



INTERNATIONAL SAMUEL EXPLORATION CORP.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of International Samuel Exploration Corp.,

We have audited the accompanying consolidated financial statements of International Samuel Exploration Corp., which comprise the consolidated statement of financial position as at June 30, 2017 and 2016 and the consolidated statements of comprehensive loss, cash flows, and changes in deficiency for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of International Samuel Exploration Corp. as at June 30, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has incurred significant losses since inception and is also dependent upon its ability to secure new sources of financing to fund on-going operations. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

CHARTERED PROFESSIONAL ACCOUNTANTS



Vancouver, Canada
October 27, 2017

INTERNATIONAL SAMUEL EXPLORATION CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

As at	Note	June 30, 2017	June 30, 2016
ASSETS			
Current assets			
Cash		\$ 141,168	\$ 58,130
Sales tax recoverable		3,646	6,994
Prepaid expenses and deposits	5	15,500	20,500
		160,314	85,624
Non-current assets			
Equipment	7	794	1,102
Total assets		\$ 161,108	\$ 86,726
LIABILITIES AND DEFICIENCY			
Current liabilities			
Trade and other payables	8	\$ 185,675	\$ 357,517
Total liabilities		185,675	357,517
Deficiency			
Share capital		15,288,039	14,832,284
Share-based payments reserve		2,644,540	2,491,261
Deficit		(17,957,146)	(17,594,336)
Total deficiency		(24,567)	(270,791)
Total liabilities and deficiency		\$ 161,108	\$ 86,726

Going concern (Note 1)

Subsequent events (Note 17)

The financial statements were authorised for issue by the board of directors on October 27, 2017 and were signed on its behalf by:

<u>“Conrad Swanson”</u> Chief Executive Officer	Director	<u>“Greg Stewart”</u> 	Director
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The accompanying notes are an integral part of these consolidated financial statements.

INTERNATIONAL SAMUEL EXPLORATION CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
YEAR ENDED JUNE 30,
(Expressed in Canadian dollars)

	Note	2017	2016
EXPENSES			
Accounting and administration	11	\$ 40,013	\$ 11,975
Business development	6	-	351,593
Consulting		90,638	143,560
Depreciation	7	308	432
Investor relations		6,388	1,736
Management fees	11	5,000	34,000
Office and miscellaneous		5,058	10,805
Professional fees		43,840	55,432
Share-based payments	10	153,279	-
Transfer agent and filing fees		18,613	20,082
Travel and promotion		23,884	12,096
		(387,021)	(641,711)
OTHER ITEMS			
Gain on settlement of debt	13	27,602	178,535
Gain on sale of exploration and evaluation assets		-	3,998
Part XII.6 tax and penalties	14	(3,391)	-
		24,211	182,533
Net and comprehensive loss for the year		\$ (362,810)	\$ (459,178)
Basic and diluted loss per common share	9	\$ (0.02)	\$ (0.04)
Weighted average number of common shares outstanding		19,779,619	10,276,997

Business development (Note 6)

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

INTERNATIONAL SAMUEL EXPLORATION CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY
FOR THE YEARS ENDED JUNE 30,
(Expressed in Canadian dollars)

	Note	Number of shares	Share capital	Share-based payments reserve	Deficit	Total equity
Balance, June 30, 2016		18,302,298	\$ 14,832,284	\$ 2,491,261	\$ (17,594,336)	\$ (270,791)
Issued for cash – non-flow through shares	9	8,200,000	410,000	-	-	410,000
Shares issue for debt	9	848,355	50,901	-	-	50,901
Share issue costs - cash		-	(5,146)	-	-	(5,146)
Stock based compensation	10	-	-	153,279	-	153,279
Comprehensive loss for the year		-	-	-	(362,810)	(362,810)
Balance, June 30, 2017		27,350,653	\$ 15,288,039	\$ 2,644,540	\$ (17,957,146)	\$ (24,567)

	Note	Number of shares	Share capital	Share-based payments reserve	Deficit	Total equity
Balance, June 30, 2015		3,302,298	\$ 14,127,683	\$ 2,470,854	\$ (17,135,158)	\$ (536,621)
Issued for cash – non-flow through shares	9	15,000,000	750,000	-	-	750,000
Share issue costs – cash		-	(24,992)	-	-	(24,992)
Share issue costs - finder's warrants	10	-	(20,407)	20,407	-	-
Comprehensive loss for the year		-	-	-	(459,178)	(459,178)
Balance, June 30, 2016		18,302,298	\$ 14,832,284	\$ 2,491,261	\$ (17,594,336)	\$ (270,791)

The Company completed a 10:1 consolidation of its share capital on December 14, 2015. These consolidated financial statements are presented on a post-consolidation basis.

