



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

(Expressed in Canadian Dollars)

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Independent Auditors' Report

To the Shareholders of:
GROUP TEN METALS INC.

We have audited the accompanying financial statements of Group Ten Metals Inc., which comprise the statements of financial position as at March 31, 2018 and 2017, the statements of comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and 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.

Auditors' 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 audits 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 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 Group Ten Metals Inc. as at March 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter – Going Concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the ability of Group Ten Metals Inc. to continue as a going concern. The company incurred a net loss of \$1,389,205 during the year ended March 31, 2018, and as of that date, had accumulated losses since inception of \$10,209,844. These conditions, along with the other matters explained in Note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if Group Ten Metals Inc. was unable to continue as a going concern.

WDM

Chartered Professional Accountants

Vancouver, B.C.

July 30, 2018

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INTEGRITY

TRUST



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GROUP TEN METALS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	March 31, 2018	March 31, 2017
		\$	\$
ASSETS			
Current			
Cash		270,240	547,595
Accounts receivable		37,070	35,383
Prepaid expenses		95,328	50,855
		402,638	633,833
Non-Current			
Exploration and evaluation assets	5	991,213	353,493
		1,393,851	987,326
LIABILITIES			
Current			
Accounts payable and accrued liabilities	10	301,429	148,115
Flow-through share premium liability	6	70,432	100,000
Short-term loan	7, 10(a)	11,000	11,000
		382,861	259,115
SHAREHOLDERS' EQUITY			
Share capital	9	10,786,259	9,519,516
Share-based payment reserve		434,575	29,334
Deficit		(10,209,844)	(8,820,639)
		1,010,990	728,211
		1,393,851	987,326
Nature of operations and going concern	1		
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Approved on behalf of the Board:			
<u>"Mike Rowley"</u> , Director		<u>"Bill Harris"</u> , Director	

GROUP TEN METALS INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017
(Expressed in Canadian Dollars)

	Note	<u>2018</u>	<u>2017</u>
		\$	\$
EXPENSES			
Consulting	10	249,299	140,013
Exploration and evaluation assets expenditures	5	423,516	214,456
Interest on short-term loans	7	-	30,000
Investor relations		158,400	83,931
Office and administration		29,620	125,497
Professional fees		66,478	78,110
Property evaluation		83,164	-
Share-based payment	9(e), 10(h)	405,241	11,080
Transfer agent, regulatory and filing fees		39,325	25,172
Travel and accommodation		3,730	6,421
		<u>1,458,773</u>	<u>714,680</u>
OTHER ITEMS			
Other income	6	(69,568)	-
Gain on settlement of debt	8	-	(234,960)
		<u>(69,568)</u>	<u>(234,960)</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		<u>(1,389,205)</u>	<u>(479,720)</u>
Basic and diluted loss per share		<u>\$ (0.04)</u>	<u>\$ (0.06)</u>
Basic and diluted weighted average number of shares outstanding		<u>39,286,968</u>	<u>7,392,937</u>

GROUP TEN METALS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017
(Expressed in Canadian Dollars)

	Note	Number of shares	Share capital \$	Share-based payments reserve \$	Deficit \$	Total \$
Balance, March 31, 2016		3,973,989	7,511,002	51,886	(8,374,551)	(811,663)
Private placements net of share issue costs	9(b),(ix),(x)	31,000,000	1,816,686	-	-	1,816,686
Shares issued for properties	9(b)	292,858	53,250	-	-	53,250
Shares issued for debt	8	461,839	113,151	-	-	113,151
Shares issued as finders' fees	9(b)(xi)	432,781	25,427	-	-	25,427
Expiry of stock options and warrants		-	-	(33,632)	33,632	-
Share-based payment		-	-	11,080	-	11,080
Net loss for the year		-	-	-	(479,720)	(479,720)
Balance, March 31, 2017		36,161,467	9,519,516	29,334	(8,820,639)	728,211
Private placements net of share issue costs	9(b)(i)	2,000,000	466,391	-	-	466,391
Shares issued for properties	9(b)	1,564,283	211,285	-	-	211,285
Shares issued pursuant to exercise of warrants	9(b),(d)	5,033,393	629,067	-	-	629,067
Flow-through share premium liability	6,9(b)(i)	-	(40,000)	-	-	(40,000)
Share-based payment		-	-	405,241	-	405,241
Net loss for the year		-	-	-	(1,389,205)	(1,389,205)
Balance, March 31, 2018		44,759,143	10,786,259	434,575	(10,209,844)	1,010,990

GROUP TEN METALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017
(Expressed in Canadian Dollars)

	Note	2018	2017
		\$	\$
Operating Activities			
Net loss for the year		(1,389,205)	(479,720)
Items not involving cash:			
Gain on settlement of debt		-	(234,960)
Other income		(69,568)	-
Share-based payment		405,241	11,080
		<u>(1,053,532)</u>	<u>(703,600)</u>
Net change in non-cash working capital	11	<u>107,154</u>	<u>(526,861)</u>
Cash used in operating activities		<u>(946,378)</u>	<u>(1,230,461)</u>
Investing Activity			
Acquisition of exploration and evaluation assets	5	<u>(426,435)</u>	<u>(161,675)</u>
Cash used in investing activity		<u>(426,435)</u>	<u>(161,675)</u>
Financing Activities			
Proceeds from private placements		500,000	1,960,000
Share issue costs		(33,609)	(17,887)
Proceeds from exercise of warrants		629,067	-
Short-term loan proceeds	7	-	305,000
Repayment of short-term loans	7	-	(313,000)
Cash provided by financing activities		<u>1,095,458</u>	<u>1,934,113</u>
Increase (decrease) in cash		<u>(277,355)</u>	<u>541,977</u>
Cash, beginning of year		<u>547,595</u>	<u>5,618</u>
Cash, end of year		<u><u>270,240</u></u>	<u><u>547,595</u></u>
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GROUP TEN METALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Group Ten Metals Inc. (the “**Company**”), was incorporated on April 28, 2006, under the laws of British Columbia, Canada. The Company’s principal business activities include the acquisition and exploration of mineral properties.

