

NAVY RESOURCES CORP.

Financial Statements

December 31, 2017

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Navy Resources Corp.:

We have audited the accompanying financial statements of Navy Resources Corp., which comprise the statements of financial position as at December 31, 2017 and 2016, and 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.

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Navy Resources Corp.'s ability to continue as a going concern.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
March 26, 2018

NAVY RESOURCES CORP.Statements of Financial Position
(Expressed in Canadian dollars)

| | December 31, 2017 | December 31, 2016 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 40,270 | \$ 30,742 |
| Receivable (Note 3) | - | 3,193 |
| Total current assets | 40,270 | 33,935 |
| Non-current assets | | |
| Exploration and evaluation asset (Note 4) | 45,000 | 45,000 |
| Total assets | \$ 85,270 | \$ 78,935 |
| Liabilities and shareholders' equity | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Notes 5 and 9) | \$ 89,836 | \$ 32,925 |
| Promissory note payable (Note 6) | 100,000 | 50,000 |
| Total liabilities | 189,836 | 82,925 |
| Shareholders' equity | | |
| Share capital (Note 8) | 1,006,852 | 1,006,852 |
| Share-based payment reserve (Note 8) | 135,817 | 135,817 |
| Deficit | (1,247,235) | (1,146,659) |
| Total shareholders' equity | (104,566) | (3,990) |
| Total liabilities and shareholders' equity | \$ 85,270 | \$ 78,935 |

Nature of and continuance of operations (Note 1)

Approved on behalf of the Board on March 26, 2018:

/s/ "Robert Meister"

Robert Meister, Director

/s/ "Martin Bajic"

Martin Bajic, Director

The accompanying notes are an integral part of these financial statements

NAVY RESOURCES CORP.

Statements of Comprehensive Loss

(Expressed in Canadian dollars)

| | Year Ended December 31, 2017 | Year Ended December 31, 2016 |
|---|---------------------------------------|---------------------------------------|
| <hr/> | | |
| Expenses | | |
| General and administrative | \$ 9,594 | \$ 37,263 |
| Professional fees | 10,741 | 18,794 |
| Consulting fees (Note 9) | 68,000 | 78,000 |
| Transfer agent and filing fees | 12,241 | 12,566 |
| | <hr/> | |
| Net and comprehensive loss | \$ 100,576 | \$ 146,623 |
| | <hr/> | |
| Basic and diluted loss per share | \$ (0.01) | \$ (0.01) |
| | <hr/> | |
| Weighted average number of shares outstanding – basic and diluted | 15,200,000 | 15,183,836 |
| | <hr/> | |

The accompanying notes are an integral part of these financial statements

NAVY RESOURCES CORP.Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

| | | Share capital | | Share-based | | Total |
|----------------------------|-------|---------------|--------------|-----------------|----------------|-------------------------|
| | Notes | Number | Amount | payment reserve | Deficit | shareholders' equity |
| Balance, December 31, 2015 | | 15,100,000 | \$ 986,852 | \$ 135,817 | \$ (1,000,036) | \$ 122,633 |
| Shares issued for property | 4, 8 | 100,000 | 20,000 | - | - | 20,000 |
| Net and comprehensive loss | | - | - | - | (146,623) | (146,623) |
| Balance, December 31, 2016 | | 15,200,000 | 1,006,852 | 135,817 | (1,146,659) | (3,990) |
| Net and comprehensive loss | | - | - | - | (100,576) | (100,576) |
| Balance, December 31, 2017 | | 15,200,000 | \$ 1,006,852 | \$ 135,817 | \$ (1,247,235) | \$ (104,566) |

The accompanying notes are an integral part of these financial statements

NAVY RESOURCES CORP.Statements of Cash Flows
(Expressed in Canadian dollars)

| | Year Ended December 31, 2017 | Year Ended December 31, 2016 |
|--|---------------------------------------|---------------------------------------|
| Cash provided by (used in): | | |
| Operating activities | | |
| Net loss | \$ (100,576) | \$ (146,623) |
| Adjustment for: | | |
| Interest expense | 3,303 | 267 |
| Changes in non-cash working capital items: | | |
| Receivable | 3,193 | (918) |
| Accounts payable and accrued liabilities | 53,608 | 16,673 |
| Net cash used in operating activities | (40,472) | (130,601) |
| Financing activity | | |
| Proceeds from promissory note payable | 50,000 | 50,000 |
| Net cash provided by financing activities | 50,000 | 50,000 |
| Increase (decrease) in cash | 9,528 | (80,601) |
| Cash, beginning | 30,742 | 111,343 |
| Cash, ending | \$ 40,270 | \$ 30,742 |
| Non-cash transactions: | | |
| Common shares issued for exploration and evaluation assets (note 4) | \$ - | \$ 20,000 |

The accompanying notes are an integral part of these financial statements

NAVY RESOURCES CORP.

