



Blue Moon Zinc Corp.
(Formerly Savant Explorations Ltd.)

Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Blue Moon Zinc. Corp. (formerly Savant Explorations Ltd.)

We have audited the accompanying consolidated financial statements of Blue Moon Zinc. Corp. (formerly Savant Explorations Ltd.), which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year 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, 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.

Auditors' 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 about whether the consolidated financial statements are free from 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 auditors' 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Blue Moon Zinc. Corp. (formerly Savant Explorations Ltd.) as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Blue Moon Zinc Corp.'s (formerly Savant Explorations Ltd.) ability to continue as a going concern.

Other Matters

The consolidated financial statements of Blue Moon Zinc Corp. (formerly Savant Explorations Ltd.) for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on April 28, 2017.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 24, 2018

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31, 2017 \$	December 31, 2016 \$
ASSETS			
	Note		
Cash		308,701	113,814
Accounts receivable	14b	23,756	15,147
Prepaid expenses		5,186	6,748
Restricted cash	14b	6,954	7,442
CURRENT ASSETS		344,597	143,151
Equipment		-	772
Mineral property interests	4	331,977	331,977
ASSETS		676,574	475,900
LIABILITIES			
Accounts payable and accrued liabilities	8	126,271	80,289
Due to related parties	8	30,000	59,000
LIABILITIES		156,271	139,289
SHAREHOLDERS' EQUITY			
Share capital	5	8,648,966	7,812,216
Contributed surplus		935,375	848,700
Deficit		(9,064,038)	(8,324,305)
SHAREHOLDERS' EQUITY		520,303	336,611
LIABILITIES AND SHAREHOLDERS' EQUITY		676,574	475,900
Nature of operations and going concern	1		
Subsequent events	15		

Approved by the Board of Directors

Douglas Urch (signed) Director

Patrick McGrath (signed) Director

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended December 31,	Note	2017 \$	2016 \$
General exploration expenses		169,599	10,922
Amortization		772	1,750
Filing and regulatory fees		36,735	20,695
General administrative costs		18,799	19,552
Professional fees		73,837	54,449
Share-based payments	7	139,675	2,000
Shareholder communication and travel		232,497	865
Consulting fees	8	66,000	67,420
Foreign exchange loss		1,819	2,795
LOSS BEFORE DISCONTINUED OPERATIONS		739,733	180,448
Loss from discontinued Chilean operations	9	-	65,931
LOSS AND COMPREHENSIVE LOSS		739,733	246,379
Basic and diluted loss per common share		0.01	-
Weighted average number of common shares outstanding – basic and diluted		86,169,611	71,867,144

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,	Note	2017	2016
Cash flows provided by (used in)		\$	\$
OPERATING ACTIVITIES			
Loss and comprehensive loss		(739,733)	(246,379)
Items not affecting cash			
Amortization		772	1,750
Share-based payments		139,675	2,000
Proceeds (net) on sale of discontinued Chilean operations		-	(26,434)
Change in non-cash working capital items	11	10,423	60,506
OPERATING ACTIVITIES		(588,863)	(208,557)
FINANCING ACTIVITIES			
Issuance of common shares	5b	600,000	105,000
Share issuance costs	5b	(11,250)	(9,250)
Exercise of warrants	6a	175,000	-
Exercise of stock options	6b	20,000	-
FINANCING ACTIVITIES		783,750	95,750
INVESTING ACTIVITIES			
Proceeds (net) on sale of discontinued Chilean operations		-	26,434
INVESTING ACTIVITIES		-	26,434
CHANGE IN CASH		194,887	(86,373)
Cash – Beginning		113,814	200,187
CASH - ENDING		308,701	113,814

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Number of Shares	Share Capital \$	Contributed Surplus \$	Deficit \$	Shareholders' Equity \$
DECEMBER 31, 2015		70,850,707	7,751,466	811,700	(8,077,926)	485,240
Private placements						
Share and unit issuance	5b	7,000,000	105,000	-	-	105,000
Share and unit issuance costs		-	(9,250)	-	-	(9,250)
Residual value of warrants		-	(35,000)	35,000	-	-
Share-based payments	7	-	-	2,000	-	2,000
Loss and comprehensive loss		-	-	-	(246,379)	(246,379)
DECEMBER 31, 2016		77,850,707	7,812,216	848,700	(8,324,305)	336,611
Private Placements						
Share issuance	5b	12,000,000	600,000	-	-	600,000
Share issuance costs		-	(11,250)	-	-	(11,250)
Exercise of warrants	6a	3,500,000	175,000	-	-	175,000
Transfer of warrant exercise value		-	35,000	(35,000)	-	-
Exercise of stock options	6b	400,000	20,000	-	-	20,000
Transfer of stock option value		-	18,000	(18,000)	-	-
Share-based payments	7	-	-	139,675	-	139,675
Loss and comprehensive loss		-	-	-	(739,733)	(739,733)
DECEMBER 31, 2017		93,750,707	8,648,966	935,375	(9,064,038)	520,303

