

**ROTATION MINERALS LTD.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

May 31, 2017

(Stated in Canadian Dollars)

(Unaudited – Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, if an auditor has not performed a review of interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed interim financial statements.

**ROTATION MINERALS LTD.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
 May 31, 2017 and August 31, 2016  
 (Stated in Canadian Dollars)  
 (Unaudited – Prepared by Management)

	<b>ASSETS</b>	
	May 31, <u>2017</u>	August 31, <u>2016</u>
Current assets		
Cash	\$ 1,289	\$ 53,581
GST recoverable	25,340	17,712
Prepaid expenses	<u>3,383</u>	<u>1,733</u>
	<u>30,012</u>	<u>73,026</u>
Non-current assets		
Reclamation bonds	22,246	22,246
Exploration and evaluation assets – Notes 5 and 6	1,361,876	901,407
Exploration advances – Note 6	-	<u>82,500</u>
	<u>1,384,122</u>	<u>1,006,153</u>
	<b><u>\$ 1,414,134</u></b>	<b><u>\$ 1,079,179</u></b>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**Liabilities**

Current liabilities		
Accounts payable and accrued liabilities – Note 6	\$ <u>447,739</u>	\$ <u>66,167</u>

**Shareholders' Equity**

Share capital – Note 7	2,723,743	2,463,528
Contributed surplus	710,030	581,945
Deficit	<u>(2,467,378)</u>	<u>(2,032,461)</u>
	<u>966,395</u>	<u>1,013,012</u>
	<b><u>\$ 1,414,134</u></b>	<b><u>\$ 1,079,179</u></b>

APPROVED AND AUTHORIZED BY THE BOARD:

<u>“Bradley Rourke”</u> Director Bradley Rourke	<u>“Brent Petterson”</u> Director Brent Petterson
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*The accompanying notes are an integral part of these condensed interim financial statements*

**ROTATION MINERALS LTD.**  
**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the three and nine months ended May 31, 2017 and 2016

(Stated in Canadian Dollars)

(Unaudited – Prepared by Management)

	Three months ended May 31, <u>2017</u>	Three months ended May 31, <u>2016</u>	Nine months ended May 31, <u>2017</u>	Nine months ended May 31, <u>2016</u>
Expenses				
Accounting and audit fees – Note 6	\$ 200	\$ 3,000	\$ 8,350	\$ 8,750
Consulting	21,000	-	21,000	-
Filing fees	2,333	7,418	11,583	10,018
Legal fees	9,467	18,619	32,459	28,639
Management fees – Note 6	12,000	12,000	36,000	36,000
Office and miscellaneous	1,515	3,197	1,653	3,485
Share-based payments	180,000	103,445	180,000	103,445
Transfer agent fees	2,607	2,570	8,095	4,919
Travel	<u>(9,258)</u>	<u>-</u>	<u>40,742</u>	<u>-</u>
Loss before other items	(219,864)	(150,249)	(339,882)	(195,256)
Other items				
Gain on settlement of debt – Note 7	-	18,754	-	18,754
Write-off exploration and evaluation – Note 5	<u>-</u>	<u>-</u>	<u>(95,035)</u>	<u>-</u>
<b>Net and comprehensive loss</b>	<b><u>\$ (219,864)</u></b>	<b><u>\$ (131,495)</u></b>	<b><u>\$ (434,917)</u></b>	<b><u>\$ (176,502)</u></b>
<b>Loss per share - basic and diluted</b>	<b><u>\$ (0.01)</u></b>	<b><u>\$ (0.00)</u></b>	<b><u>\$ (0.01)</u></b>	<b><u>\$ (0.01)</u></b>
Weighted average number of shares outstanding	<u>38,204,017</u>	<u>27,007,252</u>	<u>37,705,116</u>	<u>24,457,535</u>

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

**ROTATION MINERALS LTD.**  
**CONDENSED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY**  
For the nine months ended May 31, 2017 and 2016  
(Stated in Canadian Dollars)  
(Unaudited – Prepared by Management)

