

PHOENIX METALS CORPORATION

Condensed Consolidated Financial Statements

Nine Months Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

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 financial statements have not been reviewed by the auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

PHOENIX METALS CORPORATION

Consolidated Statements of Financial Position
As at September 30, 2017 and December 31, 2016

	Notes	September 30, 2017	December 31, 2016
ASSETS			
Current Assets			
Cash	9	\$ 471,838	\$ 283,356
Amounts receivable		34,987	46,127
Prepaid expenses		1,200	1,200
		508,025	330,683
Exploration and evaluation assets	5	1	1
TOTAL ASSETS		\$ 508,026	\$ 330,684
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current Liabilities			
Accounts payable and accrued liabilities	6	\$ 1,097,009	\$ 1,405,038
Demand loan payable	7	-	86,623
		1,097,009	1,491,661
Shareholders' deficiency			
Share capital	8	22,156,144	22,159,424
Share subscriptions received	8	2,349,902	853,041
Contributed surplus		1,724,224	1,724,224
Deficit		(26,819,253)	(25,897,666)
		(588,983)	(1,160,977)
		\$ 508,026	\$ 330,684

Nature of operations and going concern (Note 1)

Subsequent events (Note 11)

The accompanying notes are an integral part of these consolidated financial statements

Approved on behalf of the directors on November 29, 2017

"Brian Leeners"

Director

"Gregory Pearson"

Director

PHOENIX METALS CORPORATION

Consolidated Statements of Comprehensive Loss

For the Three and Nine Months Ended September 30, 2017 and 2016

	Notes	For the three months ended September 30,		For the nine months ended September 30,	
		2017	2016	2017	2016
Expenses					
Consulting and management fees	6	\$ 191,040	\$ 63,000	\$ 667,882	\$ 192,000
Exploration and evaluation expenditures		-	24,605	-	39,605
Foreign exchange loss (gain)		(5,270)	2,149	(7,501)	(28,962)
Impairment of property costs	5c	-	-	-	25,000
Office and miscellaneous	6	34,905	30,542	125,469	91,267
Professional fees		-	(4,300)	57,611	2,200
Transaction costs		-	-	60,000	-
Transfer agent and filing fees		13,397	4,427	18,279	17,789
		234,072	124,723	921,740	338,899
Other income					
Interest income		7	-	153	-
Net loss for the period		(234,065)	(124,723)	(921,587)	(338,899)
Comprehensive loss for the period		\$ (234,065)	\$ (124,723)	\$ (921,587)	(338,899)
Basic and diluted loss per share		\$ (0.02)	\$ (0.01)	\$ (0.08)	(0.03)
Weighted average number of common shares outstanding		11,878,381	11,878,381	11,878,381	11,878,381

PHOENIX METALS CORPORATION

Consolidated Statements of Cash Flows

For the Nine Months Ended September 30, 2017 and 2016

	For the Nine Months ended September 30,	
	2017	2016
Cash provided by (used in):		
Operating activities		
Comprehensive loss for the period	\$ (921,587)	\$ (338,899)
Items not affecting cash:		
Accrued Interest	1,758	1,437
Foreign exchange	(592)	(56)
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	(308,029)	132,524
Amounts receivable	11,140	(12,675)
Net cash provided by (used in) operating activities	(1,217,310)	(217,669)
Investing activities		
Exploration and evaluation expenditures	-	-
Net cash (used in) provided by investing activities	-	-
Financing activities		
Share subscriptions received	1,409,072	214,552
Share issuance costs	(3,280)	-
Net cash provided by (used in) financing activities	1,405,792	214,552
Net increase (decrease) in cash	188,482	(3,117)
Cash, beginning of the period	283,356	8,813
Cash, end of the period	\$ 471,8338	\$ 5,696

PHOENIX METALS CORPORATION

Consolidated Statements of Changes in Shareholder's Equity For the Nine Months Ended September 30, 2017 and 2016