INTERNATIONAL SAMUEL EXPLORATION CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,
(Expressed in Canadian dollars)

	2017	2016
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Net loss for the year	\$ (362,810)	\$ (459,178)
Items not affecting cash:		
Depreciation	308	432
Gain on sale of exploration and evaluation assets	-	(3,998)
Gain on settlement of debt	(27,602)	(178,535)
Share-based payments	153,279	
	(236,825)	(641,279)
Changes in non-cash working capital items:		
Sales tax recoverable	3,348	1,645
Prepaid expenses	5,000	(5,000)
Trade and other payables	(93,339)	(27,655)
Net cash used in operating activities	(321,816)	(672,289)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of exploration and evaluation assets	-	4,000
Net cash used in investing activities	-	4,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement	410,000	750,000
Cash share issue costs	(5,146)	(24,992)
Net cash from financing activities	404,854	725,008
Change in cash during the year	83,038	56,719
Cash, beginning of the year	58,130	1,411
Cash, end of the year	\$ 141,168	\$ 58,130

Supplemental disclosures with respect to cash flows (Note 12)

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

INTERNATIONAL SAMUEL EXPLORATION CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016
(Expressed in Canadian dollars)

1. GOING CONCERN

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which are applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business as they become due.

However, the use of such principles may not be appropriate because there is significant doubt surrounding the ability of the Company to continue as a going concern. As at June 30, 2017, the Company had a cash balance of \$141,168 (June 30, 2016 - \$58,130) compared with trade payables owing to non-related parties of \$21,392 (June 30, 2016 - \$98,489), and an accumulated deficit of \$17,957,146 (June 30, 2016 - \$17,594,336). During the year ended June 30, 2017, the Company raised \$410,000 (2016 - \$750,000) in financing, and generated negative operating cash flows of \$321,816 (2016 - \$672,289). Further, the Company has deferred payment of administration, management and other fees to related parties (Note 11) and is incurring taxes and penalties for failure to spend and renounce expenditures under flow-through share agreements entered into (Note 8 and 14).

These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The ability of the Company to continue as a going concern is dependent on the continued financial support of related parties, obtaining financing, and considering other unrelated business opportunities. In recognition of these circumstances, the Company is continuing to investigate possible sources of financing as well as alternatives, including partnerships, to continue with the evaluation of its mineral properties.

While there can be no assurance that these initiatives will be successful, management believes that related party support and additional financing will contribute adequate cash flow for the Company to continue as a going concern. These financial statements do not reflect any adjustments to the carrying values of assets, liabilities and reported expenses and balance sheet classifications that might be necessary should the Company be unable to generate the necessary capital and continue as a going concern. Such adjustments could be material.

2. NATURE OF BUSINESS

International Samuel Exploration Corp. (the "Company") was incorporated under the laws of British Columbia, Canada and maintains its registered and head office at 888 – 700 West Georgia St. Vancouver, British Columbia, Canada, V7Y 1G5. The Company is engaged in the acquisition, exploration, and development of mineral properties in Canada. The common shares of the Company are listed for trading on the TSX Venture Exchange (TSX-V) under the symbol "ISS".

3. BASIS OF PREPARATION

Statement of compliance

The audited annual consolidated financial statements of the Company for the year ending June 30, 2017 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 authorized for issue by the Board of Directors on October 27, 2017.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiary, International Samuel Holding Corp. All inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

INTERNATIONAL SAMUEL EXPLORATION CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016
(Expressed in Canadian dollars)

3. BASIS OF PREPARATION (cont'd)

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis. In addition these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of estimates and judgements

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Critical judgment in applying accounting policies:

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- (i) The determination that the Company will continue as a going concern for the next year. This involves judgment regarding the nature, timing and extent of future funding available for exploration projects and working capital requirements; and
- (ii) The determination of the effects of events or changes in circumstances on the recoverable amounts of exploration and evaluation assets.