	# of Issued Common Shares	Amount	Contributed Surplus	Deficit	Total
<b>Balance, August 31, 2015</b>	<b>23,168,667</b>	<b>\$ 1,914,701</b>	<b>\$ 358,500</b>	<b>\$ (1,786,105)</b>	<b>\$ 487,096</b>
Shares issued for cash:					
Private placement – Note 7	4,000,000	200,000	-	-	200,000
Shares issued for debt – Note 7	1,875,350	75,014	-	-	75,014
Share-based payments – Note 8	-	-	103,445	-	103,445
Net loss and comprehensive loss	-	-	-	(176,502)	(176,502)
<b>Balance, May 31, 2016</b>	<b><u>29,044,017</u></b>	<b><u>\$ 2,189,715</u></b>	<b><u>\$ 461,945</u></b>	<b><u>\$ (1,962,607)</u></b>	<b><u>\$ 689,053</u></b>
<b>Balance, August 31, 2016</b>	<b>37,044,017</b>	<b>\$ 2,463,528</b>	<b>\$ 581,945</b>	<b>\$ (2,032,461)</b>	<b>\$ 1,013,012</b>
Shares issued for cash:					
Exercise of stock options – Note 7	400,000	20,000	-	-	20,000
Private placement – Note 7	760,000	190,000	-	-	190,000
Less: share issue costs – Note 7	-	(1,700)	-	-	(1,700)
Reclassification on exercise of stock options	-	51,915	(51,915)	-	-
Share-based payments – Note 8	-	-	180,000	-	180,000
Net loss and comprehensive loss	-	-	-	(434,917)	(434,917)
<b>Balance, May 31, 2017</b>	<b><u>38,204,017</u></b>	<b><u>\$ 2,723,743</u></b>	<b><u>\$ 710,030</u></b>	<b><u>\$ (2,467,378)</u></b>	<b><u>\$ 966,395</u></b>

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

**ROTATION MINERALS LTD.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
For the nine months ended May 31, 2017 and 2016  
(Stated in Canadian Dollars)  
(Unaudited – Prepared by Management)

	<u>2017</u>	<u>2016</u>
<b>Operating Activities</b>		
Net loss	\$ (434,917)	\$ (176,502)
Item not involving cash:		
Share-based payments	180,000	103,445
Gain on settlement of debt	-	(18,754)
Write-off exploration and evaluation	<u>95,035</u>	<u>-</u>
	(159,882)	(91,811)
Changes in working capital balances related to operations:		
GST recoverable	(7,628)	(2,651)
Prepaid expenses	(1,650)	(846)
Accounts payable and accrued liabilities	<u>163,493</u>	<u>30,594</u>
	<u>(5,677)</u>	<u>(64,714)</u>
<b>Investing Activities</b>		
Reclamation bond	-	(9,056)
Exploration advances	-	(82,500)
Exploration and evaluation assets	<u>(254,915)</u>	<u>(16,174)</u>
	<u>(254,915)</u>	<u>(107,730)</u>
<b>Financing Activities</b>		
Shares issued for cash	<u>208,300</u>	<u>200,000</u>
Change in cash	(52,292)	27,556
Cash, beginning	<u>53,581</u>	<u>905</u>
Cash, ending	<u>\$ 1,289</u>	<u>\$ 28,461</u>
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

Non-cash Transactions – Note 10

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

**ROTATION MINERALS LTD.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
May 31, 2017  
(Stated in Canadian Dollars)  
(Unaudited – Prepared by Management)

1. Corporate Information

Rotation Minerals Ltd. (the “Company”) is an exploration stage company incorporated on November 24, 2009, in British Columbia, Canada. Its principal business activity is the acquisition, exploration and evaluation of mineral properties located in British Columbia, Canada. The Company’s common shares are listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “ROT”.

The Company’s head office and principal business address is 611 – 8<sup>th</sup> Street, Box 211, Stewart, British Columbia, Canada, V0T 1W0.

2. Basis of Preparation

a) Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standard (“IAS”) IAS 34 “Interim Financial Reporting”.

These condensed interim financial statements do not include all of the information and disclosures required to be included in annual financial statements prepared in accordance with IFRS. These condensed interim financial statements should be read in conjunction with the Company’s audited annual financial statements for the years ended August 31, 2016 and 2015.

These condensed interim financial statements were authorized for issue on July 31, 2017 by the directors of the Company.

b) Basis of Measurement

These condensed interim financial statements have been prepared using the historical cost basis except for financial instruments that have been measured at fair value.