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Notes to the Consolidated Financial Statements

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

Blue Moon Zinc Corp. (formerly Savant Explorations Ltd.) (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 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) Statement of Compliance and Basis of Measurement**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and the interpretations of the International Financial Reporting Interpretations Committee. These consolidated financial statements have been prepared under the accrual basis of accounting and the historical cost convention, except for financial instruments measured at fair value and cash flow information.

These financial statements were approved for issue by the Company's board of directors on April 24, 2018.

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b) Critical accounting judgements, estimates and assumptions

Critical Judgments

The preparation of these 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) Exploration and Evaluation Assets

The carrying amount of the Company's exploration and evaluation assets properties does not necessarily represent present or future values, and the Company's exploration and evaluation assets 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 exploration and evaluation assets.

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.

3. ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its 100% controlled subsidiaries, Latina Resources Ltd. ("Latina"), Keystone Mines, Inc. ("Keystone"), and Savant Explorations Mexico Ltd. ("SEM"). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant inter-company transactions and balances have been eliminated.

Functional currency and presentation currency

These consolidated financial statements are presented in Canadian dollars (unless otherwise stated), which is the functional currency of the Company and its subsidiaries.

Financial instruments

Financial instruments are initially measured at fair value when the Company becomes party to a contract, plus transactions costs directly attributable to the issue, acquisition or disposal of financial instruments measured subsequently at amortized cost. The Company's financial assets and financial liabilities are classified as follows:

- Cash is designated as "fair value through profit and loss" and is measured at fair value.
- Accounts receivable and restricted cash are classified as "loans and receivables" and are measured at amortized cost.
- Accounts payable and accrued liabilities and due to related parties are classified as "other financial liabilities" and are measured at amortized cost.

At December 31, 2017, the recorded amounts of accounts receivable, restricted cash, accounts payable and accrued liabilities, and due to related parties approximate their fair values due to their short term nature.

The Company classifies and discloses fair value measurements based on a three-level hierarchy:
Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 – inputs for the asset or liability are not based on observable market data.

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At December 31, 2017, cash was measured and recognized in the consolidated statements of financial position using Level 1 inputs. There were no financial assets or liabilities measured and recognized in the consolidated statement of financial position at fair value that are categorized as Levels 2 and 3 in the fair value hierarchy.

Mineral property interests and exploration expenditures

All direct costs related to the acquisition of exploration and evaluation assets are capitalized upon acquiring the legal right to explore a property. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development, are charged to profit or loss as incurred.

Exploration and evaluation costs are expensed as incurred while the Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore

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reserves that are economically recoverable. If and when the Company's management determines that economically extractable proven or probable mineral reserves have been established, the subsequent costs incurred to develop such property, including costs to further delineate the ore body will be capitalized.

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory requirements.

Equipment

Equipment is recorded at cost net of accumulated amortization and impairment losses and is amortized over its estimated useful economic life on a declining balance basis:

Office Equipment	20%
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Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its mineral property interests to determine whether there is an indication that those assets have suffered impairment. If any such indication exists, the recoverable amount of the asset or cash-generating unit ("CGU") is estimated in order to determine the extent of the impairment charge (in any).

The recoverable amount used for this purpose is the higher of the fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For an asset that does not generate largely independent cash flows, the amount is determined for the CGU to which the asset belongs.

If the recoverable amount of an asset or CGU is estimated to be less than its recorded amount, the recorded amount of the asset or CGU is reduced to its recoverable amount. An impairment charge is recognized immediately in the consolidated statement of loss and comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of warrants attached to private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing market price on the announcement date. The balance, if any,

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is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

Environmental expenditures

The operations of the Company have been, and may in the future be, affected by changes in environmental regulations, including those relating to future reclamation and site restoration. The likelihood of new regulations and their overall effect upon the Company are unknown and unpredictable. The Company plans to meet and, if possible, surpass standards set by legislation, by applying technically proven and economically feasible measures.