4. SIGNIFICANT ACCOUNTING POLICIES

Equipment

Equipment is recorded at cost less accumulated amortization and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset into operation and an initial estimate of any rehabilitation obligation. Amortization is recognized on a declining balance basis over their estimated useful lives at annual rates of 30% for office furniture and equipment, 30% for computer equipment and 100% for computer software. Additions during the year are amortized at one-half the annual rate.

An item of equipment is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive income. The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for equipment and any changes arising from the assessment are applied by the Company prospectively.

INTERNATIONAL SAMUEL EXPLORATION CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016
(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Exploration and evaluation assets

Once a license to explore an area has been secured, all direct costs related to the acquisition, exploration and evaluation of mineral property interests are capitalized into intangible assets on a property by property basis until such time that technical feasibility and commercial viability of extracting a mineral resource has been determined for a property, in which case the capitalized exploration and evaluation costs are transferred and capitalized into property, plant and equipment. The Company records expenditures on exploration and evaluation activities at cost. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Proceeds received from a partial sale or options of any interest in a property are credited against the carrying value of the property. When the proceeds exceed the carrying costs, the excess is recorded in the statement of loss and comprehensive loss in the period the excess is received. When all of the interest in a property is sold, subject only to any retained royalty interests which may exist, the accumulated property costs are written-off, with any gain or loss included in the statement of loss and comprehensive loss in the period the transfer takes place. No initial value is assigned to any retained royalty interest. A royalty interest is subsequently assessed for value by reference to developments on the underlying mineral property.

Impairment of non-financial assets

Management assesses the exploration and evaluation assets and equipment for impairment at least annually and whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. For exploration and evaluation assets, the assessment is based on the development program, the nature of the mineral deposit, commodity prices and the Company's intentions and ability for development of the undeveloped property. If, after management review, it is determined that the carrying amount of an asset is impaired, that asset is written down to its estimated recoverable amount. The recoverable amount of an asset is determined as the higher of its fair value less costs to sell and its value in use. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Provision for decommissioning and restoration

As at June 30, 2017, the Company has no known restoration, rehabilitation or environmental liabilities related to its mineral properties.

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated financial statement of financial position when the Company becomes a party to the contractual provision for the financial instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value.

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities as set out below.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016
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4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

(i) Financial assets

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

Fair value through profit or loss

Financial assets are classified at fair value through profit or loss when: (i) they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes; or (ii) they meet the criteria for being designate as FVTPL and have been designated as such on initial recognition. The Company has no assets in this category.

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 carried at amortized cost less any impairment. Cash has been classified under this category.

Held-to-maturity investments

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. Held-to-maturity investments are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. They are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period, which are classified as non-current assets. The Company has no assets in this category.

Available-for-sale

Non-derivative financial assets that are not classified as one of the above categories are classified as available-for-sale. These are included in current assets. Available-for-sale assets are measured at fair value with changes in fair value recognized in other comprehensive income. The Company has no assets in this category.

(ii) Impairment of financial assets

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired.

(iii) Financial liabilities

The Company classifies its financial liabilities as other financial liabilities. Other financial liabilities are measured at amortized cost using the effective interest method. The Company classifies its trade and other payables as other financial liabilities.

Share capital

The Company records proceeds from the issuance of its common shares as share capital, a component of equity. Incremental costs directly attributable to the issuance of new common shares are shown in equity as a deduction, net

INTERNATIONAL SAMUEL EXPLORATION CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share capital (cont'd)

of any current tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that shares are issued.

The Company engages in private placement financing transactions that may involve issuance of units, comprising of common shares and warrants. Warrants that are part of units are valued based on the residual value method and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other transaction costs are accounted for as share-based payments.

Share-based payments

The fair value of stock options is determined using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience), expected dividends, and the risk-free interest rate (based on government bonds).

Flow-through shares

Canadian tax legislation permits a company to issue flow-through shares, whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. On issue, the share capital is recorded at the trading value, as of the date of issue, of an ordinary common share. The difference between the proceeds and the ordinary common share value is recorded as a flow-through share premium liability. The flow-through share premium liability is recognized as an income tax recovery when the related qualifying expenditures are incurred.