The condensed interim financial statements are presented in Canadian dollars, which is the Company’s functional currency and presentation currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

**Rotation Minerals Ltd.**  
**Notes to the Condensed Interim Financial Statements**  
May 31, 2017  
(Stated in Canadian Dollars)  
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2. Basis of Preparation – (cont'd)

c) Going Concern

As at May 31, 2017, the Company has not generated revenue from operations, has an accumulated deficit of \$2,467,378 and expects to incur further losses in the exploration and development of its mineral properties. These condensed interim financial statements have been 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 for the foreseeable future. The Company has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the Company's ability to obtain adequate financing to develop the reserves, and its ability to commence profitable operations in the future. These conditions indicate material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The Company has been able to fund operations and mineral property exploration through equity financings. Uncertainty in the financial equity markets may make it difficult to raise capital through the private placement of shares. The junior mining industry is considered speculative in nature which could make it more difficult to fund. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with its financing ventures.

These condensed interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

**Rotation Minerals Ltd.**  
**Notes to the Condensed Interim Financial Statements**  
May 31, 2017  
(Stated in Canadian Dollars)  
(Unaudited – Prepared by Management)

3. Significant Accounting Policies

These condensed interim financial statements have, in management's opinion, been properly and consistently prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Mineral Exploration and Evaluation Expenditures

*Pre-exploration Costs*

Pre-exploration costs are expensed in the period in which they are incurred.

*Exploration and Evaluation Expenditures*

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss.

**Rotation Minerals Ltd.**  
**Notes to the Condensed Interim Financial Statements**  
May 31, 2017  
(Stated in Canadian Dollars)  
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3. Significant Accounting Policies – (cont'd)

a) Mineral Exploration and Evaluation Expenditures – (cont'd)

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction”. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

b) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss.

c) Financial Instruments

Financial Assets

The Company has classified its cash as fair value through profits and loss (“FVTPL”) and reclamation bonds as loans and receivables.

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3. Significant Accounting Policies – (cont'd)

c) Financial Instruments (cont'd)

Financial Assets (cont'd)

Financial assets are classified as FVTPL if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of a portfolio of identified financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand.

They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of accounts payables and advances from related parties. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carrying in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. The Company's financial liabilities comprise of accounts payable and advances from related parties.

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3. Significant Accounting Policies – (cont'd)

c) Financial Instruments (cont'd)

Impairment of Financial Assets

The Company assesses at each reporting date 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.

d) Provisions

*Rehabilitation Provision*

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. Rehabilitation activities include restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur. At May 31, 2017 and August 31, 2016, the Company did not have any rehabilitation provisions.

*Other Provisions*

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

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3. Significant Accounting Policies – (cont'd)

e) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

f) Government Grants

B.C. Mining Exploration Tax Credits for certain exploration expenditures incurred in B.C. are treated as a reduction of the exploration and development costs of the respective exploration and evaluation assets. Until such time that there is significant certainty with regard to collections and assessments, the Company will record any recovered tax credits at the time of receipt. No gain or loss is realized during the exploration stage until all carrying costs of the specific interest have been offset.

g) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Costs directly attributable to the issue of new shares are recognized in equity as a deduction from the proceeds. Costs attributable to the listing of existing shares are expensed as incurred.

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3. Significant Accounting Policies – (cont'd)

h) Loss per Common Share

Basic loss per share is computed by dividing the net loss applicable to the common shares by the weighted average number of common shares outstanding for the period.

Diluted loss per common share is computed by dividing the net loss applicable to the common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. When losses are incurred, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

i) Share-Based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

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

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

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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3. Significant Accounting Policies – (cont'd)

i) Share-Based Payments – (cont'd)

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

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

j) 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, the 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 liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

k) Recent Accounting Pronouncements

New accounting standards adopted effective September 1, 2016:

*IAS 1 – Presentation of Financial Statements*

In December 2014, amendments to IAS 1 were issued to address perceived impediments to preparers exercising their judgement in presenting their financial statements. The amendments clarify the definition of materiality, the presentation of items on the statement of financial position and statement of profit or loss and other comprehensive income, and ordering of notes in the financial statements.

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3. Significant Accounting Policies – (cont'd)

1) Accounting Standards and Amendments Issued But Not Yet Effective

*The following standards have not been adopted by the Company.* The Company is currently evaluating the impact these amendments are expected to have on its financial statements.

New accounting standards effective September 1, 2017:

*IAS 7 – Statement of Cash Flows*

The objective of the amendments to IAS 7 is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The amendments to IAS 7 respond to investors' requests for information that helps them better understand changes in an entity's debt, which is important to their analysis of financial statements.