Notes to Financial Statements

For the year ended December 31, 2017

(Expressed in Canadian dollars)

1. Nature and continuance of operations

Navy Resources Corp. (the "Company") was incorporated in the province of British Columbia on May 5, 2011. The Company is engaged in the exploration and evaluation of resource properties. The Company's registered office is 1740-1177 West Hastings Street, Vancouver, British Columbia, V6E 2K3. The Company's shares are traded on the TSX Venture Exchange (the "Exchange") under the symbol "NVY".

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2017, the Company has not generated any revenue and has incurred a loss since inception. The Company's continuation as a going concern is dependent on its ability to generate future cash flows and/or obtain additional financing. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, loans from directors and companies controlled by directors and/or private placements of common stock. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant accounting policies

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements have been prepared on an accrual basis and are based on historical costs modified where applicable. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Use of estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

NAVY RESOURCES CORP.

Notes to Financial Statements

For the year ended December 31, 2017

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(c) Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses.

(d) Cash

Cash includes cash on hand deposits held at call with banks.

(e) Restoration, rehabilitation, and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other assets.

The increase in the restoration provision due to the passage of time is recognized as interest expense.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to the statement of comprehensive loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

(f) Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

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.

NAVY RESOURCES CORP.

Notes to Financial Statements

For the year ended December 31, 2017

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(f) Exploration and evaluation expenditures (continued)

Once the technical feasibility and commercial viability of the extraction of resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within 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.

(g) Farm outs

The Company does not record any expenditure made by the farmee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm out arrangements but reallocates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalized. If the consideration exceeds amounts previously capitalized, any excess is recorded in the statement of comprehensive loss.

(h) Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the asset and liability sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

NAVY RESOURCES CORP.

Notes to Financial Statements

For the year ended December 31, 2017

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(i) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, any premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the deferred income tax liability associated with the renounced tax deductions is recognized through profit or loss with a pro-rata portion of the deferred premium.

(j) Financial instruments

(i) Financial assets

The Company initially recognizes loans, receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company does not have any assets classified as fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The company does not have any assets classified as held to maturity investments.

NAVY RESOURCES CORP.

Notes to Financial Statements

For the year ended December 31, 2017

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(j) Financial instruments (continued)

(i) Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company does not have any assets classified as available-for-sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company classifies cash as loans and receivables.

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For financial assets carried at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

NAVY RESOURCES CORP.

Notes to Financial Statements

For the year ended December 31, 2017

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(j) Financial instruments (continued)

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The Company's non-derivative financial liabilities consist of its accounts payable.

(k) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(l) Loss per share

Basic loss per share is calculated by dividing net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is determined by adjusting the net loss attributable to common shares and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares.

(m) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is credited to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted, shall be based on the number of equity instruments that eventually vest.

NAVY RESOURCES CORP.

Notes to Financial Statements

For the year ended December 31, 2017

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(n) Accounting standards issued but not yet effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2017, and have not been applied in preparing these financial statements.

New standard IFRS 9, "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company has not early adopted this new standard and has determined that there is no impact of adoption of IFRS 9 on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. Receivable

| | December 31, 2017 | December 31, 2016 |
|----------------|----------------------|----------------------|
| GST receivable | \$ - | \$ 3,193 |

4. Exploration and evaluation asset

On December 22, 2015, the Company entered into a Purchase Agreement whereby it acquired a 100% interest in the Fae Project. Consideration for the acquisition is \$15,000 cash (paid) and 100,000 common shares (issued February 29, 2016 with a fair value of \$20,000) (Note 8).

| | Year Ended December 31, 2017 | Year Ended December 31, 2016 |
|--------------------|---------------------------------------|---------------------------------------|
| Balance, beginning | \$ 45,000 | \$ 25,000 |
| Acquisition cost | - | 20,000 |
| Balance, ending | \$ 45,000 | \$ 45,000 |

NAVY RESOURCES CORP.

Notes to Financial Statements

For the year ended December 31, 2017

(Expressed in Canadian dollars)

5. Accounts payable and accrued liabilities

| | December 31, 2017 | December 31, 2016 |
|---------------------------|----------------------|----------------------|
| Accounts payable (Note 9) | \$ 80,266 | \$ 23,658 |
| Accrued liabilities | 6,000 | 9,267 |
| Accrued interest | 3,570 | - |
| | \$ 89,836 | \$ 32,925 |

6. Promissory note payable

On November 22, 2016, the Company entered into an agreement for a promissory note in the amount of \$50,000 which was received on November 23, 2016. The promissory note is unsecured and accrues interest at 5% per annum on the unpaid principal balance. The note was payable on or before November 22, 2017. On November 22, 2017, the loan was extended to November 22, 2018.

On September 5, 2017, the Company entered into an agreement for a promissory note in the amount of \$50,000 which was received on September 5, 2017. The promissory note is unsecured and accrues interest at 5% per annum on the unpaid principal balance. The note is payable on or before September 5, 2018.

During the year ended December 31, 2017, the Company accrued interest of \$3,303 (December 31, 2016 - \$267) on these promissory notes.

