DEEP-SOUTH RESOURCES INC.
(formerly Jet Gold Corp.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED MAY 31, 2017

(Expressed in Canadian Dollars)

NOTICE TO READER

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants Canada for a review of interim financial statements by an entity's auditor.

DEEP-SOUTH RESOURCES INC.
(formerly Jet Gold Corp.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	As at May 31, 2017 \$	August 31, 2016 \$
ASSETS			
Current			
Cash		99,587	183,694
GST receivable and other		10,870	10,468
Prepaid expense		-	6,000
Total Current Assets		110,457	200,162
Intangible asset	6	4,147,805	-
Investment in associate	5	-	948,519
Exploration and evaluation assets	7	181,209	130,355
Total Assets		4,439,371	1,279,035
LIABILITIES AND DEFICIENCY			
Current			
Accounts payable and accrued liabilities		121,323	119,158
Loans payable	10	-	-
Convertible debenture	8	247,747	229,282
Total Liabilities		369,070	348,440
Equity (Deficiency)			
Share capital	9	5,191,165	1,673,778
Share subscriptions received in advance	9	-	21,642
Share subscription receivable	9	-	(14,100)
Equity portion of convertible debt	8	159,835	159,835
Deficit		(1,280,599)	(910,560)
Total Equity (Deficiency)		4,070,401	930,595
Total Liabilities and Equity (Deficiency)		4,439,471	1,279,035

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Approved on Behalf of the Board of Directors:

/s/ Pierre Leveille
Director

/s/ Ryan Cheung
Director

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

DEEP-SOUTH RESOURCES INC.
(formerly Jet Gold Corp.)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	For the Three Months Ended		For the Nine Months Ended	
	May 31		May 31	
	2017	2016	2017	2016
	\$	\$	\$	\$
EXPENSES				
Accretion interest	6,155	-	18,465	-
Consulting fees	33,479	1,352	96,006	4,056
Foreign exchange	6,671	1,282	6,671	3,846
Gain on settlement of debt	-	-	(10,212)	-
Interest on convertible debt	2,918	-	8,755	-
Investor relations	75,000	-	120,515	-
Legal, audit and accounting	-	4,049	75,708	12,147
Office and miscellaneous	10,472	-	18,422	-
Property investigation	-	-	-	-
Regulatory and transfer agent fees	10,980	-	35,709	-
Loss and comprehensive loss for the year	(145,675)	(6,683)	(370,039)	(20,049)
Loss per common share				
-Basic and diluted	(0.00)	(0.00)	(0.01)	(0.00)
Weighted average number of common shares outstanding				
Basic and diluted	37,984,715	3,047,364	38,432,998	3,047,364

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

DEEP-SOUTH RESOURCES INC.**(formerly Jet Gold Corp.)****CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)**

(Expressed in Canadian Dollars)

	Number of shares	Amount \$	Reserves \$	Subscriptions Advanced (Receivable) \$	Equity Portion of Convertible debt	Deficit \$	Total Equity (Deficiency) \$
Balance, August 31, 2015	3,047,364	0	-	-	-	(34,840)	(34,760)
Loss and comprehensive loss	-	-	-	-	-	(20,049)	(20,049)
Balance, May 31, 2016	3,047,364	-	-	-	-	(54,889)	(54,809)
Balance, August 31, 2016	36,030,857	1,673,778	-	7,542	159,835	(910,560)	930,595
Shares issued in private placement	1,989,500	353,490	-	-	-	-	353,490
Private placement finder fees	-	(1,344)	-	-	-	-	(1,344)
Private placement direct costs	-	(1,545)	-	-	-	-	(1,545)
Proceeds from warrant exercise	50,000	7,500	-	-	-	-	7,500
Haib acquisition shares granted	14,060,000	3,159,286	-	-	-	-	3,159,286
Subscriptions received, net	-	-	-	(7,542)	-	-	(7,542)
Loss and comprehensive loss	-	-	-	-	-	(370,039)	(370,039)
Balance, May 31, 2017	52,130,357	5,191,165	-	-	159,835	(1,280,599)	4,070,401