Upon renouncement by the Company of the tax benefits associated with the related expenditures, the loss of tax benefits is recorded as a deferred income tax liability to the extent that these expenditures are capitalized for accounting purposes. To the extent that pre-existing deferred income tax assets are also available, the Company may use these to reduce or eliminate this liability and record a deferred income tax recovery.

Earnings / loss per share

Basic earnings/loss per share is calculated by dividing the earnings/loss attributable to common shareholders by the weighted-average number of common shares outstanding during the period. The diluted earnings/loss per share reflects all dilutive potential common shares equivalents, which comprise outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

New standards, interpretations, and amendments

IFRS 9 Financial Instruments

The International Accounting Standards Board ("IASB") has completed the final phase of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

The version of IFRS 9 issued in 2014 supersedes all previous versions and is expected to be mandatorily effective for periods beginning on or after January 1, 2018, subject to endorsement by Canadian standard setters.

INTERNATIONAL SAMUEL EXPLORATION CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New standards, interpretations, and amendments (cont'd)

The Company has not adopted previous versions of IFRS 9 and is currently assessing the impact of the final IFRS 9 on its financial statements.

5. PREPAID EXPENSES AND DEPOSITS

As at June 30, 2017, the Company's refundable deposits outstanding consisted of the following:

	June 30, 2017	June 30, 2016
Prepaid expenses	\$ -	\$ 5,000
Reclamation deposits	15,500	15,500
	\$ 15,500	\$ 20,500

6. BUSINESS DEVELOPMENT

During the year ended June 30, 2016, the Company paid a total of US\$250,000 (CAD\$351,593) to American Greener Technologies, Inc. ("AGT") to purchase chemicals used in testing of the Polarchem Cleaning System for business development purposes.

Any amounts recovered in connection with these advances will be included in income if and when received.

7. EQUIPMENT

	Computer equipment	Computer software	Office furniture & equipment	Total
Cost				
Balance as at June 30, 2016	\$ 15,612	\$ 5,115	\$ 6,878	\$ 27,605
Additions	-	-	-	-
Balance as at June 30, 2017	15,612	5,115	6,878	27,605
Accumulated depreciation				
Balance as at June 30, 2016	14,748	5,115	6,640	26,503
Depreciation for the year	260	-	48	308
Balance as at June 30, 2017	15,008	5,115	6,688	26,811
Net book value as at June 30, 2017	\$ 604	\$ -	\$ 190	\$ 794

INTERNATIONAL SAMUEL EXPLORATION CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. EQUIPMENT (cont'd)

	Computer equipment	Computer software	Office furniture & equipment	Total
Cost				
Balance as at June 30, 2015	\$ 15,612	\$ 5,115	\$ 6,878	\$ 27,605
Additions	-	-	-	-
Balance as at June 30, 2016	15,612	5,115	6,878	27,605
Accumulated depreciation				
Balance as at June 30, 2015	14,376	5,115	6,580	26,071
Depreciation for the year	372	-	60	432
Balance as at June 30, 2016	14,748	5,115	6,640	26,503
Net book value as at June 30, 2016	\$ 864	\$ -	\$ 238	\$ 1,102

8. TRADE AND OTHER PAYABLES

The Company's trade and other payables are broken down as follows:

	June 30, 2017	June 30, 2016
Trade payables	\$ 21,392	\$ 98,489
Amounts due to related parties (Note 11)	74,525	172,661
Accrued expenses	12,000	10,000
Part X11.6 tax	77,758	76,367
	\$ 185,675	\$ 357,517

Trade payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration and general operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

INTERNATIONAL SAMUEL EXPLORATION CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016
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9. SHARE CAPITAL

Authorized share capital

The Company has authorized an unlimited number of common shares with no par value.

Share issuance

During the year ended June 30, 2017, the Company:

- a) Completed a non-brokered private placement comprised of 8,200,000 units at a purchase price of \$0.05 per unit for gross proceeds of \$410,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of \$0.10 per share for 2 years from the closing date and is subject to accelerated expiry provisions such that if at any time after the date of closing of the private placement, the Company's common shares trade on the TSX Venture Exchange at or above a weighted average trading price of \$0.25 per share for 10 consecutive trading days, the Company may give notice to the holders that each warrant will expire 30 days from the date of providing such notice.

In compliance with Canadian securities laws, all of the securities issued in connection with this closing are subject to a four month hold period.

