

MK2 Ventures Ltd.

Condensed Interim Financial Statements

For the three months ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Chartered Professional Accountants organization for a review of interim financial statements by an entity's auditor.

The accompanying unaudited condensed interim financial statements of MK2 Ventures Ltd. for the three months ended September 30, 2017 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

MK2 Ventures Ltd.
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

As at	September 30, 2017	June 30, 2017 (Audited)
ASSETS		
Current assets		
Cash	\$ 966,595	\$ 1,007,154
GST receivable	2,654	959
Prepaid expenses	9,584	-
TOTAL ASSETS	\$ 978,833	\$ 1,008,113
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (notes 3 & 8)	\$ 32,308	\$ 32,861
TOTAL LIABILITIES	32,308	32,861
SHAREHOLDERS' EQUITY		
Share capital (note 4)	54,943,504	54,943,504
Accumulated deficit	(53,996,979)	(53,968,252)
TOTAL SHAREHOLDERS' EQUITY	946,525	975,252
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 978,833	\$ 1,008,113

These condensed interim financial statements were authorized for issue by the Board of Directors on November 15, 2017. They are signed on behalf of the Board of Directors by:

"Hani Zabaneh"
Director

"Emily Davis"
Director

The accompanying notes form an integral part of these condensed interim financial statements.

MK2 Ventures Ltd.
Condensed Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

For the three months ended	September 30, 2017	September 30, 2016
EXPENSES		
General and administrative costs	\$ 2,338	\$ 3,509
Management fees (note 8)	15,000	15,000
Professional fees	2,879	28,462
Shareholder information and investor relations	1,417	4,081
Transfer agent, regulatory and listing fees	7,093	9,899
	28,727	60,951
OTHER EXPENSES (INCOME)		
Foreign exchange loss	-	2
Finance expense	-	98
Gain on settlement of debt (note 4)	-	(5,230)
Recovery on payables	-	(975)
NET LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	\$ 28,727	\$ 54,846
Basic and diluted loss per share for the period attributable to common shareholders	\$ -	\$ 0.01
Weighted average number of common shares outstanding	27,383,303	8,675,680

The accompanying notes form an integral part of these condensed interim financial statements.

MK2 Ventures Ltd.
Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

For the three months ended	September 30, 2017	September 30, 2016
Cash flows provided by (used in):		
OPERATING ACTIVITIES		
Net loss from continuing operations for the period	\$ (28,727)	\$ (54,846)
Adjustments for items not affecting cash:		
Gain on settlement of debt (note 4)	-	(5,230)
Recovery on payables	-	(975)
	(28,727)	(61,051)
Net changes in non-cash working capital items:		
Amounts receivable and prepaid expenses	(11,279)	(2,564)
Accounts payable and accrued liabilities (note 3 & 8)	(553)	(51,627)
Net cash flows used in operating activities	(40,559)	(115,242)
FINANCING ACTIVITIES		
Share issue costs (note 7)	-	(11,177)
Repayment of loan payable	-	(44,306)
Net cash flows provided by (used in) financing activities	-	(55,483)
Net decrease in cash	(40,559)	(170,725)
Cash and restricted cash, beginning of period	1,007,154	654,296
Cash, end of period	\$ 966,595	\$ 483,571

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MK2 Ventures Ltd.
Condensed Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Share capital			Reserves			Accumulated deficit	Total
	Number of shares	Amount	Obligation to issue shares	Options	Warrants	Total		
Balance at June 30, 2016	1,317,926	\$ 53,639,323	\$ 650,000	\$ 34,400	\$ 73,000	\$ 107,400	\$ (53,934,322)	\$ 462,401
Reclassification of grant date fair value on expired brokers warrants (note 5)	-	-	-	-	(73,000)	(73,000)	73,000	-
Shares issued for cash – private placement	13,000,000	650,000	(650,000)	-	-	-	-	-
Share issuance cost	-	(11,177)	-	-	-	-	-	(11,177)
Shares issued for debt (note 4)	65,377	14,383	-	-	-	-	-	14,383
Net loss for the period	-	-	-	-	-	-	(54,846)	(54,846)
Balance at September 30, 2016	14,383,303	\$ 54,292,529	\$ -	\$ 34,400	\$ -	\$ 34,400	\$ (53,916,168)	\$ 410,761
Balance at June 30, 2017	27,383,303	\$ 54,943,504	\$ -	\$ -	\$ -	\$ -	\$ (53,968,252)	\$ 975,252
Net loss for the period	-	-	-	-	-	-	(28,727)	(28,727)
Balance at September 30, 2017	27,383,303	\$ 54,943,504	\$ -	\$ -	\$ -	\$ -	\$ (53,996,979)	\$ 946,525

The accompanying notes form an integral part of these condensed interim financial statements.