New accounting standards effective September 1, 2018:

*IFRS 9 – Financial Instruments*

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013, new general hedging requirements were added to the standard. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

*IFRS 15 – Revenue from Contracts with Customers*

In May 2014, IFRS 15 was issued and replaces IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC-31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

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3. Significant Accounting Policies – (cont'd)

1) Accounting Standards and Amendments Issued But Not Yet Effective – (cont'd)

New accounting standards effective September 1, 2019:

*IFRS 2 – Shared-Based Payments*

In June 2016 the Board issued the final amendments to IFRS 2 which amended (a) the effects that vesting conditions have on the measurement of a cash-settled share-based payment; (b) the accounting for modification to the terms of a share-based payment that changes the classification of the transaction from cash-settled to equity settled; and (c) classification of share-based payment transactions with net settlement features.

*IFRS 16 – Leases*

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

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4. Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both. Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

a) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

b) Rehabilitation Provisions

Rehabilitation provisions have been determined to be \$Nil based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period.

c) Share-Based Payments

The Company uses the Black Scholes Option Pricing Model for valuation of share based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

d) Valuation of Deferred Tax Assets

The Company makes a determination of whether it is likely that future taxable profits will be available to utilize against any deferred tax assets.

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5. Exploration and Evaluation Assets

a) Four J's

By an option agreement with a company with a director in common with the Company dated August 9, 2010, and last amended on August 4, 2016, the Company has the option to acquire a 50% interest in the Four J's Property which consists of 5 claims located near Stewart, British Columbia. Consideration to earn the 50% interest consists of \$180,000 in cash and exploration expenditures of \$1,800,000 as follows:

*Cash Payments:*

- i) \$20,000 on execution of the agreement (paid);
- ii) a further \$25,000 on or before August 9, 2011 (paid);
- iii) a further \$30,000 on or before August 9, 2012 (paid);
- iv) a further \$15,000 on or before August 9, 2016 (paid);
- v) a further \$20,000 on or before August 9, 2017;
- vi) a further \$30,000 on or before August 9, 2018;
- vii) a further \$40,000 on or before August 9, 2019.

*Cumulative Exploration Expenditures:*

- i) \$397,716 on or before September 30, 2016 (incurred);
- ii) a further \$100,000 on or before December 31, 2016 (incurred);
- iii) a further \$200,000 on or before December 31, 2017; (incurred \$1,960)
- iv) a further \$300,000 on or before December 31, 2018;
- v) a further \$802,284 on or before December 31, 2019.

Upon earning the 50% interest, the Company has been granted the option to earn an additional 20% interest by completing the necessary exploration work, studies and reports to deliver a feasibility study on the property.

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5. Exploration and Evaluation Assets – (cont'd)

b) Scottie

On September 27, 2012, the Company entered into an agreement with a company managed by directors of the Company, to purchase an 80% interest in the Scottie Property. The property consists of 2 claims and 14 Crown-granted claims located near Stewart, B.C.

The Company purchased the 80% interest for \$370,000. The Company paid \$20,000 upon signing the agreement with the remaining \$350,000 payable within one year of signing the agreement. The agreement was amended a number of times to extend the due date of the \$350,000 balance payable to September 1, 2017.

On August 31, 2016, the vendor of the Scottie property agreed to transfer the remaining 20% interest in the Scottie property to the Company at no cost, provided that the Company pay the balance of the purchase price on or before November 30, 2016. The Company and the vendor negotiated an extension of the due date to September 1, 2017.

The Company paid \$17,500 during the nine months ended May 31, 2017.

The property is subject to a 3% net smelter return royalty. The Company has the right to purchase 2% for \$600,000.

c) Black Hills

On January 17, 2013, the Company purchased a 100% interest in 6 claims located in the Skeena Mining Division of British Columbia for \$10,000 from a company that is managed by a director of the Company. The claims are collectively known as the Black Hills Property.

d) Placer Lease 372720

On March 1, 2016, the Company was granted a three year option on Placer Lease 372720 located in the Cariboo Mining District of Central British Columbia. Placer Lease 372720 was optioned from the former Chief Executive Officer (“CEO”) of the Company. The Company will pay a 2% net smelter return royalty to the CEO on any gold produced during the option period. The Company agreed to incur a minimum work commitment of \$30,000 on or before December 31, 2016 (incurred).