7. Income taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

| | Year Ended December 31, 2017 | Year Ended December 31, 2016 |
|--|------------------------------------|------------------------------------|
| Net loss before income taxes | \$ 100,576 | \$ 146,623 |
| Statutory tax rate | 26.0% | 26.0% |
| Expected income tax recovery at the statutory tax rate | \$ 26,150 | \$ 38,122 |
| Non-deductible items | (13) | - |
| Correction to prior year | (6,500) | 6,500 |
| Deferred tax assets not recognized | (19,637) | (44,622) |
| Income tax recovery | \$ - | \$ - |

Details of deferred tax assets and liabilities are as follows:

| | December 31, 2017 | December 31, 2016 |
|-----------------------------------|----------------------|----------------------|
| Exploration and evaluation assets | \$ 32,273 | \$ 38,773 |
| Loss carry-forwards | 250,078 | 223,941 |
| Total | 282,351 | 262,714 |
| Valuation allowance | (282,351) | (262,714) |
| Net deferred tax asset | \$ - | \$ - |

NAVY RESOURCES CORP.

Notes to Financial Statements

For the year ended December 31, 2017

(Expressed in Canadian dollars)

7. Income taxes (continued)

Management has determined that there is insufficient likelihood of recovery to record a benefit arising from potential tax assets. Accordingly a 100% valuation allowance has been applied.

The tax pools relating to these deductible temporary differences expire as follows:

| | Canadian non-capital losses | Canadian resource pools |
|-----------|-----------------------------------|-------------------------------|
| 2031 | \$ 28,616 | \$ - |
| 2032 | 183,287 | - |
| 2033 | 178,157 | - |
| 2034 | 163,344 | - |
| 2035 | 149,460 | - |
| 2036 | 158,445 | - |
| 2037 | 100,528 | - |
| No expiry | - | 169,127 |
| | <u>\$ 961,837</u> | <u>\$ 169,127</u> |

8. Share capital

Authorized share capital:

Unlimited common shares without par value.

Issued and outstanding:

At December 31, 2017, there were 15,200,000 common shares issued and fully paid common shares outstanding (December 31, 2016 – 15,200,000).

On February 29, 2016, the Company closed the acquisition of the Fae Project and issued 100,000 common shares with a fair value of \$20,000 (Note 4).

Options:

On April 12, 2012, the directors of the Company adopted a Stock Option Plan (the "Plan"). The plan provides that, subject to the requirements of the Exchange, the aggregate number of securities reserved for issuance, set aside and made available for issuance under the 2013 Plan may not exceed 10% of the issued and outstanding shares of the Company at the time of granting of options. The number of common shares which may be reserved in any 12 month period for issuance to any one individual upon exercise of all stock options held by that individual may not exceed 5% of the issued and outstanding common shares of the Company at the time of grant. The number of common shares which may be reserved in any 12 months period for issuance to any one consultant may not exceed 2% of the issued and outstanding common shares and the maximum number of common shares which may be reserved in any 12 month period for the issuance to all persons engaged in investor relation activities may not exceed 2% of the issued and outstanding common shares of the Company. The 2013 Plan provides that options granted to any person engaged in investor relations activities will vest in stages over 12 months with no more than ¼ of the stock options vesting in any three month period.

As at December 31, 2017 and 2016, there were no stock options outstanding.

NAVY RESOURCES CORP.

Notes to Financial Statements

For the year ended December 31, 2017

(Expressed in Canadian dollars)

8. Share capital (continued)

Reserves:

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

9. Related party transactions

During the year end December 31, 2017 the Company paid an officer and director \$18,000 (2016 - \$18,000) for consulting services and \$6,000 (2016 - \$36,000) for rent.

During the year end December 31, 2017 the Company paid a director \$50,000 (2016 - \$60,000) for consulting fees.

Key management compensation includes \$18,000 (2016 - \$18,000) for consulting services and \$50,000 (2016 - \$60,000) for consulting services paid to officers and directors of the Company.

Included in accounts payable is \$78,075 (2016 - \$16,800) owing to a director and an officer of the Company (Note 5).

10. Financial instruments and risks

(a) Fair values

The fair values of cash and accounts payable approximate their carrying values due to the short-term to maturities of these financial instruments.

(b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash. The risk in cash is managed through the use of a major financial institution which has a high credit quality as determined by rating agencies. Credit risk is assessed as low.

(d) Foreign exchange rate risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company has no assets or liabilities denominated in foreign currencies; therefore, is not exposed to foreign exchange risk.

(e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company requires funds to finance its business development activities. In addition, the Company needs to raise equity financing to carry out its exploration programs. There is no assurance that financing will be available or, if available, that such financings will be on terms acceptable to the Company. Liquidity risk is assessed as high.

NAVY RESOURCES CORP.

Notes to Financial Statements

For the year ended December 31, 2017

(Expressed in Canadian dollars)

10. Financial instruments and risks (continued)

(f) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

11. Capital management

The Company's capital structure consists of cash and share capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support acquisition and exploration of resource properties. 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 Company is dependent on external financing to fund its activities. In order to carry out exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new exploration and evaluation assets and seek to acquire interests in properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since inception. The Company is not subject to externally imposed capital requirements