	Number of common shares outstanding	Share capital	Subscriptions received	Contributed surplus	Deficit	Total Shareholders' Equity (deficit)
Balance, December 31, 2016	11,878,381	\$ 22,159,424	\$ 853,041	\$ 1,724,224	\$ (25,897,666)	\$ (1,160,977)
Finders' fee	-	(3,280)	-	-	-	(3,280)
Subscription funds received	-	-	1,496,861	-	-	1,496,861
Loss for the period	-	-	-	-	(921,587)	(921,587)
Balance, September 30, 2017	11,878,381	\$ 22,156,144	\$ 2,349,902	\$ 1,724,224	\$ (26,819,253)	\$ (588,983)
Balance, December 31, 2015	11,878,381	\$ 22,159,424	\$ 40,688	\$ 1,724,224	\$ (25,318,008)	\$ (1,393,672)
Subscription funds received	-	-	214,552	-	-	214,552
Loss for the period	-	-	-	-	(338,899)	(338,899)
Balance, September 30, 2016	11,878,381	\$ 22,159,424	\$ 255,240	\$ 1,724,224	\$ (25,656,907)	\$ (1,518,019)

PHOENIX METALS CORPORATION

Notes to the Consolidated Financial Statements

For the Nine Months Ended September 30, 2017 and 2016

1. Nature of operations and going concern

Phoenix Metals Corporation (“the Company”) was incorporated in British Columbia on October 21, 1980 and is a public company listed on the TSX Venture Exchange (“TSX-V”). Previously, the principal business activity of the Company was the exploration and evaluation of mineral property interests in North America. The corporate head office of the Company is located at 14th Floor, 1040 West Georgia Street, Vancouver, B.C., V6E 4H8.

On August 29, 2017, the Company announced that it will no longer be acquiring F4 Environmental Solutions Ltd. under its proposed change of business. The Company further announces that it will continue its change of business into the bioremediation sector. The early stage and fragmented state of the bioremediation industry presents a unique growth opportunity for the Company and the experienced personnel it has assembled. The Company is continuing to build its team and advance discussions to partner with others in the bioremediation industry.

These condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) applicable to a going concern which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due for the foreseeable future. As at September 30, 2017, the Company had no source of operating cash flows and reported a comprehensive loss for the nine months ended September 30, 2017 of \$921,587 (2016 - \$338,899), working capital deficit of \$588,984 (December 31, 2016 - \$1,160,978), and has an accumulated deficit of \$26,819,253 (December 31, 2016 - \$25,897,666), and the Company expects to incur further losses in the development of its business. These factors cast substantial doubt about the Company’s ability to continue as a going concern. Management has estimated that the Company will require additional financing to meet its obligations for the next fiscal year. Continued operations are dependent on the Company’s ability to complete equity financings and secure project debt financing.

These consolidated financial statements do not include adjustments or disclosures that may result should the Company not be able to continue as a going concern.

2. Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IFRS, as issued by International Accounting Standards Board (“IASB”) and Interpretations of the international Financial Reporting Interpretations Committee (“IFRIC”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS and as issued by the IASB.

The Board of Directors approved these consolidated financial statements on November 29, 2017.

b) Functional and presentation currency

These condensed consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

c) New accounting standards, amendments and interpretations

New accounting standards adopted:

The following standards, amendments and interpretations have been adopted by the Company as of January 1, 2014. There was no material impact on the financial statements as a result of the adoption of these standards, amendments and interpretations:

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Notes to the Consolidated Financial Statements

For the Nine Months Ended September 30, 2017 and 2016

- Amendments to IAS 32 - Financial Instruments: Presentation amendment provides clarification on the application of offsetting rules. There was no impact to the Company arising from the adoption of this standard.

Issued but not yet effective:

The IASB issued the following standards, which are not yet effective and have not been applied in the preparation of these consolidated financial statements. The Company is in the process of determining the extent of the impact on its financial statements.

- IFRS 9 Financial Statements, this new standard is a partial replacement of International Accounting Standard (“IAS”) 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The proposed effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018.
- The IASB issued IFRS 15, Revenue from Contracts with Customers, which provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. This standard is effective for reporting periods beginning on or after January 1, 2018.

The Company has not early adopted these revised standards and are currently assessing the impact that these standards will have on the financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

d) Comparative financial statements

Certain comparative figures have been reclassified to conform to the current year presentation.

