



**Blue Moon Zinc Corp.**

**Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2018**

(Unaudited – prepared by management)  
(Expressed in Canadian dollars)

**NOTICE TO READER:**

These condensed interim consolidated financial statements have not been reviewed by the Company's external auditors. These statements have been prepared by and are the responsibility of the Company's management. This notice is being provided in accordance with National Instrument 52-102 – Continuous Disclosure Obligations.

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**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		September 30, 2018	December 31, 2017
		\$	\$
<b>ASSETS</b>			
	Note		
Cash		228,956	308,701
Accounts receivable	10b	20,907	23,756
Prepaid expenses		13,412	5,186
Restricted cash	10b	13,254	6,954
<b>CURRENT ASSETS</b>		<b>276,529</b>	<b>344,597</b>
Mineral property interests	3	623,952	331,977
<b>ASSETS</b>		<b>900,481</b>	<b>676,574</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	7	448,389	126,271
Due to related parties	7	120,000	30,000
<b>LIABILITIES</b>		<b>568,389</b>	<b>156,271</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	4	9,398,900	8,648,966
Contributed surplus		1,205,435	935,375
Deficit		(10,272,243)	(9,064,038)
<b>SHAREHOLDERS' EQUITY</b>		<b>332,092</b>	<b>520,303</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>900,481</b>	<b>676,574</b>
Nature of operations and going concern	1		
Subsequent event	11		

**Approved by the Board of Directors**Douglas Urch (signed) DirectorPatrick McGrath (signed) Director

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**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2018	2017	2018	2017
		\$	\$	\$	\$
General exploration expenses	3d	584,648	61,985	769,796	78,755
Amortization		-	-	-	772
Filing and regulatory		9,940	4,442	25,158	27,577
General administrative costs		5,067	4,983	13,047	14,058
Professional fees		3,504	9,730	6,772	51,663
Share-based payments		22,112	76,748	162,060	79,260
Shareholder communication and travel		12,696	100,484	75,713	112,255
Consulting fees		39,000	6,000	151,000	15,000
Foreign exchange loss (gain)		2,046	(600)	4,659	(540)
<b>LOSS AND COMPREHENSIVE LOSS</b>		<b>679,013</b>	<b>263,772</b>	<b>1,208,205</b>	<b>378,800</b>
Basic and diluted loss per share		0.01	-	0.01	-
Weighted average number of common shares outstanding		102,950,707	92,750,707	101,822,502	83,625,799

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**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the nine months ended September 30,		2018	2017
Cash flows provided by (used in)	Note	\$	\$
<b>OPERATING ACTIVITIES</b>			
Loss and comprehensive loss		(1,208,205)	(378,800)
Items not affecting cash			
Amortization		-	772
Share-based payments		162,060	79,260
Change in non-cash working capital items		400,441	(171,878)
<b>OPERATING ACTIVITIES</b>		<b>(645,704)</b>	<b>(470,646)</b>
<b>FINANCING ACTIVITIES</b>			
Issuance of units	4b	520,000	600,000
Unit issuance costs	4b	(12,066)	(11,250)
Exercise of warrants	5a	-	125,000
Exercise of stock options	5b	80,000	20,000
<b>FINANCING ACTIVITIES</b>		<b>587,934</b>	<b>733,750</b>
<b>INVESTING ACTIVITIES</b>			
Buyback Net Profit Interest	3c	(21,975)	-
<b>INVESTING ACTIVITIES</b>		<b>(21,975)</b>	<b>-</b>
<b>CHANGE IN CASH</b>		<b>(79,745)</b>	<b>263,104</b>
Cash – Beginning		308,701	113,814
<b>CASH - ENDING</b>		<b>228,956</b>	<b>376,918</b>

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**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