The Company’s registered office is 250 Howe Street, 20th Floor, Vancouver, British Columbia, Canada, V6C 3R8.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company’s current or future exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their exploration and development, establish future profitable operations, or realize proceeds from their sale. The carrying value of the Company’s mineral properties does not reflect current or future value.

These consolidated financial statements were prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at March 31, 2018, the Company had working capital of \$19,777 (March 31, 2017: \$374,718), an accumulated deficit of \$10,209,844 (March 31, 2017: \$8,820,639) and a net loss of \$1,389,205 for the year ended March 31, 2018 (2017: \$479,720). As at March 31, 2018, the Company’s current assets consisting of cash, receivables and prepaid expenses totaled \$402,638. In addition, the Company’s current liabilities included a flow-through premium liability of \$70,432 which is a non-cash item. Also, as at March 31, 2018, the Company had the right to accelerate the exercise of all of its outstanding warrants that will bring in up to \$2,942,866 in proceeds to the Company ahead of the warrants’ February 27, 2020 expiry dates.

As at March 31, 2018, the Company may not have sufficient working capital to meet its administrative overheads and continue with its exploration programs. The Company has relied mainly upon the issuance of share capital to finance its activities. Future capital requirements will depend on many factors including the Company’s ability to execute its business plan. To finance future activities, the Company will be required to enter into joint venture agreements and/or issue share capital and the exercise of options and warrants. The Company is actively seeking additional equity financing; however, there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company and, therefore, a material uncertainty exists that may cast significant doubt over the Company’s ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”).

These consolidated financial statements were prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information.

The Board of Directors (the “**Board**”) approved these consolidated financial statements on July 30, 2018.

GROUP TEN METALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Yankee Girl Resources Corp., incorporated in British Columbia, Canada, and Group Ten (Alaska) Inc., incorporated in Alaska, USA.

A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investee. All intercompany balances and transactions have been eliminated upon consolidation.

(b) Significant Accounting Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and judgments that affect amounts reported in the consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and subject to measurement uncertainty. The effect on the consolidated financial statements of changes in such estimates in future reporting periods could be significant. Significant estimates and areas where judgment is applied that have significant effect on the amount recognized in the consolidated financial statements include:

Impairment of long-lived assets

The carrying value of mineral property acquisition costs is reviewed each reporting period to determine whether there is any indication of impairment. The determination of the impairment involves the application of a number of significant judgments and estimates to certain variables including metal price trends, plans for properties, and the results of exploration and evaluation to date.

Determination of, and provision for, reclamation and remediation obligations

The Company assesses its provision for asset retirement obligations on an annual basis or when new material information becomes available. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

Deferred taxes

The Company recognizes a deferred tax asset to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. In addition, changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model at the date of grant and are expensed to net loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

GROUP TEN METALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Exploration and Evaluation Assets

All expenditures related to the acquisition of mineral properties are capitalized on a property-by-property basis, net of recoveries which are recorded when received, until these mineral properties are placed into commercial production, sold or abandoned. If commercial production is achieved from a mineral property, the related mineral properties are tested for impairment and reclassified to mineral property in production. If a mineral property is sold or abandoned, the related capitalized costs will be expensed to profit or loss in that period.

All expenditures related to the exploration and evaluation of mineral properties, net of recoveries which are recorded when received, are expensed to net loss in the period in which they are incurred.

From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, option payments are recognized when paid or received. If recoveries are received and exceed the capitalized expenditures, the excess is reflected in profit or loss.

All capitalized mineral property costs are reviewed at each reporting date, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the carrying value, provision is made for the impairment in value. The amounts capitalized for mineral properties represent costs incurred to date less write-downs, and are not intended to reflect present or future values.

(d) Related Party Transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

(e) Share Capital

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. Proceeds from the issue of units, consisting of common shares and share purchase warrants, are first allocated to common shares based on the quoted market value of the common shares at the time the units are priced, and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share proceeds prorated to common shares and share purchase warrants.

(f) Non-monetary Transactions

Shares issued for non-monetary consideration to non-employees are recorded at the fair value of the goods or services received. When such fair value cannot be estimated reliably, fair value is measured based on the quoted market value of the Company's shares on the date of share issuance. Shares to be issued, which are contingent upon future events or actions, are recorded by the Company when it is reasonably determinable that the shares will be issued.

GROUP TEN METALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Share-based Payments

Share-based payments for employees are measured at fair value of the instruments issued on the date of grant and amortized over the vesting period. Share-based payments for non-employees are measured at either the fair value of the goods or services received or the fair value of the equity instrument issued, if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded on the date the goods or services are received. The fair value of stock options is charged to profit or loss using the graded vesting method, with the offset credit to share-based payment reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related fair value previously recorded is transferred from share-based payment reserve to share capital. Upon expiry, related fair value previously recorded is transferred from share-based payment reserve to deficit.

