

# **ROKMASTER RESOURCES CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

*(Stated in Canadian Dollars Unless Noted Otherwise)*

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Rokmaster Resources Corp.

We have audited the accompanying consolidated financial statements of Rokmaster Resources Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, cash flows and shareholders' equity (deficiency) for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

### Opinion

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

### Emphasis of Matter

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



**CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC

April 30, 2018

# Rokmaster Resources Corp.

## Consolidated Statements of Financial Position

(Stated in Canadian Dollars Unless Noted Otherwise)

<b>ASSETS</b>	<b>As at December 31, 2017</b>	<b>As at December 31, 2016</b>
<b>Current assets:</b>		
Cash	\$ 52,424	\$ 345,977
Amounts receivable (Note 5)	23,404	62,015
Marketable securities (Note 6)	49,875	60,000
Prepays and deposits	15,112	6,621
	<b>140,815</b>	<b>474,613</b>
<b>Non-current assets:</b>		
Reclamation bonds (Note 7)	13,500	7,500
Mineral interests (Note 8a)	715,500	69,500
<b>Total Assets</b>	<b>\$ 869,815</b>	<b>\$ 551,613</b>

### LIABILITIES AND SHAREHOLDERS' DEFICIENCY

<b>Current liabilities:</b>		
Accounts payable and accrued liabilities (Notes 9, 12 and 11g)	\$ 483,054	\$ 1,369,100
Loans from related parties (Note 12)	173,904	539,149
Loans payable (Note 10)	-	156,445
<b>Total Liabilities</b>	<b>656,958</b>	<b>2,064,694</b>

### SHAREHOLDERS' EQUITY (DEFICIENCY)

Share capital (Note 11)	7,039,562	4,800,121
Share-based payments reserve	3,003,228	2,433,556
Other comprehensive loss	(28,500)	(22,500)
Accumulated deficit	(9,801,433)	(8,724,258)
<b>Total Shareholders' Equity (Deficiency)</b>	<b>212,857</b>	<b>(1,513,081)</b>
<b>Total Liabilities and Shareholders' Equity (Deficiency)</b>	<b>\$ 869,815</b>	<b>\$ 551,613</b>

Nature of Operations and Going Concern (Note 1)

Contingency (Note 16)

Events After the Reporting Period (Note 18)

ON BEHALF OF THE BOARD:

"John M. Mirko", Director

"Larry M. Okada", Director

- See Accompanying Notes to the Consolidated Financial Statements -

# Rokmaster Resources Corp.

## Consolidated Statements of Loss and Comprehensive Loss

(Stated in Canadian Dollars Unless Noted Otherwise)

	For the year ended December 31, 2017	For the year ended December 31, 2016
<b>Expenses</b>		
Consulting fees (Note 12)	\$ 263,082	\$ 193,320
Corporate listing and filings fees	35,701	26,118
Exploration and evaluation expenditures (Note 8b)	119,682	49,858
Office and general	36,994	42,919
Professional fees	31,572	78,518
Rent	22,380	9,826
Share-based compensation (Note 11f)	425,152	-
Travel, public and shareholder relations and conferences	125,873	12,046
<b>Loss From Operations</b>	<b>(1,060,436)</b>	<b>(412,605)</b>
<b>Other Income (Expense)</b>		
Gain on sale of marketable securities	1,050	41,959
Transfer from other comprehensive income on sale of marketable securities	-	(45,000)
Foreign exchange gain (loss)	81	(3,089)
Interest expense (Notes 10 and 12)	(17,870)	(78,065)
Write-off of other assets	-	(1,078)
<b>Total Other Expense</b>	<b>(16,739)</b>	<b>(85,273)</b>
<b>Net Loss for the Year</b>	<b>(1,077,175)</b>	<b>(497,878)</b>
Unrealized loss on marketable securities	(6,000)	(7,500)
<b>Net Loss and Comprehensive Loss for the Year</b>	<b>\$ (1,083,175)</b>	<b>\$ (505,378)</b>
<b>Basic Loss per Common Share (Note 3m)</b>		
	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>100,066,942</b>	<b>49,538,125</b>

- See Accompanying Notes to the Consolidated Financial Statements -

# Rokmaster Resources Corp.

## Consolidated Statements of Cash Flows

(Stated in Canadian Dollars Unless Noted Otherwise)

	For the year ended December 31, 2017	For the year ended December 31, 2016
<b>Operating Activities</b>		
Net loss for the year	\$ (1,077,175)	\$ (497,878)
Items not affected by cash:		
Interest expense	17,870	78,065
Gain on sale of marketable securities	(1,050)	3,041
Loss on sale of former subsidiary	-	524
Share-based compensation	425,152	-
Changes in non-cash working capital:		
Amounts receivable	38,611	(8,832)
Prepays and deposits	(8,491)	(1,553)
Accounts payable and accrued liabilities	85,321	125,122
Cash used in operating activities	<b>(519,762)</b>	<b>(301,511)</b>
<b>Investing Activities</b>		
Acquisition of mineral interests	(13,000)	-
Proceeds from marketable securities	5,175	244,459
Reclamation bond	(6,000)	(4,000)
Cash provided by (used in) investing activities	<b>(13,825)</b>	<b>240,459</b>
<b>Financing Activities</b>		
Proceeds from share issuance	300,850	385,006
Share issue costs	-	(2,674)
Proceeds from (repayment of) loans from related parties	(60,816)	14,000
Cash provided by financing activities	<b>240,034</b>	<b>396,332</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(293,553)</b>	<b>335,280</b>
<b>Cash - Beginning of the Year</b>	<b>345,977</b>	<b>10,697</b>
<b>Cash - End of the Year</b>	<b>\$ 52,424</b>	<b>\$ 345,977</b>
<b>Supplemental Schedule of Non-Cash Investing and Financing Activities</b>		
Shares issued for debt (Note 11g)	\$ 1,450,111	\$ -
Shares issued for mineral interests (Note 8a)	\$ 633,000	\$ -
Fair value of warrants issued in connection with financing (Note 11b)	\$ 144,520	\$ 200,353