On February 28, 2017, the Company abandoned its option on Placer Lease 372720 and recorded a charge of \$95,035.

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5. Exploration and Evaluation Assets – (cont'd)

*Nine Months ended May 31, 2017:*

	<u>Four J's</u>	<u>Scottie</u>	<u>Black Hills</u>	<u>Placer Lease</u>	<u>Total</u>
<u>Property acquisition costs</u>					
Balance, August 31, 2016	\$ 90,000	\$ 20,000	\$ 10,000	\$ -	\$ 120,000
Cash – Note 6	-	17,500	-	-	17,500
Staking	-	7,225	-	-	7,225
Balance, May 31, 2017	<u>90,000</u>	<u>44,725</u>	<u>10,000</u>	<u>-</u>	<u>144,725</u>
<u>Exploration and evaluation costs</u>					
Balance, August 31, 2016	397,716	396,727	2,923	16,174	813,540
Assays	3,860	42,105	-	-	45,965
Drilling – Note 6	42,420	140,925	-	-	183,345
Equipment rental – Note 6	21,530	29,505	-	69,861	120,896
Field costs – Note 6	294	21,340	864	9,000	31,498
Geological	15,631	96,994	-	-	112,625
Labour – Note 6	12,425	12,425	-	-	24,850
Supervision – Note 6	<u>5,800</u>	<u>5,800</u>	<u>-</u>	<u>-</u>	<u>11,600</u>
Balance, May 31, 2017	<u>499,676</u>	<u>745,821</u>	<u>3,787</u>	<u>95,035</u>	<u>1,344,319</u>
<u>BC mining exploration tax credits</u>	<u>(31,749)</u>	<u>(384)</u>	<u>-</u>	<u>-</u>	<u>(32,133)</u>
<u>Write-off mineral property costs</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(95,035)</u>	<u>(95,035)</u>
Totals	<u>\$ 557,927</u>	<u>\$ 790,162</u>	<u>\$ 13,787</u>	<u>\$ -</u>	<u>\$ 1,361,876</u>

*Year ended August 31, 2016:*

	<u>Four J's</u>	<u>Scottie</u>	<u>Black Hills</u>	<u>Placer Lease</u>	<u>Total</u>
<u>Property acquisition costs</u>					
Balance, August 31, 2015	\$ 75,000	\$ 20,000	\$ 10,000	\$ -	\$ 105,000
Cash	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Balance, August 31, 2016	<u>90,000</u>	<u>20,000</u>	<u>10,000</u>	<u>-</u>	<u>120,000</u>
<u>Exploration and evaluation costs</u>					
Balance, August 31, 2015	397,716	114,920	2,923	-	515,559
Assays	-	2,000	-	-	2,000
Drilling	-	162,855	-	-	162,855
Equipment rental	-	70,290	-	-	70,290
Field costs	-	33,662	-	13,324	46,986
Geological	-	<u>13,000</u>	<u>-</u>	<u>2,850</u>	<u>15,850</u>
Balance, August 31, 2016	<u>397,716</u>	<u>396,727</u>	<u>2,923</u>	<u>16,174</u>	<u>813,540</u>
<u>BC mining exploration tax credits</u>	<u>(31,749)</u>	<u>(384)</u>	<u>-</u>	<u>-</u>	<u>(32,133)</u>
Totals	<u>\$ 455,967</u>	<u>\$ 416,343</u>	<u>\$ 12,923</u>	<u>\$ 16,174</u>	<u>\$ 901,407</u>

**Rotation Minerals Ltd.**  
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6. Related Party Transactions

The Company incurred the following charges by directors of the Company, by companies with directors in common with the Company, by a company managed by a director of the Company and by a public company with directors in common with the Company during the nine months ended May 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Accounting fees	\$ 7,000	\$ 7,500
Exploration and evaluation assets – acquisition costs	17,500	-
Exploration and evaluation assets – drilling	183,345	-
Exploration and evaluation assets – equipment rental	86,120	-
Exploration and evaluation assets – geological	57,000	-
Exploration and evaluation assets – labour	24,850	-
Exploration and evaluation assets – supervision	11,600	-
Management fees	<u>36,000</u>	<u>36,000</u>
	<u>\$ 423,415</u>	<u>\$ 43,500</u>