- b) Issued 848,355 shares to a director and officer of the Company at a value of \$0.06 per share to settle \$50,901 of debt. In compliance with Canadian securities laws, the shares will be subject to a four month hold period.

During the year ended June 30, 2016, the Company:

- c) Completed a non-brokered private placement comprised of 15,000,000 units at a purchase price of \$0.05 per unit for gross proceeds of \$750,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of \$0.10 per share for 2 years from the closing date and is subject to accelerated expiry provisions such that if at any time after the date of Closing of the private placement, the Company's common shares trade on the TSX Venture Exchange at or above a weighted average trading price of \$0.25 per share for 10 consecutive trading days, the Company may give notice to the holders that each warrant will expire 30 days from the date of providing such notice.

The Company paid finder's fees of \$13,660 cash and issued 273,200 finder warrants valued at \$20,407 with each finder warrant entitling the holder to acquire one additional common share of the Company at an exercise price of \$0.10 per share for 1 year from the closing date. Further cash share issue costs of \$11,332 were also paid.

In compliance with Canadian securities laws, all of the securities issued in connection with this closing are subject to a four month hold period.

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended June 30, 2017 was based on the net loss of \$362,810 (2016 - \$459,178) and a weighted average number of common shares outstanding of 19,779,619 (June 30, 2016 - 10,276,997).

At June 30, 2017, all outstanding stock options and warrants were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

INTERNATIONAL SAMUEL EXPLORATION CORP.
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10. SHARE-BASED PAYMENTS

Stock options

The Company has a stock option plan under which it is authorized to grant options to officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 5 years and vest as determined by the board of directors.

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Options outstanding, June 30, 2015	207,909	\$	1.40
Expired	(56,399)	\$	2.00
Options outstanding, June 30, 2016	151,510	\$	1.15
Granted	2,650,000	\$	0.05
Cancelled	(151,510)	\$	1.15
Options outstanding, June 30, 2017	2,650,000	\$	0.05
Options exercisable at June 30, 2017	2,650,000	\$	0.05
Weighted average fair value of options granted during the year		\$	0.05

As at June 30, 2017, the following stock options were outstanding with a weighted average remaining contractual life of 4.83 years (June 30, 2016 – 1.16 years):

Number of Options	Exercise Price	Expiry Date
2,650,000	\$ 0.05	April 27, 2022
2,650,000		

For the year ended June 30, 2017 \$153,279 (2016 - \$Nil) was recorded as stock-based compensation related to the issuance of 2,650,000 incentive stock options (2016 - Nil). The fair value of the options granted during the year was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	2017	2016
Risk-free interest rate	0.71	Nil
Expected life of finder warrants	5 years	Nil
Annualized volatility	1.8349	Nil
Dividend rate	0	0

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10. SHARE-BASED PAYMENTS (cont'd)

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, June 30, 2015	-	\$ -
Issued	15,000,000	\$ 0.10
Warrants outstanding, June 30, 2016	15,000,000	\$ 0.10
Issued	8,200,000	\$ 0.10
Warrants exercisable at June 30, 2017	23,200,000	\$ 0.10

As at June 30, 2017, outstanding share purchase warrants are:

Number of Warrants (consolidated)	Exercise Price	Expiry Date
7,905,000	\$ 0.10	December 24, 2017
2,215,000	\$ 0.10	December 29, 2017
4,880,000	\$ 0.10	February 19, 2018
8,200,000	\$ 0.10	April 27, 2019
23,200,000		

Finder's Warrants

Finder warrant transactions are summarized as follows:

	Number of Finder's Warrants	Weighted Average Exercise Price
Finder warrants outstanding, June 30, 2015	-	\$ -
Issued	273,200	\$ 0.10
Finder warrants outstanding, June 30, 2016	273,200	\$ 0.10
Expired	(273,200)	\$ 0.10
Finder warrants exercisable at June 30, 2017	-	-

As at June 30, 2017, there are no outstanding finder warrants.

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10. SHARE-BASED PAYMENTS (cont'd)

Finder's Warrants (cont'd)

For the year ended June 30, 2017, the Company recorded \$Nil (2016 - \$20,407) in share issue costs related to the issuance of Nil finder warrants (2016 - 273,200). The fair value of the finder warrants granted during the year was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	2017	2016
Risk-free interest rate	Nil	0.48
Expected life of finder warrants	Nil	1 year
Annualized volatility	Nil	228%
Dividend rate	0	0

11. RELATED PARTY TRANSACTIONS

Included in trade and other payables is \$74,525 (June 30, 2016 - \$169,762) owed to companies controlled by key management for services rendered to the Company; this amount owing is unsecured, non-interest bearing, and has no specific terms of repayment.