- See Accompanying Notes to the Consolidated Financial Statements -

# Rokmaster Resources Corp.

## Consolidated Statements of Shareholders' Equity (Deficiency)

(Stated in Canadian Dollars Unless Noted Otherwise)

	Share Capital		Share-Based Payments Reserve	Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	# of Shares	Amount				
Balance at December 31, 2015	49,453,971	\$ 4,618,142	\$ 2,233,203	\$ (60,000)	\$ (8,226,380)	\$ (1,435,035)
Shares issued from financing	7,700,110	385,006	-	-	-	385,006
Share issue costs	-	(2,674)	-	-	-	(2,674)
Fair value of warrants issued from financing	-	(200,353)	200,353	-	-	-
Transfer to statement of loss on sale of marketable securities	-	-	-	45,000	-	45,000
Unrealized loss on marketable securities	-	-	-	(7,500)	-	(7,500)
Net loss for the year	-	-	-	-	(497,878)	(497,878)
<b>Balance at December 31, 2016</b>	<b>57,154,081</b>	<b>\$ 4,800,121</b>	<b>\$ 2,433,556</b>	<b>\$ (22,500)</b>	<b>\$ (8,724,258)</b>	<b>\$ (1,513,081)</b>
Shares issued for mineral interests	12,700,000	633,000	-	-	-	633,000
Shares issued for debt	29,002,225	1,450,111	-	-	-	1,450,111
Shares issued for cash	6,017,000	300,850	-	-	-	300,850
Fair value of share-based compensation	-	-	425,152	-	-	425,152
Fair value of warrants issued from financing	-	(144,520)	144,520	-	-	-
Unrealized gain on marketable securities	-	-	-	(6,000)	-	(6,000)
Net loss for the period	-	-	-	-	(1,077,175)	(1,077,175)
<b>Balance at December 31, 2017</b>	<b>104,873,306</b>	<b>\$ 7,039,562</b>	<b>\$ 3,003,228</b>	<b>\$ (28,500)</b>	<b>\$ (9,801,433)</b>	<b>\$ 212,857</b>

Share capital is presented on a pre-consolidation basis. See Notes 11 and 18.

- See Accompanying Notes to the Consolidated Financial Statements -

# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

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### 1. Nature of Operations and Going Concern

Rokmaster Resources Corp. (the “Company” or “Rokmaster”) was incorporated on December 21, 2010 under the Business Corporations Act (British Columbia). The Company is listed on the TSX Venture Exchange (“TSX.V”) under the symbol “RKR”, on the OTC Pink Sheets in the USA under the symbol “RKMSF” and on the Frankfurt Stock Exchange under the symbol “1RR.” The Company’s head office, principal address and records office is located at Suite 900 – 580 Hornby Street, Vancouver, British Columbia, Canada V6C 3B6. The Company’s registered address is located at Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, British Columbia, Canada V6C 2B5. Rokmaster is primarily engaged in the acquisition of mineral resource properties and the exploration and development of such properties for minerals. Minerals of interest to the Company include precious metals, base metals and industrial minerals.

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations, and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses since inception, has no recurring source of revenue, has an accumulated deficit of \$9,801,433 and a working capital deficiency of \$516,143 at December 31, 2017. These material uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.

The Company will need to raise sufficient funds as the Company’s current assets are not sufficient to finance its operations and administrative expenses. The Company is evaluating financing options including, but not limited to, the issuance of additional equity and debt (*Notes 10, 12 and 18*). The Company has no assurance that such financing will be available or be available on favourable terms. Factors that could affect the availability of financing include the Company’s performance (as measured by numerous factors including the progress and results of its projects), the state of international debt and equity markets, investor perceptions and expectations and the global financial and metals markets. In addition to evaluating financing options, the Company implemented cost savings measures and deferred payments owed to related parties.

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

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### 2. Basis of Presentation

#### a. Statement of Compliance

The consolidated financial statements of the Company were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee, effective for the Company’s reporting year ended December 31, 2017. The significant accounting policies are presented in Note 3 and have been consistently applied in each of the periods presented.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

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### 2. Basis of Presentation - *Continued*

#### b. Approval of the Financial Statements

The consolidated financial statements of Rokmaster for the year ended December 31, 2017 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 30, 2018.

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### 3. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

#### a. Basis of Measurement

Depending on the applicable IFRS requirements, the measurement basis used in the preparation of these financial statements is cost, net realizable value, fair value or recoverable amount. These financial statements, except for the statement of cash flows, are based on the accrual basis.

#### b. Basis of Consolidation

The financial statements of the Company consolidate the accounts of Rokmaster and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses are eliminated on consolidation.

Subsidiaries are those entities which Rokmaster controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Rokmaster controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by Rokmaster and are de-consolidated from the date that control ceases.

The Company's subsidiaries are presented below:

<b>Subsidiary</b>	<b>Location</b>	<b>Interest</b>	<b>Status</b>
RKR Peru S.A.	Peru	100%	Consolidated
Minera Pinaya Peru S.A.	Peru	100%	Consolidated

#### c. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term highly liquid investments with an original term to maturity of three months or less.

As at December 31, 2017 and December 31, 2016, the Company only held cash.

#### d. Marketable Securities

Marketable securities consisting of common shares of a public company are classified as available-for-sale and reported at market value. At the end of each reporting period, management determines if there has been a change in the market value of the security and records an adjustment to market value, with the offsetting debit or credit to other comprehensive income (loss).

# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

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### 3. Summary of Significant Accounting Policies - *Continued*

#### e. Reclamation Bonds

The Company maintains cash deposits, or letters of credit secured by cash deposits, as required by regulatory bodies as assurance for the funding of reclamation costs. These funds are restricted to that purpose and are not available to the Company until the reclamation obligations have been fulfilled or the related property is sold and the obligation is assumed by the buyer.

#### f. Equipment

Equipment is recorded at cost less accumulated amortization. Amortization for office equipment is calculated using the straight-line method over the estimated useful life of three (3) years and amortization for exploration equipment is calculated at 20% per annum.

#### g. Mineral Exploration Tax Credit ("METC")

The Company recognizes METC amounts when the Company's METC application is approved by the relevant jurisdiction or when the amount to be received can be reasonably estimated and collection is reasonably assured.

#### h. Mineral Interests (Exploration and Evaluation)

The Company's policy is to expense, as incurred, exploration and evaluation expenditures until the mineral property reaches the development stage. Costs related to property acquisitions are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be amortized against production following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned. Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance historical characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

#### i. Impairment of Non-Current Assets

At each reporting period, management reviews equipment and mineral interests for indicators of impairment. If any such impairment indicators exist, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for that period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Past impairments are also considered at each reporting period and where there is an indication that an impairment loss may have decreased, the recoverable amount is calculated as outlined above to determine the extent of the recovery. If the recoverable amount of the asset is more than its carrying amount, the carrying amount of the asset is increased to its recoverable amount and the impairment loss is reversed in profit or loss for that period. The increased carrying amount due to reversal will not be more than what the depreciated historical cost would have been if the impairment had not been recognized.

# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

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### 3. Summary of Significant Accounting Policies - *Continued*

#### j. Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. 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.

#### k. Share-Based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Where awards are forfeited because non-market based vesting conditions are not satisfied, the expense previously recognized is proportionately reversed in the period the forfeiture occurs.

Share-based compensation expense is also recognized in connection with common share issuances where an intrinsic value in excess of the cash consideration paid can be reasonably established at the date of issuance.

#### l. Share Capital

The Company records in share capital proceeds from share issuances, net of issue costs and any tax effects. The fair value of common shares issued as consideration for mineral properties is based on the trading price of those shares on the TSX-V on the date of the agreement to issue shares or other fair value equivalent amount as determined by the Board of Directors. Stock options and other equity instruments issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value.

#### m. Loss per Share

Loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Under this method, the weighted average number of common shares used to calculate the dilutive effect in the statement of loss and comprehensive loss assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. In periods where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding stock options and warrants would be anti-dilutive.

# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

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### 3. Summary of Significant Accounting Policies – *Continued*

#### n. Financial Instruments

**(i) Financial Assets** - The Company classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

##### Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through profit or loss. The Company does not have financial assets classified under this category.

##### Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment. Cash, amounts receivable (excluding sales tax receivable) and reclamation bonds have been classified under this category.

##### Available-For-Sale

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in fair value are recognized in other comprehensive income (loss) and classified as a component of equity. When the financial assets are sold or an impairment write-down is required, the accumulated fair value adjustments in other comprehensive income are included in the statement of income (loss) and are included in other gains or losses. Marketable securities have been classified under this category.

**(ii) Financial Liabilities** - The Company classifies its financial liabilities in the following categories: borrowings and other financial liabilities and derivative financial liabilities.

##### Borrowings and Other Financial Liabilities

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transactions costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of loss and comprehensive loss over the period to maturity using the effective interest method. Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Accounts payable and accrued liabilities, loans from related parties, and loans payable have been classified under this category.

##### Derivative Financial Liabilities

Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit or loss. There are no financial liabilities classified under this category.

# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

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### 3. Summary of Significant Accounting Policies - *Continued*

#### **o. Impairment of Financial Assets**

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

- i. Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.
- ii. Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of loss and comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net income. Impairment losses on available-for-sale equity instruments are not reversed.

#### **p. Functional Currency Translation**

The functional and reporting currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the transaction date. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign currency translation differences are recognized in profit or loss.

#### **q. Use of Judgments and Estimates**

The preparation of financial statements requires management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates and assumptions relate to the review of carrying values and determination of impairment charges of non-current assets. Actual results could differ from those estimates.

#### **r. New, Amended and Future IFRS Pronouncements**

The following standards have been published and are mandatory for the Company's annual accounting periods beginning on or after January 1, 2018.

##### *IFRS 16 – Leases*

On January 13, 2016, the IASB issued IFRS 16, according to which, all leases will be on the balance sheet of lessees, except those that meet the limited exception criteria. Respectively, rent expense is to be removed and replaced by the recording of depreciation and finance expense. The standard is effective for annual periods beginning on or after January 1, 2019.

# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

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### 3. Summary of Significant Accounting Policies - *Continued*

#### r. New, Amended and Future IFRS Pronouncements- *Continued*

##### *IFRS 9 – Financial Instruments: Classification and Measurement*

This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized costs only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value with changes in fair value through profit or loss. In addition, this new standard has been updated to include guidance on financial liabilities and de-recognition of financial instruments and to include guidance on hedge accounting and allowing entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive income. This standard is effective for years beginning on or after January 1, 2018. The Company is currently evaluating the extent of the impact of the adoption of this standard.

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### 4. Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Company has made in these financial statements.

#### Carrying Value of Deferred Mineral Interests

The Company has capitalized the cost of acquiring mineral property interests and has classified these interests as mineral interests in its statement of financial position. Mineral interests are expensed in the period in which the Company determines that the mineral property interests have no future economic value. Mineral interests may also be written down if future cash flow, including potential sales proceeds and option payments, related to the property are estimated to be less than the carrying value of the property. The Company reviews the carrying value of its mineral interests periodically, and whenever events or changes in circumstances indicate that the carrying value may not be recoverable, reductions in the carrying value of each property would be recorded to the extent that the carrying value of the investment exceeds the property's estimated fair value. Such events or changes in circumstances involve changes in political risk, economic risk, commodity prices, exchange rates, and interest rates among others. The Company has determined that there is no impairment in the carrying value of the Big Copper and Duncan Lake Zinc-Lead properties.