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

DEEP-SOUTH RESOURCES INC.
(formerly Jet Gold Corp.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	For the Nine Months Ended	
	May 31, 2017	May 31, 2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(370,039)	(20,049)
Items not affecting cash:		
Accretion interest	18,465	-
Changes in non-cash working capital items:		
Prepaid expense	6,000	-
GST/VAT receivable	(402)	1,288
Accounts payable and accrued liabilities	2,164	14,823
Net cash provided used in operating activities	<u>(343,812)</u>	<u>(3,928)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration work	(50,854)	-
Investment in associate	(40,000)	-
Net cash provided by investing activities	<u>(90,854)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement	353,490	-
Finder's fee paid for private placement	(1,344)	-
Direct costs paid for private placement	(1,545)	-
Warrant proceeds	7,500	-
Subscriptions received in advance	(7,542)	-
	<u>350,559</u>	<u>-</u>
Change in cash during the year	(84,107)	(3,928)
Cash, beginning of year	183,694	10,558
Cash, end of year	99,587	6,630
Cash paid during the year for:		
Income taxes	\$ --	\$ --
Interest	\$ --	\$ --

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

DEEP-SOUTH RESOURCES INC.
(formerly Jet Gold Corp.)
NOTES TO CONSOLIDATED THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MAY 31, 2017
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Deep-South Resources Inc. (formerly Jet Gold Corp.) (the “Company”) is a development stage company incorporated on April 24, 1987 under the laws of British Columbia. The Company was renamed on November 2, 2016. The Company’s head office is located at #162 - 2906 West Broadway, Vancouver, BC, V6K 2G8 and is listed on the TSX Venture Exchange (“TSX-V”) under the symbol “DSM”. The Company was renamed on November 2, 2016. The Company is in the business of exploring and evaluating mineral properties located in British Columbia and Africa.

On August 30, 2016, the Company completed a share exchange with the shareholders of 1054137 BC Ltd., a Company incorporated under the British Columbia Corporations Act. For accounting purposes this transaction has been treated as a reverse takeover. These financial statements are presented as a continuation of 1054137 BC Ltd., in which its assets and liabilities and operations are included in the consolidated financial statements at their historical carrying value. Additional information relating to this transaction is in Note 4.

On November 2, 2016 the Company completed a share consolidation in which one post consolidation common share replaced two pre-consolidation common shares. As such, all current and comparative share capital amounts have been restated to account for the 2 to 1 common share consolidation unless otherwise noted.

On May 8, 2017, the Company acquired from Teck Namibia Ltd., a wholly owned subsidiary of Teck Resources Limited, the remaining 70% of Haib Minerals (Pty) Ltd. that it did not own (Note 6).

While the Company’s consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events may cast significant doubt on the validity of this assumption. The Company incurred net loss of \$370,039 for the period ended May 31, 2017 and had an accumulated deficit \$1,280,599.

These consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared and presented in Canadian dollars in accordance with the International Financial Reporting Standards “IFRS” as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

The financial statements were authorized for issue by the Board of Directors on April 26, 2017.

(b) Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss (“FVTPL”), which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

DEEP-SOUTH RESOURCES INC.
(formerly Jet Gold Corp.)
NOTES TO CONSOLIDATED THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MAY 31, 2017
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

The consolidated financial statements include the accounts of the Company and the following entities:

- #1054137 BC Ltd., Wholly-owned legal subsidiary of the Company
- Deep South Mining (PTY) Ltd., wholly owned legal subsidiary of 1054137 BC Ltd.

All significant intercompany transactions and balances have been eliminated on consolidation.

(d) Foreign currency transactions

The Company's reporting currency and the functional currency of all of its operations is the Canadian dollar, as this is the principal currency of the economic environment in which it operates.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalent using foreign exchange rates prevailing at the statement of financial position date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year.