Included in trade and other payables is \$Nil (June 30, 2016 - \$2,899) owed to individuals or companies with common directors for accounting and administration fees rendered to the Company; this amount owing is unsecured, non-interest bearing, and has no specific terms of repayment.

Key management includes directors (executive and non-executive) and senior officers of the Company. The compensation paid or payable to key management personnel during the year ended June 30 is as follows:

	2017	2016
Management fees	\$ 5,000	\$ 34,000
Professional fees	40,013	11,975
Total	\$ 45,013	\$ 45,975

The Company entered into the following transactions relating to key management personnel and entities over which they have control or significant influence during the year ended June 30, 2017:

- a) Paid or accrued management fees of \$5,000 (2016 - \$29,000) to a private company controlled by the President of the Company.
- b) Paid or accrued management fees of \$Nil (2016 - \$5,000) to a director of the Company.
- c) Paid or accrued management fees of \$19,425 (2016 - \$4,400) to the Chief Financial Officer of the Company.
- d) Paid or accrued administration fees of \$20,588 (2016 - \$7,575) to a private company controlled by the Secretary of the Company.

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11. RELATED PARTY TRANSACTIONS (cont'd)

During the year ended June 30, 2017, the Company issued 848,355 shares to a director and officer of the Company to settle \$50,901 of debt.

During the year ended June 30, 2016, the Company entered into debt settlement agreements with a former director and a company with directors and officers common to the Company, recognizing gains of \$55,245 on settlement. See Note 13.

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the year ending June 30, 2017:

- a) On June 13, 2017 the Company issued 848,355 common shares to a director and office of the Company for a consideration of \$50,901 in settlement of unpaid accrued management salary.

During the year ending June 30, 2016:

- b) The Company incurred share issue costs of \$20,407 in relation to an issuance of 273,200 finder's warrants with an exercise price of \$0.10 and an expiry of December 29, 2016 and February 19, 2017.

13. SETTLEMENT OF DEBT

During the year ended June 30, 2017, the Company entered into debt settlement agreements with an arm's length party, settling \$43,892 of debt, net of \$1,290 of GST recoverable reversed upon settlement, for total payment of \$15,000.

During the year ended June 30, 2016, the Company entered into debt settlement agreements with arm's length and non-arm's length parties, settling \$264,285 of debt, net of \$5,057 of GST recoverable reversed upon settlement, for total payment of \$85,750.

14. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	June 30, 2017	June 30, 2016
Loss before income taxes	\$ (362,810)	\$ (459,178)
Statutory tax rate	26.00%	26.00%
Expected income tax recovery at statutory rates	\$ (94,330)	\$ (119,386)
Net adjustment for deductible and non-deductible amounts	35,056	(43,673)
Unrecognized tax benefits arising from temporary differences	59,274	163,059
Total deferred income tax recovery	\$ -	\$ -

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14. INCOME TAXES (cont'd)

Details of deferred income tax assets and liabilities are as follows:

	June 30, 2017	June 30, 2016
Non-capital loss carryforwards	\$ 1,087,855	\$ 1,071,360
Capital loss carryforwards	281,256	281,256
Exploration and evaluation assets	868,238	937,174
Share issuance costs	8,153	9,996
Other	7,221	4,985
Net deferred income tax assets	\$ 2,252,723	\$ 2,304,771

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets/(liabilities) have been recognized are attributable to the following:

	June 30, 2017	June 30, 2016
Non-capital loss carryforwards	\$ 4,184,057	\$ 4,120,615
Capital loss carryforwards	2,163,509	2,163,509
Exploration and evaluation assets	3,339,378	3,604,516
Share issuance costs	31,356	38,447
Other	27,775	19,173
Net deferred income tax assets	\$ 9,746,075	\$ 9,946,260

Deferred income tax assets have not been recognized in these financial statements as the Company determined that, as at June 30, 2017, it is not probable that they will be realized.