#### Going Concern

Management assesses the Company's ability to continue as a going concern in relation to its ability to raise funds.

# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

### 5. Amounts Receivable

	December 31, 2017	December 31, 2016
Sales tax receivable	\$ 16,880	\$ 55,640
Other	6,524	6,375
Total	\$ 23,404	\$ 62,015

The Company expects full recovery of the amounts outstanding and therefore, no allowance has been recorded against these receivables and all were recorded.

### 6. Marketable Securities

Marketable securities have been classified as an available-for-sale investment consisting of common shares held by the Company of a public company and is summarized as follows:

Common shares of a public company, not subject to significant influence	Market Value	Cost
December 31, 2017	\$ 49,875	\$ 78,375
December 31, 2016	\$ 60,000	\$ 82,500

The market value is based on the closing price of the public company's common shares on the TSX.V on the date indicated above.

### 7. Reclamation Bonds

As at December 31, 2017, the Company had deposited \$3,500 (December 31, 2016 - \$3,500) into a guaranteed investment certificate (GIC) with a Canadian financial institution as part of a Safe Keeping Agreement entered into by the Company for the Big Copper Property. The GIC is being held to the order of the B.C. Ministry of Energy and Mines (the "BC MEM") and yields an annual interest rate of 0.60%.

The Company also provided the BC MEM a reclamation security of \$10,000 (December 31, 2016 - \$4,000) with respect to the Duncan Lake Zinc-Lead Project.

# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

### 8. Mineral Interests

- a. Details of mineral interests capitalized for the years ended December 31, 2017 and December 31, 2016 are as follows:

		Duncan Lake	Big Copper	Total
Balance – December 31, 2015	\$	-	\$ 68,500	\$ 68,500
Shares		-	1,000	1,000
Balance – December 31, 2016	\$	-	\$ 69,500	\$ 69,500
Cash		13,000	-	13,000
Shares		633,000	-	633,000
<b>Balance – December 31, 2017</b>	<b>\$</b>	<b>646,000</b>	<b>\$ 69,500</b>	<b>\$ 715,500</b>

- b. Details of cumulative exploration and evaluation expenditures for the years ended December 31, 2017 and 2016 are as follows:

	Duncan Lake (Note 8c)	Big Copper (Note 8d)	Other Exploration Expenditures (Note 8e)	Total
Assaying and sampling	\$ 5,164	\$ -	\$ -	\$ 5,164
Field costs	39,060	-	7,464	46,524
Geological consulting	7,663	-	32,050	39,713
Staking	3,245	-	-	3,245
Travel	20,105	-	4,931	25,036
<b>Expenditures for the period</b>	<b>75,237</b>	<b>-</b>	<b>44,445</b>	<b>119,682</b>
Balance – beginning of year	-	23,355	2,644,656	2,668,011
<b>Balance – December 31, 2017</b>	<b>\$ 75,237</b>	<b>\$ 23,355</b>	<b>\$ 2,689,101</b>	<b>\$ 2,787,693</b>

	Duncan Lake (Note 8c)	Big Copper (Note 8d)	Other Exploration Expenditures (Note 8e)	Total
Field costs	\$ -	\$ -	\$ 9,797	\$ 9,797
Geological consulting	-	-	26,803	26,803
Travel and accommodation	-	-	13,258	13,258
Expenditures for the year	-	-	49,858	49,858
Balance – beginning of year	-	23,355	2,594,798	2,618,153
Balance – December 31, 2016	\$ -	\$ 23,355	\$ 2,644,656	\$ 2,668,011

# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

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### 8. Mineral Interests - *Continued*

#### c. Duncan Lake Zinc-Lead Property, Canada

On January 17, 2017, the Company completed its acquisition of a 100% interest in the Duncan Lake Zinc-Lead Property located in the Slocan Mining Division in southeast British Columbia, Canada (the "Property" or "Duncan Lake") approximately 64 km north of Kaslo, British Columbia (the "Acquisition"), pursuant to a property purchase agreement dated November 2, 2016 (the "Purchase Agreement") with John (Jack) Denny, Robert Denny and Graeme Haines (collectively, the "Sellers"). The Property consists of nine contiguous mineral claims covering 1,648 hectares along the strike extension of Teck Resources Ltd.'s ("Teck") historical Duncan Mine property and is 148 km by road northeast of Teck's smelter in Trail, British Columbia.

Under the Purchase Agreement, Rokmaster provided the following aggregate consideration to the Sellers at closing in exchange for the Property:

- an aggregate of 12,000,000 common shares of the Company ("Common Shares") were issued on the date of closing of the Acquisition;
- an aggregate of 12,000,000 Series A Special Warrants that have a term of 10 years, with each Series A Special Warrant being automatically exercised into one Common Share upon the Company receiving a technical report identifying a mineral resource or mineral reserve estimate totalling a minimum of 3 million tonnes of 6% combined lead and zinc equivalent;
- an aggregate of 12,000,000 Series B Special Warrants that have a term of 15 years, with each Series B Special Warrant being automatically exercised into one Common Share upon the Company receiving a technical report identifying a mineral resource or mineral reserve estimate totalling a minimum of 6 million tonnes of 6% combined lead and zinc equivalent;
- an aggregate of 12,000,000 Series C Special Warrants that have a term of 20 years, with each Series C Special Warrant being automatically exercised into one Common Share once the Property commences commercial production; and
- a 2.5% net smelter returns royalty on gold, silver, lead and zinc bearing ores produced from the Property.