(e) Cash and Cash Equivalents

Cash comprises cash on deposit and cash held in trust. Cash equivalents are short-term, highly liquid investments with maturities within three months held for the purpose of meeting short-term cash commitments rather than for investing purposes.

(f) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit and loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash is classified as loans and receivables.

Financial assets classified as loans and receivables and held-to-maturity assets are measured at amortized cost. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income/loss, except for losses in value that are considered other than temporary, which are recognized in profit or loss. At November 30, 2016 and August 31, 2016, Company had no financial assets classified as available-for-sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. At November 30, 2016 and August 31, 2016, the Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The Company's accounts payable and accrued liabilities and convertible debt are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held-for-trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

(h) Exploration and evaluation assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activities, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. When shares are issued as consideration for exploration and evaluation asset costs, they are valued at the closing share price on the date of issuance. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and the balance is reclassified as a development asset in property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. It is management's judgment that none of the Company's exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Company is not aware of any disputed claims of title.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of Long-Lived Assets

Management is required to assess impairment in respect of capitalized exploration and evaluation assets. Note 7 discloses the carrying value of these assets at each reporting period. The triggering events for the impairment of exploration and evaluation assets are defined in IFRS 6 Exploration for and evaluation of mineral resources and are as follows:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale; and
- Impairment of exploration and evaluation assets is assessed at the cash generating unit (“CGU”) level. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The Company has used each of its mineral properties to establish its CGUs.

In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods. All impairment losses are recognized in profit or loss.

(j) Investment in Associate

Associates are those entities where the Company has the ability to exercise significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at fair value. The consolidated financial statements include the Company’s share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

When the Company’s share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to \$Nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation to make, or has made, payments on behalf of the investee.

At each statement of financial position date, each investment in associates is assessed for indicators of impairment.

DEEP-SOUTH RESOURCES INC.
(formerly Jet Gold Corp.)
NOTES TO CONSOLIDATED THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MAY 31, 2017
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Share capital

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are issued, with any excess value allocated to the warrants. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity.

(l) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercises would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(m) Provisions

Rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and long-lived assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs).

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss.

The Company had no rehabilitation obligations as at November 30, 2016 and August 31, 2016.

Other provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

The Company had no other provisions as at November 30, 2016 and August 31, 2016.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Significant accounting judgments and estimates

The preparation of these financial statements require management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial position and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Significant accounts that require significant judgments and estimates as the basis for determining the stated amounts include the recoverability exploration and evaluation assets, deferred tax assets, the inputs and assumptions used in the valuation or convertible debt, and accounting for the reverse takeover transaction.

(o) Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred taxes are recorded using the statement of financial position liability method whereby 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 be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position reporting date. Deferred tax is not recognized for temporary differences, which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting or taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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 the related tax benefit will be realized.

(p) Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in the share-based payments reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in the statement of operations and comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of operations and comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Share-based payments (continued)

Each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

All equity-settled share-based payments are reflected in share-based payments reserve until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payments reserve is credited to share capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

(q) Recent accounting pronouncements

The Company has not evaluated the financial statement impact of the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project of replacing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristic of the financial assets. This standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 Leases

In January 2016, IASB 16 – Leases. IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. The new standard is effective for periods beginning on or after January 1, 2019.

DEEP-SOUTH RESOURCES INC.
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NOTES TO CONSOLIDATED THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MAY 31, 2017
(Expressed in Canadian Dollars)

4. REVERSE TAKEOVER TRANSACTION

On August 30, 2016, Jet Gold Corp acquired 100% of the issued and outstanding shares of 1054137 BC Ltd., a private company incorporated in British Columbia, in exchange for 22,500,000 common shares in the Company. As a result of this transaction, the shareholders of 1054137, for accounting purposes, have acquired control of the Company. Accordingly, the transaction has been accounted for as a reverse takeover that was not a business combination and effectively a capital transaction of the Company. As 1054137 is deemed to be the acquirer for accounting purposes, its assets and liabilities and operations for the year ended August 31, 2016, are included in these consolidation financial statements at their historical carrying values. For accounting purposes, these consolidated financial statements reflect a continuation of the financial position, operating results, and cash flows of the Company's legal subsidiary, 1054137 BC Ltd. After closing of the transaction, the name of the Company was changed to Deep-South Resources Inc. The shares are subject to a regulatory holding period of four months from the date of issuance of these shares.