	Note	Number of Shares	Share Capital \$	Contributed Surplus \$	Deficit \$	Shareholders' Equity \$
<b>DECEMBER 31, 2016</b>		<b>77,850,707</b>	<b>7,812,216</b>	<b>848,700</b>	<b>(8,324,305)</b>	<b>336,611</b>
Private Placements						
Share issuance	4b	12,000,000	600,000	-	-	600,000
Share issuance costs		-	(11,250)	-	-	(11,250)
Exercise of warrants	5a	2,500,000	125,000	-	-	125,000
Transfer of warrant exercise value		-	25,000	(25,000)	-	-
Exercise of stock options	5b	400,000	20,000	-	-	20,000
Transfer of stock option value		-	18,000	(18,000)	-	-
Share-based payments	6	-	-	79,260	-	79,260
Loss and comprehensive loss		-	-	-	(378,800)	(378,800)
<b>SEPTEMBER 30, 2017</b>		<b>92,750,707</b>	<b>8,588,966</b>	<b>884,960</b>	<b>(8,703,105)</b>	<b>770,821</b>
Exercise of warrants	5a	1,000,000	50,000	-	-	50,000
Transfer of warrant exercise value		-	10,000	(10,000)	-	-
Share-based payments	6	-	-	60,415	-	60,415
Loss and comprehensive loss		-	-	-	(360,933)	(360,933)
<b>DECEMBER 31, 2017</b>		<b>93,750,707</b>	<b>8,648,966</b>	<b>935,375</b>	<b>(9,064,038)</b>	<b>520,303</b>
Shares issued to buyback NPI Royalty	3c	3,000,000	270,000	-	-	270,000
Private Placement						
Unit issuance	4b	5,200,000	520,000	-	-	520,000
Unit issuance costs	4b	-	(12,066)	-	-	(12,066)
Allocation of warrant value		-	(168,000)	168,000	-	-
Exercise of stock options	5b	1,000,000	80,000	-	-	80,000
Transfer of stock option value		-	60,000	(60,000)	-	-
Share-based payments	6	-	-	162,060	-	162,060
Loss and comprehensive loss		-	-	-	(1,208,205)	(1,208,205)
<b>SEPTEMBER 30, 2018</b>		<b>102,950,707</b>	<b>9,398,900</b>	<b>1,205,435</b>	<b>(10,272,243)</b>	<b>332,092</b>

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**1. NATURE OF OPERATIONS AND GOING CONCERN****a) Nature of operations**

Blue Moon Zinc Corp. (together with its subsidiaries, "Blue Moon" or the "Company") is a Canadian exploration stage company which is focused on the exploration and development of mineral resource properties. On July 5, 2017, the Company changed its name to Blue Moon Zinc Corp. and began trading under its new stock symbol "MOON".

**b) Going concern**

The nature of the Company's operations requires significant expenditures for the acquisition, exploration, and evaluation of mineral properties. To date, the Company has not received any revenue from mining operations and is considered to be in the exploration stage. The Company's operations have been primarily funded from equity financings. The Company will continue to require additional funding to maintain its ongoing exploration and evaluation programs, property maintenance payments, and operations.

While these consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, which assumes the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events result in a material uncertainty casting significant doubt on the validity of this assumption. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional funding from equity transactions or through other arrangements. The Company has been successful in securing financing in the past, but there can be no assurance that it will be able to do so in the future.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of the assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumptions deemed to be inappropriate. These adjustments could be material.

**2. BASIS OF PRESENTATION****a) Compliance with International Financial Reporting Standards**

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, as issued by the International Accounting Standards Board ("IASB"), including International Accounting Standard 34 - Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS as issued by the IASB.

These financial statements were approved for issue by the Company's board of directors on November 22, 2018.

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**b) Critical accounting judgements, estimates and assumptions**

## Critical Judgments

The preparation of these condensed interim consolidated financial statements requires the Company to make judgments regarding the going concern of the Company as discussed in Note 1(b).

## Estimations and assumptions

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

## i) Mineral Property Interests

The carrying amount of the Company's mineral property interests does not necessarily represent present or future values, and the Company's mineral property interests have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's mineral property interests.

## ii) Share-based Payments

The estimation of share-based payments includes estimating the inputs used in calculating the fair value for share-based payments expense included in profit or loss and share-based share issuance costs included in equity. Share-based payments expense and share-based share issuance costs are estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.

## iii) Income Taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

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**3. MINERAL PROPERTY INTERESTS****a) Blue Moon (California, USA)**

The Blue Moon zinc property comprises of patented and unpatented lode mineral claims totaling 445 acres in Mariposa County, California. The claims are subject to a 2.5% Net Smelter Royalty ("NSR") capped at US\$1,900,000. All royalties are payable to third parties. Certain claims not subject to the NI 43-101 resource estimate are subject to a 3% NSR royalty capped at US \$200,000 payable to an additional third party.

**b) Yava (Nunavut, Canada)**

The Yava base metals property is located in Nunavut and consists of two mineral leases totaling 1,280 hectares. The mineral leases are subject to a 10% NPI royalty which the Company has the right to purchase for \$1,500,000. The Yava property is carried at \$nil.

**c) Mineral property costs**

	Blue Moon \$
DECEMBER 31, 2017 and 2016	331,977
Buyback NPI Royalty	291,975
<b>September 30, 2018</b>	<b>623,952</b>

On January 18, 2018, the Company agreed to buyback a 10% Net Profit Interest ("NPI") on the Company's wholly owned Blue Moon zinc project. The NPI holder, Northern Empire Resources Corp., was paid \$20,000 in cash and issued 3,000,000 common shares of the Company with a fair value of \$270,000. The Company also incurred \$1,975 in costs associated with closing the transaction.