MK2 Ventures Ltd.
Notes to the Condensed Interim Financial Statements
For the three months ended September 30, 2017
(Expressed in Canadian Dollars)
(Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

MK2 Ventures Ltd. (the “Company” or “MK2”) was incorporated under the provincial laws of Alberta on July 24, 1989 and continued in the province of British Columbia on March 31, 2006. The Company’s office is located at Suite 918 – 1030 West Georgia Street, Vancouver, BC V6E 2Y3. The Company is listed on the NEX Exchange, a branch of the TSX Venture Exchange (the “Exchange”) and trades under the symbol “MK.H”.

These condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation in the foreseeable future and will be able to realize its assets and settle its liabilities in the normal course of business. At September 30, 2017, the Company had cash of \$966,595 (June 30, 2017- \$1,007,154) and working capital of \$946,525 (June 30, 2017 - \$975,252). The Company currently has no active business and is not generating any revenues. It has incurred losses and negative cash flows from operations since inception and has an accumulated deficit of \$53,996,979 as at September 30, 2017 (June 30, 2017 - \$53,968,252). Whether and when the Company can obtain profitability and positive cash flows from operations is uncertain. These uncertainties cast significant doubt on the ability of the Company to continue as a going concern.

The Company’s ability to continue its operations is dependent on its ability to identify a new business opportunity and its success in raising equity through share issuances, suitable debt financing and/or other financing arrangements. While the Company has been successful in raising equity in the past, there can be no guarantee that it will be able to raise sufficient funds to fund its activities and general and administrative costs in the next twelve months and in the future. These condensed interim financial statements do not give effect to the required adjustments to the carrying amounts and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and comply with IAS 34. The condensed interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the Company’s functional currency. This condensed interim financial report does not include all of the information required of a full audited annual financial report and it is therefore recommended that this report be reading conjunction with the annual financial statements of the Company for the year ended June 30, 2017. The accounting policies as reported in Note 2 of the audited annual financial statements for the year ended June 30, 2017 have been applied in preparing these condensed interim financial statements.

(b) Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At September 30, 2017 and June 30, 2017, the Company’s accounts payable and accrued liabilities are comprised of the following:

	September 30, 2017		June 30, 2017	
Trade payables and accrued liabilities	\$	16,558	\$	17,525
Due to related parties (note 8)		15,750		15,336
	\$	32,308	\$	32,861

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4. COMMON SHARES

(a) Authorized

Unlimited number of common shares without par value.

Effective August 6, 2015, the Company consolidated its issued and outstanding common shares, stock options and outstanding warrants on the basis of one post-consolidation common share for every 15 pre-consolidation common shares.

Effective June 27, 2016, the Company further consolidated its issued and outstanding common shares, stock options and outstanding warrants on the basis of one post-consolidation common share for every two pre-consolidation common shares.

As a result of the share consolidations, the number of shares, options and warrants presented in these condensed interim financial statements, and the exercise price for each option and warrant, and the calculated weighted average number of common shares issued and outstanding for the purpose of loss per share calculations are based on the post-consolidation shares for all years presented.

(b) Issued

On June 27, 2016, the Company raised \$650,000 through the distribution of 13,000,000 subscription receipts at \$0.05 per receipt. On July 4, 2016 and August 24, 2016, the Company issued 3,575,000 and 9,425,000 units, respectively, upon conversion of these subscription receipts for no additional consideration. Each unit is comprised of one common share and one share purchase warrant entitling the holder to acquire one common share at a price of \$0.05 for a period of twelve months following the date of issuing the subscription receipts. The cash proceeds were held in trust and were classified as restricted cash as at June 30, 2016. The use of the restricted cash balance was dependent on the Company receiving Exchange approval of the private placement and a change in control resulting therefrom. During the year ended June 30, 2017, the Company received Exchange approval and the cash proceeds held in trust were no longer classified as restricted. In connection with the shares issuance, the Company incurred \$10,202 in share issue costs.

On September 22, 2016, the Company issued 65,377 common shares to settle \$19,613 of director fees payable to former directors of the Company. The fair value of the shares was measured on the date of extinguishment of debt at \$0.22 per share. A gain on settlement of debt of \$5,230 was recognized in the condensed interim statement of comprehensive loss.

Between April 18, 2017 and June 27, 2017, the Company issued 13,000,000 common shares pursuant to the exercise of warrants for total gross proceeds of \$650,000.