The fair value of the consideration for the Transaction is as follows:

22,500,000 Shares issued by Jet Gold Corp. to acquire 100% of 1054137 BC Ltd. fair value of share consideration paid	\$ 1,623,698
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The identifiable net assets acquired from the transactions are as follows:

Cash	\$ 80,000
Cash held in trust	103,693
Taxes receivable	8,365
Prepaid expense	6,000
Exploration and evaluation assets	130,355
Accounts payable	(98,904)
Convertible debt	(389,112)
Net liabilities acquired	(159,608)
Consideration paid	1,623,698
Total, attributed to listing expense	\$ 1,783,306

5. INVESTMENT IN ASSOCIATE

The Company, through its wholly owned legal subsidiary, previously held 30% of Haib Minerals (Pty) Ltd., a holding company incorporated under Namibian law. The remaining 70% of Haib was held by Teck Namibia (Pty) Ltd., a fully owned subsidiary of Teck Resources. Haib Minerals holds an Exclusive Prospecting License 3140, which hosts the Haib copper project situated in the south of Namibia. The Company's ownership in Haib was previously in proportionate to its expenditures on the project, which were currently being incurred by Teck Namibia on the Company's behalf. Shares in Haib were issued on a pro-rata basis (30% to the legal subsidiary and 70% to Teck) as expenditures were incurred on the project. Management determined that the legal subsidiary's 30% interest in Haib was an investment in associate under IAS 28. Consequently, the investment in associate was accounted for using the equity method. During the year ended August 31, 2016, Teck incurred \$39,903 Canadian Dollars on the Company's behalf. As at August 30, 2016 the balance owing to Teck Namibia with respect to expenditures incurred in Haib Minerals was \$948,519. On this date, Jet Gold Corp assumed the debt on behalf of Deep-South Mining (PTY) Ltd through the issuance of a convertible note to Teck Resources (see Notes 4,8) and through the issuance of 4,166,667 common shares in the Company at a deemed price of \$0.12 per share, and through a cash payment of \$59,402. The remaining 70% of Haib was acquired on May 8, 2017 (Note 6).

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6. ACQUISITION OF HAIB MINERALS (PTY) LTD.

On May 8, 2017, the Company acquired from Teck Namibia Ltd., a wholly owned subsidiary of Teck Resources Limited, the remaining 70% of Haib Minerals (Pty) Ltd. that it did not own in exchange for, among other things, 14,060,000 common shares of Deep-South. Haib Minerals holds the Exclusive Prospecting Licence 3140 (“EPL 3140”), which hosts the Haib copper project (“Haib” or “the Property”) situated in the south of Namibia. In addition to the Deep-South shares to be issued to Teck, Deep-South shall pay \$400,000 to Teck in accordance with the following schedule: \$200,000 on the first anniversary of the agreement and \$200,000 the second anniversary of the agreement.

The Company accounted for the acquisition as a business combination. The acquisition method has been used to account for this transaction, whereby the assets acquired and liabilities assumed have been recorded at their estimated fair values. Acquisition expenses were recorded to the consolidated statement of loss and comprehensive loss.

<u>Consideration given:</u>	
14,060,000 common shares of the Company	\$ 2,812,000
Fair value of 20% of Haib on closing date	1,205,142
	\$ 4,017,142

<u>Asset acquired:</u>	
Cash	\$ 9,590
Refundable taxes	3,765
Intangible asset	4,147,805

<u>Liabilities assumed:</u>	
Accounts payable	(144,018)
	4,017,042

7. EXPLORATION & EVALUATION ASSETS

	Lorn Property	Haib Property	Total
Balance, August 31, 2015	\$ -	\$ -	\$ -
Acquisition costs (Note 8)	80,000	-	80,000
Option payment	15,000	-	15,000
Geological	35,355	-	35,355
Balance, August 31, 2016	\$ 130,355	\$ -	\$ 130,355
Geological	-	50,854	50,854
Balance, May 31, 2017	\$ 130,355	\$ 42,850	\$ 181,209