The Company considers its Chief Executive Officer and Chief Financial Officer to be key management. The Company incurred the following key management compensation charges during the nine months ended May 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Exploration and evaluation assets – acquisition costs	\$ 17,500	\$ -
Exploration and evaluation assets – drilling	183,345	-
Exploration and evaluation assets – equipment rental	68,520	-
Exploration and evaluation assets – geological	57,000	-
Exploration and evaluation assets – supervision	11,600	-
Management fees	<u>36,000</u>	<u>36,000</u>
	<u>\$ 373,965</u>	<u>\$ 36,000</u>

At May 31, 2017, exploration advances include \$Nil (August 31, 2016: \$54,500) due to a company with directors in common with the Company and to a company managed by a director of the Company for exploration services to be provided.

At May 31, 2017, accounts payable and accrued liabilities include \$349,397 (August 31, 2016: \$28,200) due to directors of the Company and to companies with directors in common with the Company.

The amounts due to/from related parties are unsecured, non-interest bearing and have no fixed term of repayment.

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7. Share Capital

a) Authorized:

Unlimited number of common shares without par value

b) Issued:

***During the Nine Months Ended May 31, 2017:***

On October 6, 2016, the Company issued 400,000 common shares at \$0.05 per share pursuant to the exercise of 400,000 stock options for proceeds of \$20,000.

On January 24, 2017, the Company issued 760,000 common shares at \$0.25 per share for gross proceeds of \$190,000 pursuant to the private placement of 760,000 units at \$0.25 per unit. Each unit contained one common share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase an additional common share at \$0.40 until January 24, 2019. No finders' fees were paid with respect to this private placement. The Company incurred share issue costs of \$1,700 with respect to this private placement.

***During the Year Ended August 31, 2016:***

On March 22, 2016, the Company issued 1,875,350 common shares at a deemed value of \$0.05 per share to settle liabilities of \$93,768 (accounts payable of \$80,338 and cash advances of \$13,430). The settlement agreements were with a director of the Company, companies with directors in common with the Company and a company managed by a director of the Company. The Company recorded a gain on settlement of liabilities of \$18,754 based on the fair market value of shares at the time of the settlement.

On April 7, 2016, the Company issued 4,000,000 common shares for gross proceeds of \$200,000 pursuant to a non-brokered private placement. The Company issued 2,000,000 flow-through units at \$0.05 per unit for gross proceeds of \$100,000 and 2,000,000 non-flow-through units at \$0.05 per unit for gross proceeds of \$100,000. The flow-through units contained one flow-through common share and one share purchase warrant. The non-flow-through units contained one common share and one share purchase warrant. All the warrants entitled the holders to purchase an additional common share at \$0.05 until April 7, 2018. No finders' fees were paid with respect to this private placement. There was no flow-through premium on this private placement and the Company has incurred the required flow-through eligible expenditures as at November 30, 2016.

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7. Share Capital – (cont'd)

b) Issued:

*During the Year Ended August 31, 2016:*

On June 22, 2016, the Company issued 8,000,000 common shares for gross proceeds of \$400,000 pursuant to a non-brokered private placement. The Company issued 4,000,000 flow-through units at \$0.05 per unit for gross proceeds of \$200,000 and 4,000,000 non-flow-through units at \$0.05 per unit for gross proceeds of \$200,000. The flow-through units contained one flow-through common share and one share purchase warrant. The non-flow-through units contained one common share and one share purchase warrant. All the warrants entitled the holders to purchase an additional common share at \$0.05 until June 22, 2018. No finders' fees were paid with respect to this private placement. There was no flow-through premium on this private placement and the Company has incurred the required flow-through eligible expenditures as at November 30, 2016.

c) Commitments:

*Share Purchase Warrants:*

At May 31, 2017, the Company had 12,380,000 share purchase warrants outstanding entitling the holders the right to purchase one common share for each warrant held as follows:

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
4,000,000	\$0.05	April 7, 2018
8,000,000	\$0.05	June 22, 2018
<u>380,000</u>	\$0.40	January 24, 2019
<u>12,380,000</u>		

At May 31, 2017, the outstanding warrants had a weighted average exercise price of \$0.06 and a weighted average remaining contractual life of 1.00 years.