All of the aforementioned Special Warrants (the "Special Warrants") are subject to an accelerated exercise provision that would result in the Special Warrants being exercised automatically into Common Shares if and when there is:

(a) a consolidation, amalgamation, merger or take-over of the Company with, into or by another body corporate that results in the acquisition of at least 66 2/3 of the issued and outstanding shares of the Company for cash consideration, or if for non-cash consideration, as long as the acquisition price is at least a 25% premium to the volume weighted average trading price of the Company's shares on the TSXV for the five consecutive trading days ending on the trading day prior to the first public announcement of such consolidation, amalgamation merger or take-over; or

(b) a transfer of the undertaking or assets of Rokmaster as an entirety or substantially as an entirety to another corporation or entity that is subject to shareholder approval of Rokmaster.

In the case of the Series C Special Warrants, if any of the aforementioned events occurred within 10 years from the date of issue thereof, only an aggregate of 6 million Common Shares would be issued to the holders of the Series C Special Warrants upon exercise thereof.

# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

### 8. Mineral Interests - *Continued*

#### c. Duncan Lake Zinc-Lead Property, Canada - *continued*

On March 3, 2017, the Company completed its acquisition of a 100% interest in a certain British Columbia Mineral Tenure located in the Slocan Mining Division by issuing 250,000 Rokmaster common shares. The mineral claim adjoins the Duncan Lake Zinc Project.

On September 20, 2017, the Company entered into a Property Purchase Agreement (the "PPA"), to acquire a 100% interest in 11 mineral claims totaling 620 hectares by issuing 450,000 Rokmaster common shares and a 2.5% Net Smelter Return Royalty ("NSR") in favor of the arms-length seller. The NSR is subject to a buy-back provision providing the Company with the exclusive option, at any time if it so chooses, to purchase 1% NSR upon payment of \$500,000 and the remaining balance of 1.5% NSR upon payment of an additional \$500,000. The mineral claims are south of and adjacent to the Company's Duncan Lake Zinc Project.

#### d. Big Copper Property, Canada

On February 16, 2012, the Company entered into an Option Agreement (the "Big Copper Option") to earn a 100% undivided interest in certain mining claims, more particularly known as the Big Copper Property ("Big Copper"). Big Copper is located in the Fort Steele and Slocan Mining Divisions, British Columbia, Canada. To earn a 100% interest in Big Copper, the Company may, at its option, pay the following aggregate consideration over three years: paid \$45,000 in total cash payments and issued 200,000 common shares in total (fair value - \$24,500).

On September 30, 2015, the parties mutually terminated the Big Copper Option and agreed to have the following share ownership to the Big Copper Property: 55% to Rokmaster and 45% to the vendors.

#### e. Other Properties

The Company incurs exploration and evaluation expenditures in assessing the suitability of properties available for option or acquisition within North America and Latin America. Expenditures incurred during the year, as detailed in the schedule in Note 8b above, were part of a due diligence process in making these assessments. The beginning balance in the schedule includes past projects written-off or terminated by the Company.

As at December 31, 2017, the Company has no other options to acquire interests in any mineral properties.

### 9. Accounts Payable and Accrued Liabilities

	December 31, 2017	December 31, 2016
Trade payables	\$ 434,360	\$ 1,281,965
Accrued expenses	46,704	85,191
Other	1,990	1,944
<b>Total</b>	<b>\$ 483,054</b>	<b>\$ 1,369,100</b>

# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

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### 10. Loans Payable

- a. During the year ended December 31, 2014, the Company entered into a loan agreement (the "Loan") with an unrelated third party for \$150,000. The loan is unsecured, bears interest at 1.25% per month and is without a fixed repayment term.

As at December 31, 2016, the balance of the Loan plus accrued interest was \$138,445.

On January 27, 2017, the Company settled the full balance outstanding of \$138,445 by issuing common shares of the Company at \$0.05/share.

- b. During the year ended December 31, 2015, the Company entered into two loan agreements with an unrelated third party for \$25,000 and \$10,000 with maturities on or before May 20, 2016 and July 17, 2016, respectively. The loans are unsecured and bear no interest.

As at December 31, 2016, the loan due on July 17, 2016 had been fully repaid and the balance outstanding on the other loan is \$18,000.

On January 27, 2017, the Company settled the full balance outstanding of \$18,000 by issuing common shares of the Company at \$0.05/share.

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### 11. Share Capital

Share capital is presented on a pre-consolidation basis. See Note 18.

- a. Authorized: Unlimited number of common shares without par value.
- b. Private Placements

#### For the year ended December 31, 2017

On April 5, 2017, the Company closed a non-brokered private placement by issuing 6,017,000 units at \$0.05 per unit for gross proceeds of \$300,850. Each unit comprises of one common share and one common share purchase warrant, with each warrant exercisable to purchase one additional common share until April 5, 2019, at a price of \$0.06 per share and subject to an accelerated expiry date, which comes into effect when the trading price on the TSX.V of the Company's common shares closes at or above \$0.10 per share during any 10 consecutive trading day period commencing four months plus one day after the date of issuance. In such an event, the Company will give an expiry acceleration notice ("Notice") to the warrant holders and the expiry date of the warrants will be 30 days from the date of the Notice.

The warrants attached to this issuance have been valued at \$144,520 based on the Black-Scholes Method using the assumptions noted below:

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#### **Assumptions**

Risk-free interest rate	0.72%
Expected stock price volatility	212.61%
Expected dividend yield	0.00%
Expected life of warrants	2 years

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# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

### 11. Share Capital - Continued

#### b. Private Placements - Continued

For the year ended December 31, 2016

On December 28, 2016, the Company closed a non-brokered private placement by issuing 7,700,110 units at \$0.05 per unit for gross proceeds of \$385,006. Each unit comprises of one common share and one common share purchase warrant, with each warrant exercisable to purchase one additional common share until December 28, 2018, at a price of \$0.06 per share and subject to an accelerated expiry date, which comes into effect when the trading price on the TSX.V of the Company's common shares closes at or above \$0.10 per share during any 10 consecutive trading day period commencing four months plus one day after the date of issuance. In such an event, the Company will give an expiry acceleration notice ("Notice") to the warrant holders and the expiry date of the warrants will be 30 days from the date of the Notice.