On August 4, 2015, the Company entered into an earn-in agreement with Kin Resources (“Kin”) pursuant to which the Company may acquire 100% of Kin’s option to acquire 50% undivided interest in the Lorn mineral claims located in British Columbia. Kin acquired the option pursuant to an earn-in agreement between Kin and Royal Sapphire Corp. In consideration of the option, the Company issued 1,000,000 common shares to Kin (issued – See Note 7). The property is subject to a 3% Net Smelter Royalty.

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The Company may exercise the Option by: (i) completing an exploration program on the Property of up to \$30,000 on or before December 31, 2015; (ii) preparing an updated NI 43-101 report on the Property on or before March 31, 2016 (amended from December 31, 2015 on December 15, 2015); (iii) completing additional exploration expenditures of \$1,180,000, paying an aggregate of \$65,000 (\$15,000 paid) and issuing a total of 23,500 common shares to the Optionors, in stages until December 31, 2017, (iv) paying 50% of all advance royalty payments, maintenance fees and taxes payable under the Underlying Agreement; (v) issuing 30,000 shares to the Optioners upon completion of a feasibility study; and (vi) maintaining the Underlying Agreement in good standing. On September 25, 2015, the earn-in agreement was accepted by the TSX Venture Exchange.

8. CONVERTIBLE DEBTENTURE

The Company classified the convertible debenture into debt and equity components based on the residual method. The liability component is calculated as the present value of the principal and interest, discounted at a rate approximating the interest rate that was estimated would have been applicable to non-convertible debenture at the time the debenture was issued. This portion of the convertible debenture is accreted over its term to the full face value using the effective interest rate method. The equity element of the convertible debenture comprises the value of the conversion option, being the difference between the face value of the convertible debt and the liability component. Upon maturity, the equity component is reclassified to reserves.

Convertible debenture issued during the year	\$ 389,117
Equity portion of convertible debenture	(159,835)
Debt portion of convertible debenture, August 31, 2016	\$ 229,282
Accretion interest	18,465
Debt portion of convertible debenture, May 31, 2017	\$ 247,747

On August 30, 2016, as part of the remaining debt settlement of the loan agreement between Deep South Minerals (PTY) Ltd. and Teck Namibia, the Company issued a convertible debenture (“debenture”) to Teck Resources. The debenture bears interest on the outstanding principal amount at a rate of LIBOR plus 2% per annum with the principal due at maturity (48 months from the date of issuance.). The debenture is payable in cash or at the option of the Company, the principal and accrued interest is convertible into shares in the Company at a price of \$0.14 per share. The debenture holder may also redeem the principal and any accrued but unpaid interest up to the maturity date.

In the event that the Company receives “Net Cash Proceeds,” defined as either an asset sale, issuance of equity securities, or incurrence of debt, a mandatory redemption will occur resulting in the debenture being converted into common shares in the Company as follows:

- for the portion of Net Cash Proceeds of up to but not including \$100,000, the Company shall redeem a principal amount of this debenture equal to 30% of such net proceeds;
- for the portion of Net Cash Proceeds between \$100,000 up to but not including \$200,000, the Company shall redeem a principal amount of this debenture equal to 40% of such net proceeds;
- for the portion of Net Cash Proceeds between \$200,000 up to but not including \$300,000, the Company shall redeem a principal amount of this debenture equal to 50% of such net proceeds; and
- for the portion of Net Cash Proceeds over \$300,000, the Company shall redeem a principal amount of this debenture equal to 50% of such net proceeds.