The Company has available for deduction against future taxable income non-capital losses of approximately \$4,185,000. These losses, if not utilized, will expire from 2027 through 2037. Subject to certain restrictions, the Company also has resource expenditures of approximately \$3,300,000 available to reduce taxable income in future years.

The Company incurred \$3,391 (2016 - \$nil) during the year as penalty taxes for late incurrence of renounced expenditures.

15. FINANCIAL INSTRUMENTS

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The Company's cash is exposed to credit risk. The Company's credit risk with respect to its cash is minimal as balances are held with high-credit quality financial institutions and amounts are generally within the institutions' deposit insurance limits.

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15. FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's trade and other payable have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

At present, the Company's operations do not generate cash flow. The Company's primary source of funding has been the issuance of equity securities through private placements and the exercise of stock options and warrants. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. See Note 1.

Interest rate risk

The Company is exposed to interest rate risk in relation to cash and cash equivalents held at financial institutions. The interest rate risks on cash are not considered significant due to their short-term nature and maturity.

16. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes shareholders' equity in the definition of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, acquire or dispose of assets.

There were no changes in the Company's approach to capital management during the year ended June 30, 2017.

17. SUBSEQUENT EVENTS

- a) In August 2017 the Company entered into an option agreement to acquire a 100% interest in the Lucifer Property located in northwestern British Columbia for a total consideration of 3,000,000 common shares, of which 2,000,000 shares are to be issued upon TSX acceptance (issued on October 2, 2017) and 1,000,000 shares are to be issued by October 31, 2018. The Company also issued 300,000 common shares as a finder's fee. The vendor retains a 2% NSR royalty, of which the Company may repurchase up to 1.5% for \$500,000 per 0.5%.
- b) On September 29, 2017 the Company completed a non-brokered private placement comprised of 4,000,000 units at a purchase price of \$0.05 per unit for gross proceeds of \$200,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.15 per share for one year from the closing date. In compliance with Canadian securities laws, all of the securities issued in connection with this closing are subject to a four month hold period.
- c) In September 2017 the Company entered into a Purchase and Sale agreement to acquire a 100% interest in the Mickey Davis Gold & Copper Property, located in northwestern British Columbia, for total consideration of \$100,000 and 12 million common shares to be issued upon TSX acceptance (issued on October 2, 2017). The Company also issued 1,200,000 common shares as a finder's fee. One of the vendors retains a 2% NSR royalty.

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17. SUBSEQUENT EVENTS (cont'd)

- d) In September 2017 the Company entered into a Purchase and Sale agreement to acquire a 100% interest in the Grizzly Property, located in northwestern British Columbia, for consideration of 3,000,000 common shares, of which 2,000,000 shares are to be issued upon TSX acceptance (issued on October 2, 2017) and 1,000,000 shares are to be issued by October 2, 2018. The Company also issued 120,000 common shares to buy out a 2% NSR royalty previously granted by the vendor to a prior owner of the property (issued on October 2, 2017). The Vendor was granted a 1% NSR royalty.
- e) On October 3, 2017, the Company granted 3,200,000 stock options to directors, officer, employees and consultants at an exercise price of \$0.10 per share for a term of five years.
- f) In October 2017 the Company entered into an agreement to purchase a 100% interest in the Williams Property, located in northern British Columbia, for the following consideration:
- The issuance of 4,000,000 common shares at closing (issued on October 25, 2017);
 - The issuance of 1,000,000 common shares upon the Company announcing an NI 43-101-compliant mineral resource estimate of at least 500,000 ounces of gold; and
 - The issuance of an additional 750,000 common shares upon the Company announcing an NI 43-101-compliant mineral resource estimate of at least 1,000,000 ounces of gold.

The Company granted the vendor a 0.50% NSR and also assumes the obligation to pay a further 2% NSR stemming from two existing NSR agreements, including a 0.75% NSR previously granted to the vendor's parent company and a 1.25% NSR previously granted to a third-party prospector. Pursuant to terms of the 1.25% NSR with the third-party prospector, the Company also assumes the obligation to make an annual \$5,000 advance royalty payment to the prospector and retains the right to buy back 30% of that NSR (0.375%) for \$500,000 or 60% of it (0.75%) for \$1,000,000.

- g) To October 27, 2017, 700,000 stock options and 2,250,000 share purchase warrants had been exercised for total proceeds of \$35,000 and \$225,000, respectively.