Environmental expenditures relating to ongoing environmental and reclamation programs are charged to operations, or are capitalized and amortized, depending on their future economic benefits, over the estimated remaining life of the related business operation, net of expected recoveries. Liabilities related to environmental protection and reclamation costs are recognized when the obligation is incurred and the fair value of the related costs can be reasonably estimated. This includes future removal and site restoration costs required by environmental law or contracts.

As at December 31, 2017 and 2016, the Company has no environmental liabilities.

Share-based payments

The stock option plan allows Company employees, directors and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payments expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from contributed surplus to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest.

The fair value of the options granted is measured using the Black-Scholes Option Pricing Model which takes into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

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In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Related parties

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

Income taxes

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the period, adjusted for amendments to tax payable for previous years.

Deferred tax assets and liabilities are computed by providing for temporary differences between the carrying amounts of assets and liabilities on the consolidated statements of financial position and their corresponding tax values, using the enacted or substantially enacted, income tax rates at each consolidated statement of financial position date. Deferred tax assets also result from unused losses and other deductions carried forward. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as the outstanding stock options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The Company's outstanding stock options and warrants could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share because they are antidilutive for the years ended December 31, 2017 and 2016.

Discontinued operations

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which represents a separate major line of business or geographic area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations or is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative consolidated statement of loss and comprehensive loss is restated as if the operation had been discontinued from the start of the comparative year.

Recent accounting pronouncements

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below and include only those which the Company reasonably expects may be applicable to the Company at a future date. The Company intends to adopt these standards and interpretations when they become effective.

- IFRS 9 *Financial Instruments* (effective for years beginning on or after January 1, 2018): IFRS 9 introduces new requirements for classifying and measuring financial assets and provides additional guidance on the fair value option for liabilities to address the entity's own credit risk. The Company does not expect the adoption of this standard to have a significant impact on its consolidated financial statements.
- IFRS 16 *Leases* (effective for years beginning on or after January 1, 2019): IFRS 16 replaces IAS 17 *Leases* with a new approach to lease accounting that requires a lessee to recognize assets and liabilities for the rights and obligations created by leases. The Company is currently assessing the impact of this standard on its consolidated financial statements.

4. 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 and a 10% Net Profits Interest ("NPI") royalty (See note 15(a)). 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) Yuby-Gabriela (Chile)

In May 2016, the Company's Chilean office and subsidiary were shut down and sold to local investors. All Chilean properties were either dropped or sold with the subsidiary.

d) Mineral property costs

Blue Moon
\$

DECEMBER 31, 2017, 2016 and 2015	331,977
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5. 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 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.

On November 8, 2016, the Company issued 7,000,000 units at a price of \$0.015 for gross proceeds of \$105,000. Each unit consisted of one common share of the Company and one half (1/2) of a share purchase warrant. Each warrant entitled the holder to purchase one additional common share at a price of \$0.05 until November 8, 2018. All warrants were exercised during the year ended December 31, 2017.

6. WARRANTS AND STOCK OPTIONS

a) Warrants

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

	Number of Warrants	Weighted average exercise price \$
DECEMBER 31, 2015	11,812,800	0.10
Expired	(11,812,800)	0.10
Issued	3,500,000	0.05
DECEMBER 31, 2016	3,500,000	0.05
Exercised	(3,500,000)	0.05
DECEMBER 31, 2017	-	-

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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, 2015	4,375,000	0.08
Granted	200,000	0.05
Expired	(1,075,000)	0.10
Forfeited	(2,150,000)	0.07
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

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	4,350,000	0.07	4.52
DECEMBER 31, 2017	4,350,000	0.07	4.52

Of the total stock options outstanding, 1,624,998 were vested and exercisable at December 31, 2017. The weighted average exercise price of vested stock options is \$0.07 and the average remaining contractual life is 4.54 years.