3. Capital management

The Company classifies its share capital and contributed surplus as capital, which at September 30, 2017 totalled \$26,230,270 (2016 - \$24,736,689). When managing capital, the Company’s objective is to ensure the entity continues as a going concern as well as to maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide optimal returns to shareholders and benefits for other stakeholders. The Board of Directors does not establish qualitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to sustain future development of the business. The Company is dependent upon external financing to fund its activities. In order to carry out its business activity and pay for administrative costs, the Company will spend its existing working capital and 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 appropriate. There were no changes in the Company’s approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

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Notes to the Consolidated Financial Statements

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4. Financial instruments and financial risk management

a) Fair value

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted market prices, as appropriate, in the most advantageous market for that instrument to which the Company has immediate access. Where quoted market prices are not available, the Company uses the closing price of the most recent transaction for that instrument. In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics. The fair value of current financial instruments approximates their carrying values as long as they are short term in nature or bear interest at market rates.

b) Fair value hierarchy

Financial instruments that are held at fair value are categorized based on a valuation hierarchy which is determined by the valuation methodology utilized:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels 1 and 2 during the period.

d) Financial risks

(i) Interest rate risk

The Company's interest rate risk arises primarily from the interest received on cash, which is invested on a short term basis to enable adequate liquidity for payment of operational and capital expenditures. Interest rate risk is considered minimal.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, reclamation bonds, and accounts payable and accrued liabilities that are denominated in US dollars. Management also recognizes that the Company is exposed to financial risks arising from fluctuations in foreign exchange rates and the degree of volatility of these rates, as its exploration activities are conducted in United States dollars. The Company does not use derivative instruments to reduce its exposure to foreign exchange risk. A 10% increase in the value of the US dollar against the Canadian dollar would not be expected to have a significant impact on the comprehensive loss of the Company.

(iii) Commodity price risk

The Company will be exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future operations will be significantly affected by changes in the market prices of these commodities. Prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors may in turn be influenced by changes in international investment patterns and monetary systems and political developments.

(iv) Credit risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The Company's credit risk is primarily attributable to cash, and due from related parties. The Company limits its exposure to credit risk on cash as these financial instruments are held with major Canadian and international banks, from which management believes the risk of loss to be remote. Credit risk on due from related parties is considered to be minimal given the relatively immaterial values. The carrying amount of financial assets recorded in the financial statements, net of any allowances, represents the Company's maximum exposure to credit risk.

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(v) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by maintaining cash. Liquidity requirements are managed based on expected cash flow to ensure there is capital to meet short term and long term obligations. As at September 30, 2017, the Company did not have sufficient cash on hand to pay its short-term creditors and does not generate cash from its operations. Accordingly, liquidity risk is considered high.

5. Exploration and evaluation assets

a) Exploration and evaluation assets - reconciliation

A reconciliation of exploration and evaluation assets is as follows:

	Copper Joe, Arizona		Total
Balance, December 31, 2015	\$	1	\$ 1
Acquisition costs		-	-
Claims maintenance fees		-	-
Balance, December 31, 2016 and September 30, 2017	\$	1	\$ 1

6. Related party transactions

Compensation paid to key management, including amounts noted above, is as follows:

Name	Relationship	Nature of Transaction	Fees for the Nine Months ended September 30,		Balance payable at September 30, 2017	Balance payable at December 31, 2016
			2017	2016		
Nexvu Services Inc.	Owned by Nexvu Capital Corporation, which Brian Leeners, Greg Pearson and Gordon Fretwell are shareholders	Rent and corporate services	\$ 90,000	\$ 90,000	\$ 47,000	\$ 339,925
Brian Leeners	Chief executive officer and director	Management services	90,000	90,000	265,170	307,450
ISG Professional Services Inc.	Annie Storey, former chief financial officer, who is a shareholder	Accounting services	-	10,000	141,225	141,225
Global Link Capital	Greg Pearson, director of the Company, is a shareholder	Management services	90,000	67,500	156,033	205,650
Gordon J. Fretwell, Law Corporation	Gordon Fretwell is a shareholder of Nexvu Capital Corporation.	Legal services	57,991	-	157,052	151,309
0733351 BC Ltd.	Owned by Nexvu Capital Corporation, which Brian Leeners, Greg Pearson and Gordon Fretwell are shareholders	Property option	-	-	9,435	10,089
AE Financial Management Ltd.	Edward Low, chief financial officer, is a shareholder	Accounting services	31,500	24,500	9,188	7,350
			\$ 359,491	\$ 282,000	\$ 785,103	\$ 1,162,998

Balances owing are unsecured, non-interest bearing and have no specified terms of repayment.