(h) Flow-through Shares

The Company has financed a portion of its exploration expenditures through the issuance of flow-through shares. Canadian income tax law permits the Company to transfer the tax deductibility of qualifying resource expenditures financed by such shares to the flow-through shareholders.

On issuance, the Company allocates the flow-through share proceeds into i) share capital, ii) warrants, and iii) a flow-through share premium, if any, using the residual value method. If investors pay a premium for the flow-through feature, it is recognized as a liability. Upon incurring qualifying expenditures, the Company reduces the liability and recognizes a deferred income tax recovery in income for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision. At the end of a period, the flow-through share premium liability consists of the portion of the premium on flow-through shares that corresponds to the portion of qualifying exploration expenditures that have not yet been incurred.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a prescribed period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

(i) Loss per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, warrants and similar instruments. It assumes that the proceeds of such exercise 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, warrants and similar instruments that would be anti-dilutive.

GROUP TEN METALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax basis. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the enactment date.

Deferred tax assets also result from unused tax losses carried forward, resource related tax pools and other deductions. 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.

(k) Financial Instruments

The Company classifies its financial assets in the following categories: at fair value through profit or loss, available-for-sale or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Fair value through profit or loss ("FVTPL")

FVTPL financial assets are initially recognized at fair value with changes in fair value recorded through profit or loss.

Available-for-sale ("AFS")

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories and are recognized at fair value and subsequently carried at fair value.

Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive loss and classified as a component of equity.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date.

Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

GROUP TEN METALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial Instruments (continued)

Impairment of financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

The Company classifies its financial liabilities in the following categories: other financial liabilities and derivative financial liabilities.

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

Other financial liabilities are classified as current or non-current based on their maturity date.

The Company has no derivative financial liabilities.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new accounting standards, amendments to standards, and interpretations have been issued but not yet effective up to the date of issuance of the Company's consolidated financial statements. The Company intends to adopt the following standards when they become effective.

IFRS 9 – Financial Instruments

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 "Financial Instruments" and applies to classification and measurement of financial assets as defined in IAS 39. The mandatory effective date has been set for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not intend to early adopt IFRS 9. Based on current facts and circumstances, the Company does not expect its financial performance or disclosure to be materially affected by the application of this standard.

IFRS 16 – Leases

In January 2016, the IASB published a new standard, IFRS 16. The new standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset has a low value. Lessor accounting remains largely unchanged from IAS 18 and the distinction between operating and finance leases is retained. The standard is effective for annual period beginning on or after January 1, 2019.

GROUP TEN METALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation acquisition costs for the years ended March 31, 2018 and 2017 were as follows:

	Note	Stillwater West	Yukon Properties	Duke Island	Drayton	Black Lake	Total
		\$	\$	\$	\$	\$	\$
Balance, March 31, 2016		-	65,068	60,000	7,500	6,000	138,568
Cash payments		-	70,000	-	-	50,000	120,000
Licensing and maintenance costs		-	5,301	10,377	7,625	3,186	26,489
Shares issued	9(b)	-	4,500	-	7,500	41,250	53,250
Staking		-	-	-	5,600	9,586	15,186
Balance, March 31, 2017		-	144,869	70,377	28,225	110,022	353,493
Cash payments		19,402	5,241	-	-	38,000	62,643
Licensing and maintenance costs	9(b)	132,119	4,885	6,924	-	-	143,928
Shares issued		108,000	64,572	-	5,714	33,000	211,286
Staking		184,202	19,324	-	-	16,337	219,863
Balance, March 31, 2018		443,723	238,891	77,301	33,939	197,359	991,213

a) Stillwater West (Montana, United States)

On June 26, 2017, the Company entered into an option agreement to acquire a 100% interest in the Stillwater West Project from Picket Pin Resources LLC ("**Picket Pin**"), a private entity, consisting of 282 claims in south central Montana, USA. In consideration, the Company has agreed to:

- Issue a total of 3.6 million shares of the Company beginning with 900,000 shares within ten days of regulatory approval (issued on July 4, 2017) and 900,000 shares on or before May 31 of each of 2018 (outstanding), 2019 and 2020;
- Make United States dollars ("**USD**") \$40,000 in cash payments with USD\$20,000 on or before each of May 31, 2018 (outstanding) and 2019;
- Make advance royalty payments until commencement of commercial production of USD\$15,000 within ten days of regulatory approval (paid), USD\$30,000 on or before May 31, 2018 (outstanding) and USD\$50,000 on or before May 31, 2019 and annually thereafter; and
- Execute a work contract for a minimum of USD\$50,000 per year for the duration of the option agreement for technical and management work which is three years.

The claims are subject to a 2% Net Smelter Return royalty ("**NSR**") and the Company has an option to buy down the NSR to 1%.

The Company is in discussions with Picket Pin to resolve the outstanding share issuance and cash payments.

During the year ended March 31, 2018, the Company staked an additional 21 square kilometers ("**km²**") of additional mining rights at its Stillwater West Project, nearly doubling the size of the Company's land holdings at the Stillwater West Project to approximately 44km².

GROUP TEN METALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. EXPLORATION AND EVALUATION ASSETS (continued)

b) Yukon Properties (Kluane PGE-Ni-Cu Project)

The Company has option agreements to acquire a 100% interest in four platinum group properties totaling over 240km² in the Kluane Ultramafic Belt in southwestern Yukon, and together comprise the Kluane PGE-Ni-Cu Project. Terms of the agreements are as follows:

CKR

The Company owns a 100% interest in the claims.