The warrants attached to this issuance have been valued at \$200,353 based on the Black-Scholes Method using the assumptions noted below:

<b>Assumptions</b>	
Risk-free interest rate	0.78%
Expected stock price volatility	235%
Expected dividend yield	0.00%
Expected life of warrants	2 years

In connection with the closing, the Company incurred \$2,674 of share issuance costs.

#### c. Incentive Stock Options

The Company adopted a stock option plan, which authorizes the Board of Directors to grant share purchase options to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price of the options will not be less than the price of the Company's shares at the date of grant. The options can be granted for a maximum of 10 years and the vesting of the options will be determined by the Board of Directors.

*Details of issued and outstanding stock options are as follows:*

	Number of Options	Weighted Average Exercise Price
Balance – December 31, 2015	3,990,000	\$0.18
Cancelled	(625,000)	\$0.21
Expired	(2,000,000)	\$0.20
Forfeited	(50,000)	\$0.13
Balance – December 31, 2016	1,315,000	\$0.14
Granted	9,050,000	\$0.06
Expired	(115,000)	\$0.25
Cancelled	(250,000)	\$0.06
<b>Balance – December 31, 2017</b>	<b>10,000,000</b>	<b>\$0.07</b>

# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

### 11. Share Capital - Continued

#### c. Incentive Stock Options - Continued

*At December 31, 2017, the following stock options were exercisable:*

Expiry Date	Weighted Average Exercise Price	Number of Options	Weighted Average Remaining Life in Years
May 28, 2019	\$0.13	950,000	1.41
July 14, 2019	\$0.13	250,000	1.53
July 19, 2019	\$0.07	125,000	1.55
January 30, 2022	\$0.06	7,700,000	4.08
August 11, 2017	\$0.06	600,000	4.61
		<b>9,625,000</b>	<b>3.67</b>

#### d. Share Purchase Warrants

*Details of issued and outstanding share purchase warrants are as follows:*

	Number of Warrants	Weighted Average Exercise Price
Balance – December 31, 2015	18,500,000	\$0.20
Issued	7,700,110	\$0.06
Expired	(18,500,000)	\$0.20
Balance – December 31, 2016	7,700,110	\$0.06
Granted	6,017,000	\$0.06
<b>Balance – December 31, 2017</b>	<b>13,717,110</b>	<b>\$0.06</b>

*At December 31, 2017, the following share purchase warrants were exercisable:*

Expiry Date	Weighted Average Exercise Price	Number of Warrants	Weighted Average Remaining Life in Years
December 28, 2018	\$0.06	7,700,110	1.00
April 5, 2019	\$0.06	6,017,000	1.27
		<b>13,717,110</b>	<b>1.12</b>

#### e. Special Warrants

*Details of issued and outstanding special warrants are as follows:*

	Number of Special Warrants	Expiry Date
Balance – December 31, 2016	-	
Issued – Series A (Note 8c)	12,000,000	January 17, 2027
Issued – Series B (Note 8c)	12,000,000	January 17, 2032
Issued – Series C (Note 8c)	12,000,000	January 17, 2037
<b>Balance – December 31, 2017</b>	<b>36,000,000</b>	

# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

### 11. Share Capital - Continued

#### f. Share-Based Payments

On January 30, 2017, the Company granted 7,950,000 incentive stock options to directors, officers and consultants and all of which vested at the date of grant. The options are exercisable at \$0.06 per share and will expire on January 30, 2022. The fair value of these options was \$381,500 and was recognized as share-based compensation expense during the year ended December 31, 2017. The corresponding share-based compensation expense has a weighted average fair value of \$0.05 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

<b>Assumptions</b>	
Risk-free interest rate	1.14%
Expected stock price volatility	185.76%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	5 years

On July 19, 2017, the Company granted 500,000 incentive stock options to an investor relations consultant. The options are exercisable at \$0.07 per share and will expire on July 19, 2019 and vests 25% three months after the grant date and the remaining will vest at 25% every three months thereafter. The fair value of these options was \$20,077 and the portion recognized as share-based compensation expense during the year ended December 31, 2017 was \$14,812. The corresponding share-based compensation expense has a weighted average fair value of \$0.04 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

<b>Assumptions</b>	
Risk-free interest rate	1.22%
Expected stock price volatility	194.45%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	2 years

On August 11, 2017, the Company granted 600,000 incentive stock options to a director of the Company and all of which vested at the date of grant. The options are exercisable at \$0.06 per share and will expire on August 11, 2022. The fair value of these options was \$28,840 and was recognized as share-based compensation expense during the year ended December 31, 2017. The corresponding share-based compensation expense has a weighted average fair value of \$0.05 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

<b>Assumptions</b>	
Risk-free interest rate	1.46%
Expected stock price volatility	186.94%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	5 years

#### g. Shares for Debt

On January 27, 2017, the Company completed its shares for debt transaction with various creditors by issuing 29,002,225 common shares at a deemed price of \$0.05 per share to settle outstanding debt in the aggregate of \$1,450,111 (the "Debt") owed to directors, officers and certain arm's length creditors. The Debt settled consisted of the following: \$322,300 of loans due to a related party; \$642,608 of amounts due to related parties; \$156,445 of third party loans payable including interest; and \$328,758 of third party trade payables.

# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

### 12. Related Party Transactions

Details of transactions between the Company and its related parties are disclosed below.

As at December 31, 2017, the Company's related parties consist of the Company's directors and companies controlled by executive officers and directors of the Company.