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For the Nine Months Ended September 30, 2017 and 2016

The Company advanced Prime Meridian Resources Corp., a company with officers and directors in common, \$25,000 (2016 - \$25,000), the advance is interest-free and payable on demand.

Included in accounts payable and accrued liabilities, but not included in the table above, are advances from Nexvu Capital Corporation for \$46,577 (2016 - \$46,577). The advance is interest-free and payable on demand.

7. Demand loan payable

The demand loan payable in the amount of \$nil (2016 - \$86,623) is from a non-related party, is unsecured and payable on demand, and bears interest at 10% per annum. The loan initially matured on December 1, 2014 and became on demand upon default of repayment. During the nine month period ended September 30, 2017, the holder of the demand loan agreed to apply the loan and interest into the private placement (see private placement details in Note 8).

8. Share capital

Authorized: unlimited common voting shares, without par value.

Private placements

As at September 30, 2017, the Company had received subscription funds in the amount of \$2,349,902 (2016 - \$853,041) to be applied towards a future private placement at \$0.20 per unit. Each unit consists of one common share and one share purchase warrant enabling the holder to acquire one additional common share at a price of \$0.50 per share for one year from closing of the private placement. A portion of the subscription funds, \$463,989, are held in trust, an by the Company's legal counsel and only to be released upon the closing of the COB transaction.

9. Options and warrants

a) Stock options

A summary of changes in options outstanding during the period is as follows:

	Number of options	Weighted average exercise price	Weighted average option life (years)
Balance, December 31, 2014	1,062,500	\$ 0.92	1.24
Expired/forfeited	(143,750)	1.00	-
Balance, December 31, 2015	918,750	0.92	1.24
Expired/forfeited	(703,125)	0.95	-
Balance, December 31, 2016 and September 30, 2017	215,625	0.80	0.29
Options vested and exercisable	215,625	0.80	0.29

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Notes to the Consolidated Financial Statements For the Nine Months Ended September 30, 2017 and 2016

As at September 30, 2017, the following options were outstanding:

Expiry date	Number of options
November 8, 2017	134,375
November 9, 2017	12,500
June 10, 2018	68,750
Total	215,625

b) Warrants

There are no warrants issued and outstanding as at September 30, 2017 (December 31, 2016 – nil).

9. Financial instruments

Financial assets and financial liabilities as at September 30, 2017 and December 31, 2016 are as follows:

As at Sep. 30, 2017	Assets at fair value through profit and loss	Loans and receivable	Other liabilities	Total
Cash	\$ 471,838	\$ -	\$ -	\$ 471,838
Amounts receivable	-	34,987	-	34,987
Accounts payable and accrued liabilities	-	-	1,097,009	1,097,009
Demand loan payable	-	-	-	-

As at December 31, 2016	Assets at fair value Through profit and loss	Loans and receivable	Other liabilities	Total
Cash	\$ 8,813	\$ -	\$ -	\$ 8,813
Amounts receivable	-	46,127	-	46,127
Accounts payable and accrued liabilities	-	-	1,321,315	1,321,315
Demand loan payable	-	-	81,171	81,171

10. Segmented information

The Company has one reportable operating segment, being the acquisition and exploration and future development of mineral properties. The Company's exploration and evaluation assets are located in Canada and the United States.

11. Subsequent events

a) On October 18, 2017, the Company received \$20,000 in subscription funds.

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For the Nine Months Ended September 30, 2017 and 2016

b) On November 8, 2017, 134,375 stock options exercisable at \$0.80 expired unexercised.

c) On November 8, 2017, 12,500 stock options exercisable at \$0.80 expired unexercised.

d)