Spy

The Company owns a 100% interest in the Spy Property.

The Spy claims are subject to a 3% NSR and the Company has an option to buy the NSR down to 1%.

Catalyst

In order to obtain a 100% interest in the Catalyst Property, the Company has the following remaining commitments:

- Pay \$10,000 to Ashburton Ventures Inc. ("**Ashburton**") on or before December 29, 2017 (outstanding);
- Provide Ashburton proof of payment of invoices totaling \$28,062 on or before December 29, 2017 (outstanding);
- Issue 300,000 common shares to Denali Resources Ltd. ("**Denali**") on or before July 31, 2018; and
- Issue 300,000 common shares to Denali on or before July 31, 2019.

Certain claims on the Catalyst Property are subject to a 3% NSR and the Company has an option to buy the NSR down to 1%.

Ultra

In July 2018, the Ultra Property option agreement was amended to remove the remaining earn-in requirements, being exploration expenditure commitments totaling \$950,000. As a result, effective July 2018, the Company owns a 100% interest in the Ultra Property.

In July 2018, the Company acquired a 100% interest in 24 additional claims adjoining the Ultra Property from two arms-length private vendors. In consideration the Company will issue the vendors a total of 100,000 common shares of the Company. This acquisition is subject to regulatory approval.

All claims are subject to a 2% NSR and the Company has an option to buy the NSR down to 1%.

c) Duke Island (Alaska, United States)

The Company owns a 100% interest in 31 unpatented mineral claims located on Duke Island, Alaska. Pursuant to an agreement dated August 28, 2015, as amended, the only remaining requirement for the Company is a commitment for geological and/or geophysical work from a specified vendor which may be completed on any of the Company's properties. The claims are subject to a 1% NSR.

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5. EXPLORATION AND EVALUATION ASSETS (continued)

d) Drayton (Ontario, Canada)

On April 27, 2018, the Company earned a 100% interest in 7 mineral claims located in the Patricia Mining Division near Sioux Lookout, Ontario, by issuing a final share issuance of 142,857 common shares to the vendor.

The claims are subject to a 1% NSR upon commencement of commercial production.

e) Black Lake (Ontario, Canada)

(i) In order to obtain a 100% interest in 19 mineral claims located in the Patricia Mining Division near Sioux Lookout, Ontario, the Company has the following remaining cash commitments:

- \$25,000 on or before September 30, 2016 (outstanding); and
- \$50,000 on or before September 30, 2018.

The claims are subject to a 2% NSR upon commencement of commercial production and the Company has an option to buy down the NSR to 1%.

(ii) To further consolidate the area between the Black Lake and Drayton Properties, the Company:

a. entered into an option agreement to earn an undivided 100% interest in 6 mineral claims. Pursuant to an amendment, the Company has the following remaining cash commitments:

- \$10,000 on or before December 30, 2018; and
- \$15,000 on or before December 30, 2019.

The claims are subject to a 1% NSR upon commencement of commercial production and the Company has an option to buy down the NSR to .5% at any time up to the commencement of commercial production.

As a result of an amendment to this option agreement in July 2018, the vendors have agreed to remove the \$25,000 of cash commitments as well as the 1% NSR in exchange for 200,000 common shares of the Company, due no later than 30 days from the date of regulatory approval of this agreement. This amendment is subject to regulatory approval.

b. entered into an option agreement to earn an undivided 100% interest in 5 mineral claims. On April 18, 2017, the option agreement was amended to remove \$1.25 million of work commitments that were a component of the original agreement. As consideration for the removal of the work requirement, the Company has agreed to issue 100,000 additional common shares per year in each of 2017, 2018 and 2019. The Company has the following remaining commitments:

- Pay \$10,000 and issue 128,571 common shares on or before March 11, 2018 (outstanding); and
- Pay \$10,000 and issue 128,571 common shares on or before March 11, 2019.

The claims are subject to a 3% NSR upon commencement of commercial production and the Company has an option to buy the NSR down to 2%.

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5. EXPLORATION AND EVALUATION ASSETS (continued)

f) Yankee Dundee / Ronoke / Warkentin (British Columbia, Canada)

Yankee Dundee consists of 26 Crown-granted mineral claims located in the Nelson Mining District near Ymir, British Columbia.

On June 25, 2013, the Company closed the sale of its interests and obligations in the properties to Armex Mining Corp. (“**Armex**”) in exchange for advance royalty payments, royalty payments, and production payments. Due to uncertainty surrounding completion of the transaction, the Company did not initially recognize the transaction as a sale.

Ronoke and Warkentin are also located in the Nelson Mining District. Subsequent to the sale agreement, all non-core Ronoke claims were allowed to lapse. Additionally, non-core Warkentin claims were allowed to lapse and the property now consists of nil mineral claims (2015 - 9 mineral claims).

The remaining terms of the agreement are as follows:

- (i) Armex is to pay remaining advance royalty payments of:
 - \$50,000 on or before August 28, 2015 (unpaid); and
 - \$50,000 on or before August 28, 2016 (unpaid) and annually thereafter until the commencement of commercial production.
- (ii) Armex is to pay production and additional payments of:
 - \$250,000 upon the commencement of commercial production;
 - \$250,000 upon the first anniversary of commencement of commercial production; and
 - additional production payments aggregating \$1,000,000 payable from 30% of net revenues as defined in the agreement.