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7. 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	September 10, 2017	June 26, 2017	June 2, 2016
Stock options granted	600,000	3,750,000	200,000
Exercise price	\$0.07	\$0.07	\$0.05
Market price	\$0.07	\$0.05	\$0.02
Expected life of options (years)	5.0	5.0	5.0
Expected stock price volatility	179%	182%	211%
Average risk-free interest rate	1.75%	1.12%	0.68%
Expected forfeiture rate	-	-	-
Expected dividend yield	-	-	-
FAIR VALUE ASSIGNED	\$36,000	\$187,500	\$2,000

8. 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:

For the year ended December 31,	2017	2016
	\$	\$
Consulting fees	51,000	67,420
Share-based payments	75,886	2,000
MANAGEMENT COMPENSATION	126,886	69,420

As at December 31, 2017, due to related parties included \$30,000 (December 31, 2016 - \$59,000) 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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9. DISCONTINUED CHILEAN OPERATIONS

During the year ended December 31, 2016, the Company shut down and sold its subsidiary operating in Chile for cash consideration of \$40,879. Net assets of the Chilean subsidiary at the date of sale consisted of cash of \$14,445, resulting in a net cash inflow of \$26,434.

The results of operations for the discontinued Chilean operation are as follows:

	2017	2016
	\$	\$
Income	-	-
Expenses	-	92,365
Results from operating activities	-	92,365
Gain on sale	-	(26,434)
Loss from discontinued Chilean operations	-	65,931
Basic and diluted loss per share	-	0.0009

Cash flows used in (from) the discontinued Chilean operation are as follows:

	2017	2016
	\$	\$
Net cash used in operating activities	-	95,380
Net cash from investing activities	-	(26,434)
Net cash flows for the year	-	68,946

10. 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:

	Canada	United States	Total
	\$	\$	\$
December 31, 2016	772	331,977	332,749
December 31, 2017	-	331,977	331,977

11. SUPPLEMENTAL CASH FLOW INFORMATION

The changes in the Company's non-cash working capital items relating to operating activities for the years indicated below are as follows:

For the year ended December 31,	2017	2016
	\$	\$
Accounts receivable and prepaid expenses	(6,559)	2,312
Accounts payable and accrued liabilities	45,982	22,863
Due to related parties	(29,000)	35,331
CHANGE IN NON-CASH WORKING CAPITAL	10,423	60,506

During the years ended December 31, 2017 and 2016, the Company paid \$nil and \$nil in income taxes and interest respectively.

12. INCOME TAXES

A reconciliation of the provision for income tax expense is:

For the year ended December 31,	2017	2016
	\$	\$
Loss before tax	(739,733)	(246,379)
Expected income tax (recovery)	(192,000)	(64,059)
Change in statutory, foreign tax, foreign exchange rates and other	(33,000)	2,674
Permanent differences	37,000	(14,749)
Change in unrecognized deductible temporary differences	188,000	76,134
TOTAL INCOME TAX EXPENSE (RECOVERY)	-	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2017	Expiry	2016	Expiry
	\$		\$	
Exploration and evaluation assets	2,719,000	No expiry	2,719,000	No expiry
Property and equipment	2,000	No expiry	-	No expiry
Share issuance costs	9,000	No expiry	7,400	No expiry
Allowable capital losses	11,000	No expiry	11,000	No expiry
Non-capital losses available for future periods	4,298,000	2025 to 2037	3,697,000	2025 to 2036

Blue Moon Zinc Corp.

(Formerly Savant Explorations Ltd.)

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13. 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 December 31, 2017, 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 year. Blue Moon does not pay dividends. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

14. 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.

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 December 31, 2017 accounts receivable consisted of \$13,324 in GST receivable and \$10,432 due from the BLM and restricted cash comprises of a \$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.

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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 December 31, 2017, a 10% fluctuation in the US dollar against the Canadian dollar would have a minimal impact on the Company's loss and comprehensive loss.

15. SUBSEQUENT EVENTS**a) Buyback 10% NPI**

On January 18, 2018, the Company announced it had 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., agreed to accept \$20,000 in cash and 3,000,000 common shares of the Company, which were issued with a fair value of \$270,000.

b) Private Placement

On February 14, 2018, the Company closed a non-brokered private placement of 5,200,000 units for gross proceeds of \$520,000 at a price of \$0.10 per unit (the "Unit"), with each Unit consisting of one common share of the Company and one common share purchase warrant (the "Warrant"). Each Warrant entitles the holder to purchase one common share of the Company at \$0.15 until February 16, 2020. The Company incurred finder's fees totaling an aggregate of \$5,500.

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c) Stock Options Granted

Subsequent to the year ended December 31, 2017 the Company granted 1,550,000 stock options, each option being exercisable for a five year term at exercise prices ranging between \$0.08 to \$0.11 expiring between January 18, 2023 and March 13, 2023.

d) Stock Options Exercised

On February 13, 2018 the Company received \$80,000 from the exercise of 1,000,000 stock options at a price of \$0.08 per stock option.