**d) General exploration expenses**

For the nine months ended September 30,	2018 \$	2017 \$
Claims costs	12,260	10,346
Camp operations	52,137	2,836
Drilling	488,536	-
Engineering studies	17,439	5,940
Permitting	69,477	36,051
Prospecting and geology	129,947	23,582
<b>TOTAL</b>	<b>769,796</b>	<b>78,755</b>

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**4. SHARE CAPITAL****a) Authorized share capital**

Authorized share capital consists of an unlimited number of common shares without par value, unlimited Class "A" preferred shares with par value of \$10 per share, and unlimited Class "B" preferred shares without par value. No preferred shares have been issued.

**b) Financing**

On February 14, 2018, the Company issued 5,200,000 units at a price of \$0.10 per unit for gross proceeds of \$520,000. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitled the holder to purchase one additional common share at a price of \$0.15 until February 14, 2020. In the event the closing price of the Company's common shares exceeds \$0.22 per share for ten consecutive trading days, the Company may accelerate the date of the warrants by giving notice to the warrant holders and in such case the Warrants will expire on the 30th day after the day on which such notice is given by the Company. The Company incurred unit issuance costs of \$12,066.

The fair value assigned to warrants was \$168,000. The fair value was calculated using the Black-Scholes options pricing model and was based on the following assumptions:

Expected stock price volatility	110.06%
Expected term, in years	2.0
Average risk-free interest rate	2.06%
Expected dividend yield	-

On June 26, 2017, Blue Moon issued 12,000,000 common shares at a price of \$0.05 per common share for gross proceeds of \$600,000. The Company incurred share issuance costs of \$11,250.

**5. WARRANTS AND STOCK OPTIONS****a) Warrants**

A summary of the Company's warrants outstanding, including changes for the periods then ended, is presented below.

	Number of Warrants	Weighted average exercise price \$
DECEMBER 31, 2016	3,500,000	0.05
Exercised	(3,500,000)	0.05
DECEMBER 31, 2017	-	-
Issued	5,200,000	0.15
<b>SEPTEMBER 30, 2018</b>	<b>5,200,000</b>	<b>0.15</b>

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Warrants outstanding are as follows:

Warrants outstanding, by exercise price	Number of warrants	Average remaining contractual life in years
\$0.15	5,200,000	1.38
<b>SEPTEMBER 30, 2018</b>	<b>5,200,000</b>	<b>1.38</b>

**b) Stock options**

The Company has a stock option plan that permits the grant of stock options for the purchase of up to 10% of the issued and outstanding common shares of the Company to directors, officers, employees, and consultants. Options are exercisable for a maximum of 10 years. Terms, pricing and vesting of stock options are determined in accordance with the stock option plan as approved by the Board of Directors.

A summary of the Company's stock activity is presented below:

	Number of Stock options	Weighted average exercise price \$
DECEMBER 31, 2016	1,350,000	0.07
Granted	4,350,000	0.07
Exercised	(400,000)	0.05
Forfeited	(550,000)	0.07
Expired	(400,000)	0.10
DECEMBER 31, 2017	4,350,000	0.07
Granted	1,550,000	0.09
Exercised	(1,000,000)	0.08
Expired	(600,000)	0.07
<b>SEPTEMBER 30, 2018</b>	<b>4,300,000</b>	<b>0.08</b>

Stock options outstanding are as follows:

Stock options outstanding, by exercise price	Number of Stock options	Weighted average exercise price \$	Average remaining contractual life years
\$0.07	3,750,000	0.07	3.74
\$0.11	550,000	0.11	4.42
<b>SEPTEMBER 30, 2018</b>	<b>4,300,000</b>	<b>0.08</b>	<b>3.83</b>

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Of the total stock options outstanding 2,716,664 were vested and exercisable at September 30, 2018. The weighted average exercise price of vested stock options is \$0.07 and the average remaining contractual life is 3.79 years.