Armex has the right to satisfy the production and additional payments by paying the aggregate sum of \$1,250,000 any time during the first year of commercial production.

Armex will also assume all obligations per existing underlying option agreements with respect to the Yankee Dundee claims which consist of a 1% NSR upon commencement of commercial production until the recovery of the lesser of aggregate expenditures incurred and \$5,000,000, after such time, the NSR will increase to 2.5%. At any time up to the commencement of commercial production, an option is available to purchase 1.5% of the NSR for \$500,000 and the remaining 1% for \$500,000.

The Company will also be entitled to a 2.5% NSR upon commencement of commercial production, with Armex holding the right to repurchase the royalty at any time on the basis of \$1,000,000 for each 1%. In addition, the Company retains back-in rights pursuant to the agreement by which it can re-acquire the property in the event specific production milestones are not met.

Armex disputes the overdue advance royalty payments that were payable on or before August 28, 2015, August 28, 2016 and August 28, 2017. As the Company believes that the financial situation of Armex has deteriorated to an extent that precludes it from completing the sale agreement, the capitalized costs relating to Yankee Dundee have been reduced to \$Nil.

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5. EXPLORATION AND EVALUATION ASSETS (continued)

Exploration and Evaluation Expenditures

Exploration expenditures incurred for the year ended March 31, 2018 were as follows:

	Stillwater West	Yukon Properties	Duke Island	Drayton	Black Lake	Total
	\$	\$	\$	\$	\$	\$
Camp	2,244	765	-	-	-	3,009
Equipment	3,281	3,332	-	-	-	6,613
Geological consulting	210,442	27,165	1,472	2,295	11,760	253,134
Consulting	24,850	-	-	-	-	24,850
Geophysics	-	-	-	1,050	1,050	2,100
Overhead and administration	4,886	6,500	-	250	250	11,886
Permitting	2,253	1,303	-	-	-	3,556
Prospecting and mapping	-	131,132	-	-	-	131,132
Travel and accommodation	60,727	2,110	-	-	-	62,837
	308,683	172,307	1,472	3,595	13,060	499,117
Less: Government Grants	-	(40,000)	-	-	(35,601)	(75,601)
	308,683	132,307	1,472	3,595	(22,541)	423,516

Exploration expenditures incurred for the year ended March 31, 2017 were as follows:

	Yukon Properties	Duke Island	Drayton	Black Lake	Total
	\$	\$	\$	\$	\$
Assays	2,640	-	-	3,917	6,557
Camp costs	21,710	-	-	121	21,831
Field supplies and rentals	-	-	-	6,796	6,796
Drilling	-	-	-	64,009	64,009
Geological	27,006	-	4,500	28,699	60,205
Geophysics	-	-	11,651	12,011	23,662
Overhead and administration	438	-	-	-	438
Prospecting and mapping	8,669	-	-	-	8,669
Reports	4,000	-	6,000	24,000	34,000
Travel and accommodation	2,535	-	-	2,787	5,322
	66,998	-	22,151	142,340	231,489
Less: Government Grants	(17,033)	-	-	-	(17,033)
	49,965	-	22,151	142,340	214,456

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6. FLOW-THROUGH SHARE PREMIUM LIABILITY

A summary of the changes in the Company's flow-through share premium liability was as follows:

	\$
Balance, March 31, 2016	-
Flow-through share premium liability on the issuance of flow-through common shares (Note 9(b)(x))	<u>100,000</u>
Balance, March 31, 2017	100,000
Flow-through share premium liability on the issuance of flow-through common shares (Note 9(b)(i))	40,000
Settlement of flow-through share premium liability pursuant to incurring qualified expenditures	<u>(69,568)</u>
Balance, March 31, 2018	<u><u>70,432</u></u>

7. SHORT-TERM LOAN

At March 31, 2018, the Company had a short-term loan of \$11,000 (March 31, 2017: \$11,000) that was owed to the President and CEO of the Company. The short-term loan is non-interest bearing with no fixed term.

During the year ended March 31, 2017, the Company received a loan for \$50,000, which had a term of one year and an interest rate of 10% per annum, and title to the CKR Yukon property was provided as security to the loan. Additionally, the Company received a total of \$225,000, from seven lenders, each with a term of one year, ending September 28, 2017, and an interest rate of 10% per annum. The title to the Drayton/Black Lake Property was provided as security to the group of lenders. An additional short-term loan of \$5,000 received in May 2016 and was non-interest bearing with no fixed term. The Company repaid short-term loans totaling \$313,000 in March 2017, including \$30,000 of interest.

8. SETTLEMENT OF DEBT

On February 15, 2016, the Company entered debt settlement agreements with creditors to settle \$888,046 of outstanding debt by way of a write-off and the issuance of 1,340,411 common shares (878,571 shares issued at March 31, 2016 and 461,839 shares issued during the three months ended June 30, 2016). A total of \$723,287 of debt was settled at \$0.10 per share while a further \$107,500 was settled at \$0.05 per share, including \$152,258 of debt owed to the President and CEO of the Company, and MVR Consulting Inc., a private company under his control. During the year ended March 31, 2017, the Company recorded a gain on the settlement of debt of \$210,137.

In addition, during the year ended March 31, 2017, the Company wrote off \$24,823 of accounts payable and recorded the amount as a gain on settlement of debt.