5. OPTIONS AND WARRANTS

(a) Options

The Company has a stock option plan whereby a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of stock options. The terms of the options granted are fixed by the Board of Directors, and are not to exceed ten years. The exercise prices of the options are determined by the Board of Directors, but shall not be less than the closing price of the Company's common shares on the day preceding the day on which the options are granted, less any discount permitted by the Exchange.

Options granted under the plan may vest immediately on grant, or over a period as determined by the Board of Directors or, in respect of options granted for investor relations services, as prescribed by Exchange policy.

MK2 Ventures Ltd.**Notes to the Condensed Interim Financial Statements****For the three months ended September 30, 2017**

(Expressed in Canadian Dollars)

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5. OPTIONS AND WARRANTS (continued)**(a) Options (continued)**

A continuity schedule of the Company's outstanding stock options at September 30, 2017 and June 30, 2017 is as follows:

	September 30, 2017		June 30, 2017	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of year	-	\$ -	2,168	\$ 20.09
Expired/cancelled	-	-	(2,168)	(20.09)
Outstanding, end of year	-	\$ -	-	\$ -

During the three months ended September 30, 2017, nil (2016 - nil) options expired, and as a result, \$nil (2016 - \$nil) was adjusted from the option reserve to accumulated deficit.

At September 30, 2017, the Company had no stock options outstanding and exercisable to acquire common shares of the Company.

(b) Warrants

A continuity schedule of the Company's outstanding common share purchase warrants at September 30, 2017 and June 30, 2017 is as follows:

	September 30, 2017		June 30, 2017	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of period	-	\$ -	60,833	\$ 8.40
Issued	-	-	13,000,000	0.05
Exercised	-	-	(13,000,000)	(0.05)
Expired	-	-	(60,833)	(8.40)
Outstanding, end of period	-	\$ -	-	\$ -

During the three months ended September 30, 2017, nil (2016 - 60,833) warrants expired, and as a result, \$nil (2016 - \$73,000) was adjusted from the warrant reserve to accumulated deficit.

At September 30, 2017, the Company had no outstanding common share purchase warrants exercisable to acquire common shares of the Company.

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6. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to continue its business and maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company's capital includes the components of its shareholders' equity (deficiency).

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash. In order to preserve cash, the Company does not pay any dividends.

The Company's investment policy is to invest its cash in highly liquid investments, which are readily convertible into known amounts of cash with maturities of one year or less from the original date of acquisition or when it is needed, and selected with regard to the expected timing of expenditures from continuing operations.

The Company is not subject to any externally imposed capital requirements.

The Company's ability to continue its operations is dependent on its success in raising equity through share issuances, suitable debt financing and/or other financing arrangements.

7. FINANCIAL INSTRUMENTS

(a) Classifications

The Company's financial assets and liabilities are classified as follows:

	September 30, 2017	June 30, 2017
Financial assets:		
<i>Fair value through profit and loss</i>		
Cash	\$ 966,595	\$ 1,007,154
Financial liabilities:		
<i>Other financial liabilities</i>		
Accounts payable and accrued liabilities	\$ 32,308	\$ 32,861

The accounts payable and accrued liabilities includes amounts due to and from related parties and excludes sales tax receivable.

(b) Fair value information

The fair values of the Company's cash accounts payable and accrued liabilities approximate their carrying amounts due to the short-term nature of these instruments and belong to level 1 of the fair value hierarchy.

IFRS 7 *Financial Instruments: Disclosures* establishes a fair value hierarchy that reflects the significance of inputs used in measuring fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

At September 30, 2017, the Company had no financial assets measured and recognized on the statement of financial position at fair value belonging in Level 2 or Level 3 of the fair value hierarchy.

MK2 Ventures Ltd.

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8. RELATED PARTY TRANSACTIONS

The Company's related parties consist of its key management personnel, including its directors and officers, entities controlled by key management personnel and entities that have significant influence over the Company. During the normal course of business, the Company enters into transactions with its related parties that are considered to be arm's length transactions and made at normal market prices and on normal commercial terms.

(a) Key management compensation for the three months ended September 30, 2017 and 2016 were as follows:

	September 30, 2017	September 30, 2016
Short-term benefits	\$ 15,000	\$ 15,500
Share-based payments	-	-
	\$ 15,000	\$ 15,500

(b) During the three months ended September 30, 2017, the Company incurred \$15,000 (September 30, 2016 - \$15,000) for management fees provided by an entity controlled by the Company's former Chief Executive Officer. Amounts owing to this entity at September 30, 2017 is \$15,750 (September 30, 2016 - \$15,000) and is included in accounts payables and accrued liabilities.