8. Share-based Payments

The Company has a Stock Option Plan ("the Plan") under which it is authorized to grant options to directors, officers, consultants or employees of the Company. The number of options granted under the Plan is limited to 20% in the aggregate of the number of issued and outstanding common shares of the Company at the date of the grant of the options. The exercise price of options granted under the Plan may not be less than the fair market value of the Company's common shares at the date the options are granted. Options granted under the Plan have a maximum life of five years and vest on the date of grant or over periods determined by the directors.

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8. Share-based Payments – (cont'd)

On March 1, 2016, the Company granted 950,000 stock options entitling the holders to purchase one common share for each option held at \$0.05 per share until March 1, 2021. The fair value of the stock options of \$38,000 was calculated using the Black Scholes option valuation model with the following assumptions:

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Risk-free interest rate	1.50%
Expected life of options	5 years
Annualized volatility	206%
Dividend rate	0%
Share price on grant date	\$ 0.04

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On April 13, 2016, the Company received disinterested shareholder approval to amend the exercise price of 2,600,000 outstanding stock options from \$0.15 to \$0.05. The expiry date of October 7, 2016 was unchanged. The incremental fair value of the re-priced stock options of \$25,445 was calculated using the Black-Scholes option valuation model with the following assumptions:

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Risk-free interest rate	1.50%
Expected life of options	0.48 years
Annualized volatility	206%
Dividend rate	0%
Share price on amendment date	\$ 0.04

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On October 6, 2016, the Company issued 400,000 common shares at \$0.05 per share pursuant to the exercise of 400,000 of the above stock options. On October 7, 2016, the remaining 2,200,000 of the above stock options expired unexercised.

On May 16, 2016, the Company granted 1,000,000 stock options entitling the holders to purchase one common share for each option held at \$0.05 per share until May 16, 2021. The fair value of the stock options of \$40,000 was calculated using the Black Scholes option valuation model with the following assumptions:

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Risk-free interest rate	1.38%
Expected life of options	5 years
Annualized volatility	201%
Dividend rate	0%
Share price on grant date	\$ 0.04

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**Rotation Minerals Ltd.**  
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8. Share-based Payments – (cont'd)

On May 24, 2017, the Company granted 900,000 stock options entitling the holders to purchase one common share for each option held at \$0.20 per share until May 24, 2022. The fair value of the stock options of \$180,000 was calculated using the Black Scholes option valuation model with the following assumptions:

Risk-free interest rate	1.13%
Expected life of options	5 years
Annualized volatility	208%
Dividend rate	0%
Share price on grant date	\$ 0.20

At May 31, 2017, the Company had 2,850,000 stock options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
950,000	\$0.05	March 1, 2021
1,000,000	\$0.05	May 16, 2021
<u>900,000</u>	\$0.20	May 24, 2022
<u>2,850,000</u>		

At May 31, 2017, the outstanding stock options had a weighted average exercise price of \$0.10 and a weighted average remaining contractual life of 4.21 years.

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9. Financial Instruments

The fair values of the Company's financial assets and liabilities approximate their carrying amounts.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, reclamation bonds, accounts payable and advances from related parties. Cash is classified as FVTPL, reclamation bonds are classified as loans and receivables, and accounts payable and advances from related parties are classified as other financial liabilities.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is exposed to interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accounts payable and advances from related parties are all current and due within 90 days of the balance sheet date. The Company will require additional financing to provide sufficient capital to meet its short-term financial obligations.

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10. Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. The following transaction has been excluded from the statements of cash flows:

*For the nine months ended May 31, 2017:*

- At August 31, 2016, the Company had paid exploration advances of \$82,500 which were applied to exploration and evaluation costs incurred during the nine months ended May 31, 2017.
- At May 31, 2017, accounts payable and accrued liabilities included \$218,079 related to exploration and evaluation costs.

*For the nine months ended May 31, 2016:*

- The Company issued 1,875,350 common shares at \$0.05 per share to settle accounts payable and accrued liabilities of \$80,338 and advances from related parties of \$13,430.

11. Subsequent Events

On June 20, 2017, the Company issued 400,000 common shares at \$0.05 per share pursuant to the exercise of 400,000 stock options for proceeds of \$20,000.

On July, 27, 2017, the Company announced a non-brokered private placement of up to 9,333,333 units at \$0.15 per unit for gross proceeds of up to \$1,400,000. Each unit will consist of one common share and one share purchase warrant. Each warrant will entitle the holder to purchase an additional common share at \$0.25 for two years.