9. SHARE CAPITAL

a) Authorized

Unlimited common shares without par value

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9. SHARE CAPITAL (continued)

b) Share issuance details

Year ended March 31, 2018

- (i) On December 28, 2017, the Company completed a brokered private placement of 2,000,000 common shares of the Company on a flow-through basis ("**FT Shares**") at a price of \$0.25 per FT Share for gross proceeds of \$500,000. In connection with this private placement, the Company incurred share issue costs totaling \$33,609, including finder's fees of \$30,000.

The Company's share price was \$0.23 per share on the date of completion and as a result, the Company allocated \$460,000 of the gross proceeds to share capital and the remaining \$40,000 of the gross proceeds to flow-through share premium liability.

- (ii) On October 16, 2017, the Company issued 35,714 common shares with a fair value of \$5,714 in connection with the Drayton Property agreement.
- (iii) On October 4, 2017, the Company issued 400,000 common shares with a fair value of \$56,000 in connection with the Catalyst Property agreement.
- (iv) On July 6, 2017, the Company issued 42,856 common shares with a fair value of \$5,143 in connection with the Spy Property agreement.
- (v) On July 4, 2017, the Company issued 900,000 common shares with a fair value of \$108,000 in connection with the Stillwater West Property agreement.
- (vi) On July 4, 2017, the Company issued 28,571 common shares with a fair value of \$3,429 in connection with the Ultra Property agreement.
- (vii) On May 16, 2017, the Company issued 157,142 common shares with a fair value of \$33,000 in connection with the Black Lake Property agreement.
- (viii) During the year ended March 31, 2018, the Company issued 5,033,393 common shares pursuant to the exercise of 5,033,393 share purchase warrants with a weighted average exercise price of \$0.12 per share for gross proceeds of \$629,067.

Year ended March 31, 2017

- (ix) On February 28, 2017, the Company issued 26,000,000 non flow-through units ("**NFT Units**") pursuant to a private placement at a price of \$0.06 per NFT Unit for gross proceeds of \$1,560,000. Each NFT Unit consisted of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder to acquire one common share of the Company at an exercise price of \$0.12 per share with an expiry of February 28, 2020.
- (x) On February 28, 2017, the Company also issued 5,000,000 units on a flow-through basis ("**FT Units**") at a price of \$0.08 per FT Unit for gross proceeds of \$400,000. Each FT Unit consisted of one flow-through common share of the Company and one-half of one share purchase warrant, with each whole warrant entitling the holder to acquire one non flow-through common share of the Company at an exercise price of \$0.16 per share with an expiry of February 28, 2020.

As a result of the \$0.06 price for the private placement of NFT Units, the Company allocated \$300,000 of the gross proceeds to share capital and the remaining \$100,000 of the gross proceeds to flow-through share premium liability.

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9. SHARE CAPITAL (continued)

b) Share issuance details (continued)

- (xi) In connection with the private placement completed on February 28, 2017, the Company paid finders' fees of 432,780 NFT Units.
- (xii) On October 14, 2016, the Company issued 35,714 common shares with a fair value of \$7,500 in connection with the Drayton Property agreement.
- (xiii) On October 14, 2016, the Company issued 21,428 common shares with a fair value of \$4,500 in connection with the Spy Property agreement.
- (xiv) On July 7, 2016, the Company issued 92,857 common shares with a fair value of \$16,250 in connection with the Black Lake Property agreement;
- (xv) On May 31, 2016, the Company issued 142,857 common shares with a fair value of \$25,000 in connection with the Black Lake Property agreement; and
- (xvi) On April 11, 2016, the Company issued 461,839 common shares with a fair value of \$113,151 to settle debts of \$323,288 (see Note 8).

c) Stock options

The Company has a fixed Long-Term Incentive Plan (the "**Plan**") whereby the Company may grant certain awards to directors, officers, employees and consultants, including stock options, to a maximum of 7,000,000 common shares. The exercise price, term and vesting period of each award are determined by the Board within regulatory guidelines.

A summary of the changes in stock options is presented below:

	Number of options	Weighted exercise price \$
Balance, March 31, 2016	140,427	0.70
Granted	2,840,000	0.15
Cancelled or expired	(41,857)	1.43
Balance, March 31, 2017	2,938,570	0.16
Granted	3,000,000	0.12
Balance, March 31, 2018	<u>5,938,570</u>	<u>0.14</u>

The following stock options were outstanding as at March 31, 2018:

Outstanding	Exercisable	Weighted average Exercise Price \$	Expiry Date	Weighted average remaining life (in years)
98,570	98,570	0.35	February 3, 2020	1.85
2,840,000	1,893,334	0.15	March 20, 2022	3.97
475,000	158,333	0.12	August 30, 2022	4.42
2,525,000	841,667.00	0.12	September 28, 2022	4.50
<u>5,938,570</u>	<u>2,991,904</u>	<u>0.14</u>		

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9. SHARE CAPITAL (continued)

d) Share purchase warrants

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted exercise price \$
Balance, March 31, 2016	331,934	0.62
Issued	28,932,780	0.12
Balance, March 31, 2017	29,264,714	0.13
Exercised	(5,033,393)	0.12
Expired	(331,934)	0.62
Balance, March 31, 2018	<u>23,899,387</u>	<u>0.12</u>

The following share purchase warrants were outstanding as at March 31, 2018:

Outstanding	Exercisable	Exercise Price \$	Expiry Date
22,025,887	22,025,887	0.12 ¹	February 27, 2020
<u>1,873,500</u>	<u>1,873,500</u>	0.16 ¹	February 27, 2020
<u>23,899,387</u>	<u>23,899,387</u>		

¹ These warrants are subject to an accelerator clause, the conditions which have already been met. The Company may at any time provide written notice of acceleration of the expiry date of the warrants, to take effect a minimum of 30 days after the delivery of such notice.

e) Share-based payment expense and reserve

The fair value at grant date of the 3,000,000 options granted during the year ended March 31, 2018 was \$235,099 (\$0.08 per option). Pursuant to vesting schedules, a portion of the fair value will be expensed in future periods. The share-based payment expense for the year ended March 31, 2018 was \$405,241 (2017: \$11,080) and was recorded in the consolidated statement of loss and comprehensive loss.