**6. SHARE-BASED PAYMENTS**

The following is a summary of the most recent stock options granted by the Company and the fair value assigned to each grant. The fair value was calculated using the Black-Scholes option pricing model and the following inputs and assumptions:

Inputs and assumptions	March 11, 2018	February 11, 2018	January 17, 2018	September 10, 2017	June 26, 2017
Stock options granted	350,000	200,000	1,000,000	600,000	3,750,000
Exercise price	\$0.11	\$0.10	\$0.08	\$0.07	\$0.07
Market price	\$0.11	\$0.11	\$0.08	\$0.07	\$0.05
Expected life of options (years)	5.0	5.0	5.0	5.0	5.0
Expected stock price volatility	106%	107%	108%	179%	182%
Average risk-free interest rate	2.06%	2.06%	2.00%	1.75%	1.12%
Expected forfeiture rate	-	-	-	-	-
Expected dividend yield	-	-	-	-	-
<b>FAIR VALUE ASSIGNED</b>	<b>\$28,000</b>	<b>\$16,000</b>	<b>\$60,000</b>	<b>\$36,000</b>	<b>\$187,500</b>

**7. RELATED PARTY TRANSACTIONS****Management Compensation**

The Company's related parties include its directors and officers, who are the key management of the Company. The remuneration of directors and officers during the years presented was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018 \$	2017 \$	2018 \$	2017 \$
Consulting fees	36,000	6,000	108,000	15,000
Share-based payments	14,438	37,738	58,146	39,379
<b>MANAGEMENT COMPENSATION</b>	<b>50,438</b>	<b>43,738</b>	<b>166,146</b>	<b>54,379</b>

As at September 30, 2018, due to related parties included \$120,000 (December 31, 2017 - \$30,000) due to an officer of the Company and accounts payable and accrued liabilities included \$20,000 due to a former officer of the Company. Amounts due to current and former related parties are unsecured, non-interest bearing and have no specific terms of repayment.

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**8. SEGMENTED INFORMATION**

The Company operates in one industry segment, the exploration and evaluation of mineral property interests, within two geographical areas, Canada and the United States. Non-current assets for each geographical area are:

	United States \$	Total \$
December 31, 2017	331,977	331,977
September 30, 2018	623,952	623,952

**9. CAPITAL MANAGEMENT**

Blue Moon is a mineral exploration and development company focusing on advancing the Blue Moon and Yava properties. Its principal source of funds is the issuance of common shares. The Company considers capital to be equity attributable to common shareholders, comprised of share capital, contributed surplus, and deficit. It is the Company's objective to safeguard its ability to continue as a going concern so that it can continue to explore and develop its projects. As at September 30, 2018, certain conditions and events cast significant doubt upon the Company's ability to continue as a going concern. Refer to note 1(b) for more information.

Blue Moon manages its capital structure based on the funds available for its operations and makes adjustments for changes in economic conditions, capital markets and the risk characteristics of the underlying assets. To maintain its objectives, the Company may attempt to issue new shares, seek debt financing, acquire or dispose of assets or change the timing of its planned exploration and development projects. There is no assurance that these initiatives will be successful.

Blue Moon monitors its cash position on a regular basis to determine whether sufficient funds are available to meet its short-term and long-term corporate objectives.

There has been no change in the Company's capital management practices during the period. Blue Moon does not pay dividends. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

**10. FINANCIAL INSTRUMENT RISK**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to liquidity and credit risks from the use of financial instruments. Financial instruments consist of cash, restricted cash, accounts receivable, due to related parties, and accounts payable and accrued liabilities.

**a) Liquidity risk**

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. Certain conditions cast significant doubt on the Company's ability to meet its financial obligations. Refer to note 1(b) for more information regarding the Company's liquidity risk.

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**b) Credit risk**

The Company is exposed to credit risk on its bank accounts, restricted cash and accounts receivable. To reduce credit risk, substantially all cash is on deposit at Canadian chartered banks. Accounts receivable consist of Canadian Government Sales Tax ("GST") receivable and other amounts due from government agencies. Restricted cash are deposits held by the Bureau of Land Management ("BLM") in Nevada. As at September 30, 2018 accounts receivable consisted of \$10,475 (December 31, 2017 - \$13,324) in GST receivable and \$10,432 (December 31, 2017 - \$10,432) due from the BLM. Restricted cash comprises of a \$13,254 (December 31, 2017 - \$6,954) bond held by the BLM. Accordingly, the Company considers its exposure to credit risk minimal.

**c) Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

## Interest rate risk

The Company has cash balances which are not subject to significant risks in fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. An increase to interest rates by 1% would have an insignificant effect on the Company's operations.

## Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, restricted cash, accounts receivable and accounts payable and accrued liabilities that are denominated in US dollars.

## Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings, or ability to obtain equity financing, due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of zinc, copper, lead, silver, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

## Sensitivity Analysis

The Company through a subsidiary operates in the United States and is exposed to exchange risk from changes in the US dollar. At September 30, 2018, a 10% fluctuation in the US dollar against the Canadian dollar would have a minimal impact on the Company's loss and comprehensive loss.

**11. SUBSEQUENT EVENT**

On November 8, 2018, the Company received a \$250,000 short term loan from a related party. The loan, together with interest at a rate of 10% per annum, is payable on or before May 1, 2019.