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9. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value

(b) Issued and outstanding

Period Ended May 31, 2017

On September 28, 2016 the Company closed a private placement of 1,052,500 units at a price of \$0.14 per unit for gross proceeds of \$147,350. Each unit is comprised of one common share and one half common share purchase warrant which can be exercised for a period of 2 years at an exercise price of \$0.34 per common share. The Company paid finder's fees of \$1,344 and issued 9,600 compensation warrants as part of this private placement. \$1,545 was also paid in direct legal costs to this private placement.

On December 14, 2016, 50,000 warrants were exercised for 50,000 common shares in the Company at a price of \$0.15 per share.

On May 8, 2017, the Company closed a non-brokered private placement of \$206,140. The non-brokered private placement comprised 937,000 units (the "Units") of the Company, at a subscription price of \$0.22 per Unit. Each Unit comprise of one (1) common share and one (1) common share purchase warrant ("Warrant") of the Company. Each full Warrant entitles the holder thereof to purchase one (1) common share at an exercise price of \$0.30 during a period of thirty-six (36) months from the date of closing of the placement. Each security issued pursuant to the placement has a mandatory four (4) months holding period from the date of closing of the placement.

Year ended August 31, 2016

On September 25, 2015, the Company issued 1,000,000 shares relating to the entered into an earn-in agreement with Kin Resources ("Kin"). The shares were issued at a deemed price of \$0.08 per share (Note 6).

On October 2, 2015, October 20, 2015 and November 23, 2015, the Company respectively closed a three-tranche private placement by issuing 2,637,500 units at a price of \$0.10 per Unit. Each unit is comprised of one common share and one half share purchase warrant entitling the holder to purchase one additional share for \$0.15 per share for three years from the date of closing.

On August 30, 2016, the Company closed a private placement by issuing 2,679,286 Units at a price of \$0.14 per Unit. Each Unit is comprised of one common share and one half share purchase warrant entitling the holder to purchase one additional share for \$0.34 per share for two years from the date of closing. The Company paid finders fees of \$4,000 and issued 61,772 compensation warrants as finders fees. These warrants entitle the holder to purchase one share for \$0.34 for a period a two years from the date of closing. As of August 31, 2016 the Company had a subscription receivable of \$14,100 relating to this private placement.

On August 30, 2016, the Company issued 22,500,000 shares to acquire 100% issued and outstanding shares of 1054137 BC Ltd. (Note 4).

On August 30, 2016, the Company issued 4,166,667 common shares to Teck Resources Ltd (Notes 4, 6).

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(c) **Stock options**

The Company has a rolling stock option plan whereby a maximum of 10% of the issued common shares will be reserved for issuance under the plan. The following table summarizes the Company's stock option activity for the following periods:

	Number of Options	Weighted Average Exercise Price
	\$	\$
Options outstanding and exercisable, August 31, 2015	25,834	4.26
Expired	(10,834)	-
Options outstanding and exercisable, August 31, 2016	15,000	6.00
Expired	-	-
Options outstanding and exercisable, May 31, 2017	15,000	6.00

As at May 31, 2017, the Company had options outstanding as follows:

Expiry Date	Exercise Price	Outstanding	Weighted Average Remaining Contractual Life (Years)
September 19, 2017	\$6.00	\$15,000	0.30

(d) **Warrants**

The following table summarizes the Company's warrant activity:

	Number of Warrants	Weighted Average Exercise Price
	\$	\$
Balance, August 31, 2015	1,303,339	0.94
Expired	(1,303,339)	-
Granted	2,637,500	0.24
Balance, August 31, 2016	2,696,728	0.24
Granted	1,472,850	0.33
Exercised	(50,000)	-
Balance, May 31, 2017	4,119,578	0.27

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9. SHARE CAPITAL (CONTINUED)

As at May 31, 2017, the Company has warrants outstanding as follows:

Expiry Date	Exercise Price	Outstanding
	\$	
October 2, 2018	0.15	871,875
October 20, 2018	0.15	371,875
November 23, 2018	0.15	25,000
August 30, 2018	0.34	1,339,643
August 30, 2018	0.34	38,336
September 30, 2018	0.34	526,250
September 30, 2018	0.34	9,600
May 8, 2021	0.30	937,000
		4,119,579

(e) Compensation Warrants

In the August 30, 2016 private placement, the Company issued 61,772 compensation warrants as finder's fees. These warrants entitle the holder to purchase one share for \$0.34 for a period a two years from the date of closing. These warrants issued had a fair value of \$3,100 using the Black Scholes model with the following inputs: i) exercise price: \$0.17; ii) share price: \$0.06; iii) term: 2 years; iv) volatility: 125%; v) discount rate: 0.57%. The value of these compensation warrants is included in reserves and share capital.