The fair value of the stock options that were granted during the year ended March 31, 2018 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.39%
Expected stock price volatility	84%
Expected dividend yield	0.0%
Expected option life in years	5.0

10. RELATED PARTY TRANSACTIONS

Key management compensation

Key management personnel at the Company are the Directors and Officers of the Company.

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10. RELATED PARTY TRANSACTIONS (continued)

The Company had the following transactions with related parties:

- a) For the year ended March 31, 2018, MVR Consulting Inc. charged fees of \$122,980 (2017: \$94,835) for consulting services which were recorded as consulting fees. Included in accounts payable and accrued liabilities at March 31, 2018 was an amount of \$27,437 (2017: \$Nil) for these services. In addition, the President loaned \$11,000 to the Company during the year ended March 31, 2016 which remains outstanding.
- b) For the year ended March 31, 2018, Midnight Mining Services Ltd., a company controlled by Bill Harris, a director of the Company, charged fees of \$21,500 (2017: \$29,961) for consulting services and \$3,000 (2017: \$Nil) for equipment rentals. Included in accounts payable and accrued liabilities at March 31, 2018 was an amount of \$11,500 (March 31, 2017: \$Nil) and \$1,500 (March 31, 2017: \$Nil) for consulting services and equipment rentals, respectively.
- c) Included in accounts payable and accrued liabilities at March 31, 2018 was an amount of \$Nil (March 31, 2017: \$17,500) owed to MCC Geoscience Inc., a company controlled by Tom McCandless, a former director of the Company (resigned June 8, 2016) for geological and consulting services.
- d) For the year ended March 31, 2018, Kirkham Geosystems Ltd., a company controlled by Garth Kirkham, a former director of the Company (resigned October 11, 2017), charged fees of \$Nil (2017: \$30,000) for geological services. Included in accounts payable and accrued liabilities at March 31, 2018 was an amount of \$3,000 (March 31, 2017: \$3,000) owed to Kirkham Geosystems Ltd.
- e) For the year ended March 31, 2018, a former officer of the Company charged fees of \$750 (2017: \$Nil) for consulting services. Included in accounts payable and accrued liabilities at March 31, 2018 was an amount of \$Nil (March 31, 2017: \$525) for these services.
- f) For the year ended March 31, 2018, the Company's CFO charged fees of \$37,125 (2017: \$3,000) for consulting services which were recorded as consulting fees. Included in accounts payable and accrued liabilities at March 31, 2018 was an amount of \$2,402 (March 31, 2017: \$525) for these services.
- g) During the year ended March 31, 2018, the Company was charged \$900 (2017: \$Nil) by Foran Mining Corporation, a company with an officer in common, for certain office operating costs. Included in accounts payable and accrued liabilities at March 31, 2018 was an amount of \$225 (March 31, 2017: \$Nil) for these costs.
- h) Of the \$405,241 recorded as share-based payment expense for the year ended March 31, 2018, \$200,640 was allocated to Directors and Officers of the Company.
- i) Included in accounts payable and accrued liabilities at March 31, 2018 was an amount of \$45,146 (March 31, 2017: \$Nil) owed to Metallic Minerals Corp. ("**Metallic**"), a company with directors in common, for certain shared investor relations and corporate development expenses that Metallic paid on behalf of the Company.

These transactions were in the normal course of operations and were measured at the fair value of the services rendered. Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment.

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11. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in non-cash operating working capital balances for the years ended March 31 consisted of the following:

	2018	2017
	\$	\$
Accounts receivable	(1,687)	(28,142)
Prepaid expenses	(44,473)	(50,855)
Accounts payable and accrued liabilities	153,314	(197,388)
Due to related parties	-	(250,476)
	<u>107,154</u>	<u>(526,861)</u>

The non-cash transactions for the year ended March 31, 2018 consisted of the Company issuing a total of 1,564,283 common shares valued at \$211,285 as option payments on its Stillwater West, Black Lake, Drayton, Catalyst, Spy and Ultra Properties (Note 9(b)).

The non-cash transactions for the year ended March 31, 2017 consisted of the Company issuing a total of 292,857 common shares valued at \$53,250 as option payments on its Black Lake, Drayton and Spy Properties (Note 9(b)) and the Company recording a gain of \$210,137 on the settlement of \$323,288 of debt and a gain of \$24,823 on the write-off of accounts payable (Note 8).