	Nature of Transaction
Canam Mining Corporation ("Canam")	Management – Officer and Director
0909074 B.C. Ltd. ("0909074")	Management – Officer
Moore Geological Inc. ("Moore")	Consulting - Director
L. M. Okada Ltd. ("Okada")	Fees – Director
Other Directors	Directorship

The Company incurred fees and expenses in the normal course of operations in connection with companies controlled by key management and directors. Details are as follows:

	Notes	For the year ended December 31, 2017	For the year ended December 31, 2016
Consulting fees	(i)	\$ 199,400	\$ 188,600
Geological consulting fees included in exploration and evaluation expenditures	(ii)	23,050	-
		\$ 222,450	\$ 188,600

- (i) During the year ended December 31, 2017, the Company paid or accrued management consulting fees of \$99,350 (December 31, 2016 - \$116,600) and \$28,050 (December 31, 2016 - \$Nil) to Canam and John Mirko, respectively and management and financial consulting fees of \$72,000 (December 31, 2016 - \$72,000) to 0909074.
- (ii) During the year ended December 31, 2017, the Company paid or accrued geological consulting fees of \$15,950 (December 31, 2016 - \$Nil) to Canam, \$5,500 (December 31, 2016 - \$Nil) to John Mirko and \$1,600 (December 31, 2016 - \$Nil) to Moore.

Included in accounts payable and accrued liabilities as at December 31, 2017 are:

- \$81,428 (December 31, 2016 - \$518,018) owing to Canam for management and geological consulting fees;
- \$123,565 (December 31, 2016 - \$111,028) owing to the Company's CEO for reimbursable expenses and management and geological consulting fees;
- \$83,397 (December 31, 2016 - \$83,397) owing to Somji Consulting Ltd. (former director) for consulting fees and reimbursable expenses;
- \$72,200 (December 31, 2016 - \$160,100) owing to 0909074 for management and financial consulting fees; and
- \$Nil (December 31, 2016 - \$18,300) in directors fees were owing to the Company's other directors.

# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

### 12. Related Party Transactions – Continued

#### Loans from related parties

As at December 31, 2017, \$Nil (December 31, 2016 - \$322,300) is the balance of various short-term loans from a director of the Company. The loans were unsecured, non-interest bearing loans and were without fixed repayment terms. On January 27, 2017, the full balance outstanding of \$322,300 was settled by the Company by issuing common shares at \$0.05/share (Note 11g).

As at December 31, 2017, \$173,904 (December 31, 2016 - \$216,849) is the balance, including accrued interest, of the three short-term loans from a former director of the Company. Two loans bear interest at 1.5% per month, are unsecured and were due between July 17, 2014 and September 19, 2014. The Company and the director are currently negotiating a mutually agreeable repayment date with respect to these loans. The other loan bears no interest, is unsecured and has no fixed repayment term. As at December 31, 2017, the Company has accrued interest of \$73,904 (December 31, 2016 - \$38,445) relating to the balances outstanding from the two interest bearing loans.

#### **Compensation of Key Management Personnel**

Key management personnel are those persons that have authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly, and by definition include the directors of the Company.

The remuneration of the Company's key management personnel for the years ended December 31, 2017 and 2016 are as follows:

	Note	December 31, 2017	December 31, 2016
Management and geological consulting fees	(i)	\$ 222,450	\$ 188,600
Share-based compensation	(ii)	278,375	-
Total		\$ 500,825	\$ 188,600

(i) Management, director and geological consulting fees include those disclosed in the table above.

(ii) Share-based payments are the fair value of options granted and vested to key management.

Key management personnel were not entitled to post-employment, termination or other long-term benefits during the years ended December 31, 2017 and 2016.

The above transactions occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

### 13. Income Taxes

- a. The income tax provisions differ from the amounts obtained by applying the statutory Canadian and Peruvian income tax rates as follows:

	<b>For the year ended December 31, 2017</b>	For the year ended December 31, 2016
Loss before income taxes	\$ (1,077,175)	\$ (497,878)
Effective statutory tax rate	<b>26.00%</b>	26.05%
Expected tax recovery	<b>(280,064)</b>	(129,680)
Adjustments:		
Share-based compensation	<b>110,540</b>	-
Share issue costs	<b>(4,398)</b>	(8,492)
Other	<b>(54,864)</b>	1,242
Change in unrecognized deferred tax asset	<b>229,286</b>	136,930
Income tax expense (recovery)	\$ -	\$ -

- b. The components of the deferred income tax asset (liability) balances are as follows:

	<b>December 31, 2017</b>	December 31, 2016
Deferred income tax asset (liability):		
Non-capital loss carry-forwards	\$ 2,749,781	\$ 2,376,828
Share issue costs	<b>5,375</b>	10,074
Other	<b>(50,687)</b>	52,615
Unrecognized deferred tax asset	<b>(2,704,469)</b>	(2,439,517)
Deferred income tax asset (liability)	\$ -	\$ -

The effective income tax rate is the rate that is estimated to be applicable when timing differences reverse. As at December 31, 2017, the future enacted rates are estimated to be 27% in Canada (December 31, 2016 – 26%) and 28% in Peru (December 31, 2016 – 28%).

# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

### 13. Income Taxes – Continued

- c. The Company's unrecognized deductible temporary differences and unused tax losses consist of the following:

	December 31, 2017	December 31, 2016
Non-capital loss carry-forwards	\$ 10,147,343	\$ 9,061,470
Capital loss carry-forwards	-	1,521
Share issue costs	19,909	38,747
Mineral properties	(192,005)	197,426
Equipment	4,276	3,421
Unrecognized deductible temporary differences	\$ 9,979,523	\$ 9,302,585

- d. As at December 31, 2017, the Company had non-capital losses of approximately \$9,148,000 (December 31, 2016 - \$8,019,000) and had resource-related amounts available, subject to certain restrictions, for deduction against future taxable income in Canada. The non-capital losses expire as follows:

Year	December 31, 2017
2029	\$ 232,000
2030	334,000
2031	460,000
2032	1,329,000
2033	1,998,000
2034	2,720,000
2035	432,000
2036	761,000
2037	882,000
Unrecognized deductible temporary differences	\$ 9,148,000

The Company's Peruvian subsidiaries also have, as at December 31, 2017, approximately \$1,043,000 (December 31, 2016 - \$1,043,000) in non-capital losses that may be carried forward indefinitely until applied to reduce future years' taxable income, but only up to 50% of taxable income in a given year.

# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

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### 14. Capital Management

The Company primarily considers shareholders' equity in the management of its capital. The Company manages its capital structure and makes adjustments to it based on funds available to the Company, in order to support exploration and development of mineral properties. The Board of Directors has not established quantitative capital structure criteria management, but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, to support continued evaluation and maintenance of the Company's existing properties, and to acquire, explore and develop other precious metals, base metals and industrial mineral deposits;
- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal; and
- To obtain the necessary financing if and when it is required.

The properties in which the Company currently holds interests are in the exploration stage and the Company is dependent on external financing to explore and take the project to development. In order to carry out planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and attempt to raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

In order to facilitate the management of capital and development of its mineral properties, the Company's management informs the Board of Directors as to the quantum of expenditures for review and approval prior to commencement of work. In addition, the Company may issue new equity, incur additional debt, enter into joint venture agreements or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends. The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

There were no changes in the Company's approach to capital management during the year ended December 31, 2017 compared to the year ended to December 31, 2016. The Company is not subject to externally imposed capital requirements. Further information relating to management of capital is disclosed in Note 1.

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### 15. Financial Instruments

#### Fair Value

The Company classifies its cash, amounts receivable (excluding sales tax receivable) and reclamation bonds as loans and receivables and its marketable securities as available for sale. Accounts payable and accrued liabilities, loans from related parties and loan payable are classified as borrowings and other financial liabilities. As of December 31, 2017, the statement of financial position carrying amounts of these financial instruments closely approximate their fair values, except for accounts payable and accrued liabilities and loans from related parties where the fair value may be less than carrying amounts due to liquidity risks (Note 1).

# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

### 15. Financial Instruments – Continued

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

**Level 1** – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

**Level 2** – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

**Level 3** – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following provides the valuation method of the Company's financial instruments as at December 31, 2017 and December 31, 2016:

	Level	As at December 31, 2017	As at December 31, 2016
Loans and receivables	1	\$ 72,448	\$ 359,852
Available for sale financial assets	1	\$ 49,875	\$ 60,000
Other financial liabilities	1	\$ 656,958	\$ 2,064,694

### Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk.

#### Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash, short-term investment, reclamation bonds and amounts receivable. The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

The Company deposits its cash with a high credit quality major Canadian financial institution as determined by ratings agencies. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses. To reduce credit risk, the Company regularly reviews the collectability of its amounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. The Company historically has not had difficulty collecting its amounts receivable.

# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

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### 15. Financial Instruments – *Continued*

#### Financial Risk Management – *Continued*

##### Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining a sufficient cash balance. As at December 31, 2017, the Company had cash of \$52,424 to settle current liabilities of \$656,958. Further information relating to liquidity risk is disclosed in Note 1.

##### Market Risks

The significant market risks to which the Company is exposed are currency and interest rate risks.

The operating results and financial position of the Company are reported in Canadian dollars. As the Company conducts exploration and property examinations in other countries outside of Canada, some of the Company's transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are subject to currency transaction and translation risks. The Company has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks at this time. Management believes the foreign exchange risk derived from currency conversions for property examinations incurred in other countries outside of Canada is not significant and therefore does not hedge its foreign exchange risk.

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest rate risk arises primarily from interest earned on the short-term investment. Cash is not subject to interest rate risk since it does not bear interest.

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### 16. Contingency

The Company is committed to making severance payments amounting to approximately \$270,000 to certain officers and directors of the Company in the event that there is a change in control. Change in control is generally defined as follows: the acquisition by any unrelated party between 30% to 50% of the Company's shares, the change of 51% or more of the directors, the sale of all or substantially all of the assets of the Company, and/or a reorganization, merger or other transaction.

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# Rokmaster Resources Corp.

## Notes to the Consolidated Financial Statements

(Stated in Canadian Dollars Unless Noted Otherwise)

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### 17. Segmented Information

The Company conducts its business in a single operating segment: the acquisition, exploration and development of mineral properties.

The following geographic data references assets based on their physical location:

<b>Total Assets</b>	<b>December 31, 2017</b>	December 31, 2016
Canada	\$ 864,463	\$ 546,399
Peru	5,352	5,214
	<b>\$ 869,815</b>	<b>\$ 551,613</b>

The following geographic data references net loss based on location of expenditures:

<b>Net Loss (Income)</b>	<b>For the year ended December 31, 2017</b>	For the year ended December 31, 2016
Canada	\$ 1,074,038	\$ 486,297
Peru	3,137	11,581
	<b>\$ 1,077,175</b>	<b>\$ 497,878</b>

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### 18. Event After the Reporting Period

On April 30, 2018, the Company received approval from the TSXV to proceed with its proposed consolidation of its share capital on the basis of five (5) existing common shares for one (1) new common share (the "Share Consolidation") with an effective date of May 1, 2018 (the "Effective Date"). The Share Consolidation was approved by shareholders at a special meeting held on April 9, 2018.

The Share Consolidation will also affect the Company's issued and outstanding stock options and warrants on the Effective Date of the Share Consolidation. At which time, the number, exchange basis or exercise price of all stock options and warrants will be adjusted, as applicable, to reflect the Share Consolidation.

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