In the September 28, 2016 private placement, the Company issued 9,600 compensation warrants as finder's fees. These warrants entitle the holder to purchase one share for \$0.34 for a period a two years from the date of closing. These warrants issued had a fair value of \$3,100 using the Black Scholes model with the following inputs: i) exercise price: \$0.17; ii) share price: \$0.06; iii) term: 2 years; iv) volatility: 125%; v) discount rate: 0.57%. The value of these compensation warrants is included in reserves and share capital.

10. LOANS PAYABLE

On November 25, 2013, the Company's subsidiary, Deep South Mining (PTY) Ltd ("DSM") signed a loan agreement with Teck Namibia with respect to expenditures incurred on behalf of DSM for its investment in associate (Note 5). The loan bears annual interest of LIBOR plus 2%. The loan is secured by loan proceed shares in the holding company (Haib Minerals), of which the Company owns 30%, which includes the exclusive prospecting license. The loan is due on demand, is payable in Namibian dollars, and the Company can borrow up to a maximum of \$1,660,663. As of August 31, 2015 \$918,297 was due to Teck with respect to this loan. Funding of costs is made through the issuance of new shares in the holding company.

On August 30, 2016, as part of its share exchange agreement with #1054137 BC Ltd., Jet Gold Corp assumed and repaid this loan through the issuance of 4,166,667 shares at a price of \$0.12 per share to Teck and through the issuance of a new convertible note in the amount of \$389,117 (See Note 7).

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair values of amounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk for the Company is primarily associated with its cash. The Company is not exposed to significant credit risk as its cash is placed with a major Canadian financial institution.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. As of May 31, 2017, the Company had a cash balance of \$99,587 (August 31, 2016 - \$183,694) to settle current liabilities of \$121,323 (August 31, 2016 - \$119,158).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and other price risk. The Company is not exposed to significant market risk.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

12. CAPITAL MANAGEMENT

The Company defines capital that it manages as cash and equity, comprising issued common shares and reserves.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage. As such, the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

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12. CAPITAL MANAGEMENT (CONTINUED)

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions. There was no change to the Company's capital management approach during the period ended February 28, 2017.

13. RELATED PARTY TRANSACTIONS

The key management personnel of the Company are the directors and officers of the Company. Compensation and expenses paid to key management for the periods ended May 31 were as follows:

	2017	2016
Consulting fees	\$68,821	\$30,250

Included in accounts payable and accrued liabilities is \$Nil (2016 - \$3,456) owed to companies controlled by directors or officers as at February 28, 2017.

Included in the deficit of Jet Gold Corp., acquired by 1054137 BC Ltd through reverse acquisition, are \$20,113 in filing fees and \$81,295 in consulting fees paid to related parties.

14. SEGMENTED INFORMATION

a) Operating Segments

The Company's operations are primarily dedicated towards the acquisition, exploration, and development of its properties in British Columbia and Namibia

b) Geographic Segments

The Company's geographic information for the following periods:

	Period May 31		
	2017		2016
Net profit (loss) from operations:			
Canada	\$ (380,179)	\$	-
Namibia	10,140		(20,049)
	\$ 370,039	\$	(20,049)
		As at May 31,	As at August 31,
		2017	2016
Identifiable assets			
Canada	\$ 110,456	\$	328,414
Namibia	4,329,015		950,622
	\$ 4,439,471	\$	1,279,036
Liabilities			
Canada	\$ 356,917	\$	328,185
Namibia	12,154		20,255
	\$ 369,071	\$	348,440