12. SEGMENTED INFORMATION

The Company has one operating segment, acquisition, exploration and development of mineral properties. The table below shows consolidated data by geographic segment based on the location:

	2018	2017
	\$	\$
Non-current assets by geographic segment		
Canada	470,189	283,116
United States	521,024	70,377
	<u>991,213</u>	<u>353,493</u>

13. FINANCIAL INSTRUMENTS

a) Categories of Financial Instruments

The Company's financial instruments include cash, accounts payable and accrued liabilities and short-term loans. The Company has classified its financial instruments into the following categories:

<u>Financial Instrument</u>	<u>Category</u>	<u>Carrying Value</u>
Cash	FVTPL	Fair Value
Accounts Payable and Accrued Liabilities	Other Financial Liabilities	Amortized Cost
Short-Term Loans	Other Financial Liabilities	Amortized Cost

b) Fair Value

The carrying values of accounts payable and accrued liabilities, due to related parties and short-term loans approximate their fair values due to the short period to maturity.

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13. FINANCIAL INSTRUMENTS (continued)

c) Financial Risk Management

The Company's financial instruments are exposed to certain financial risks, including liquidity risk, currency risk, interest rate risk, credit risk, and other price risk.

The Company's exposure to these risks and its methods of managing the risks are summarized as follows:

(i) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations, anticipated investing and financing activities and through management of its capital structure.

As at March 31, 2018, all of the Company's financial liabilities had contractual maturities of less than 90 days. The Company does not have sufficient cash to meet requirements for administrative overhead, maintaining its mineral interests and continuing with its exploration program in the following twelve months. The Company will be required to raise additional capital in the future to fund its operations.

(ii) Currency Risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar. The Company does not manage currency risks through hedging or other currency management tools and considers the risks related to foreign currency are not significant at this time. The Company is not exposed to material currency risk.

(iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Based on the current cash balances and expected future interest rates, the Company is not exposed to material interest rate risk.

(iv) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk mainly in respect to managing its cash. The Company mitigates such credit risk by risk management policies that require significant cash deposits or any short-term investments be invested with Canadian chartered banks rated BBB or better, or commercial paper issuers R1/A2/P2 or higher. All investments must be less than one year in duration.

(v) Other Price Risk

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

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14. CAPITAL MANAGEMENT

The Company's capital includes components of shareholders' equity. The Company's objectives in managing its capital are to maintain the ability to continue as a going concern and to continue to explore the Company's mineral properties for the benefit of its stakeholders. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place setting out the expenditures required to meet its strategic goals. The Company compares actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

As the Company is in the exploration stage, its operations have been substantially funded by the issuance of equity instruments. The Company will continue to rely on equity issuances for future funding depending upon market and economic conditions at the time.

There have been no changes in the Company's approach to capital management during the year ended March 31, 2018. The Company is not subject to externally imposed capital requirements.

15. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	2018	2017
	\$	\$
Loss before income taxes	(1,389,205)	(479,720)
Canadian federal and provincial income tax rates	27.00%	26.00%
Income tax recovery based on the above rates	(375,085)	(124,727)
Increase (decrease) due to:		
Change in tax rates	(57,325)	-
Non-deductible expenses and other permanent differences	114,188	3,453
Non-taxable income	(18,784)	-
Losses for which no tax benefit is recorded	282,338	121,274
Tax benefits renounced with flow-through shares	54,668	-
Net income tax recovery	-	-

The components of unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset has been recognized consist of the following amounts:

	2018	2017
	\$	\$
Share issue costs	37,980	15,030
Exploration and evaluation assets	1,706,860	1,405,066
Plant and equipment	9,147	9,147
Capital losses and other	53,653	52,715
Non-capital losses	4,803,494	4,250,568
Unrecognized temporary differences and non-capital losses	6,611,134	5,732,526

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15. INCOME TAXES (continued)

In assessing the ability to realize deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those deferred tax assets are deductible.

As at March 31, 2018, the Company's unrecognized non-capital losses expire as follows:

	\$
2027	67,000
2028	556,000
2029	570,000
2030	660,000
2031	537,000
2032	467,000
2033 to 2038	<u>1,946,000</u>
	<u><u>4,803,000</u></u>

16. COMMITMENT

As a result of the issuance of FT Units on February 28, 2017 and FT Shares on December 28, 2017, the Company has a commitment to incur \$900,000 on qualifying Canadian exploration expenditures on or before December 31, 2018. At March 31, 2018, approximately \$622,000 of the commitment was remaining.

17. SUBSEQUENT EVENTS

In addition to subsequent events disclosed elsewhere in these consolidated financial statements, the following subsequent events occurred:

- a) 827,500 share purchase warrants with a weighted average exercise price of \$0.13 were exercised for proceeds of \$104,240.
- b) In July 2018, the Company signed an option agreement with an arms-length party whereby the Company can earn a 100% interest in the Outpost and Pacer properties which consist of three claim blocks totaling approximately 25km². In consideration, the Company has agreed to:
 - Make a cash payment of \$8,000 and issue 200,000 common shares of the Company within 10 days of regulatory approval;
 - Complete \$30,000 of work expenditures, make a cash payment of \$20,000 and issue 400,000 common shares of the Company on or before the first anniversary of signing; and
 - Complete an additional \$105,000 of work expenditures and issue 500,000 common shares of the Company on or before the second anniversary of the acceptance of this agreement.

The claims will be subject to a 2% NSR and the Company will have the option to buy down the NSR to 1%. This transaction is subject to regulatory approval.

- c) In July 2018, the Company signed an option agreement with an arms-length party whereby the Company can earn a 100% interest in the Ellen property which consists of 72 claims totaling approximately 13km². In consideration, the Company has agreed to make a cash payment of \$3,200 and issue a total of 600,000 common shares of the Company within 10 days of regulatory approval. This transaction is subject to regulatory approval.