



# **DAJIN RESOURCES CORP.**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**NOVEMBER 30, 2017 and 2016**

**(Expressed in Canadian Dollars)**

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Dajin Resources Corp.,

We have audited the accompanying consolidated financial statements of Dajin Resources Corp., which comprise the consolidated statements of financial position as at November 30, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in equity and cash flows 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 Dajin Resources Corp. as at November 30, 2017 and 2016 and its financial performance and its 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 qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that the Company has limited working capital, no current sources of revenue and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.



**CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC Canada

March 29, 2018

**DAJIN RESOURCES CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**NOVEMBER 30, 2017 AND 2016**  
**(Expressed in Canadian dollars)**

	<u>2017</u>	(Note 14) <u>2016</u>
<b><u>ASSETS</u></b>		
Current		
Cash and cash equivalents	\$ 1,113,645	\$ 1,400,647
Marketable securities	371,521	37,500
Receivables	12,377	16,307
Prepaid expenses	37,585	17,646
Reclamation bonds – Note 6(c)	<u>25,918</u>	<u>-</u>
	1,561,046	1,472,100
Equipment	12,856	20,603
Investment in associate – Note 5	1,432,702	1,432,702
Resource property costs – Note 6, and Schedule	2,288,982	1,710,168
Reclamation bonds	<u>-</u>	<u>61,300</u>
	<u>\$ 5,295,586</u>	<u>\$ 4,696,873</u>
<b><u>LIABILITIES</u></b>		
Current		
Accounts payable and accrued liabilities	\$ 123,653	\$ 212,749
Due to related parties – Note 8	<u>-</u>	<u>18,293</u>
	<u>123,653</u>	<u>231,042</u>
<b><u>SHAREHOLDERS' EQUITY</u></b>		
Share capital – Note 7	27,876,890	26,138,442
Contributed surplus – Note 7	3,030,553	3,230,911
Accumulated deficit	<u>(25,735,510)</u>	<u>(24,903,522)</u>
	<u>5,171,933</u>	<u>4,465,831</u>
	<u>\$ 5,295,586</u>	<u>\$ 4,696,873</u>

Subsequent Events – Note 6(c), 7

Approved on behalf of the Board:

“Brian Findlay”  
Director

“Catherine Hickson”  
Director

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

**DAJIN RESOURCES CORP.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016**  
**(Expressed in Canadian Dollars)**

	<u>2017</u>	<u>2016</u>
Expenses		
Accounting and audit fees	\$ 62,726	\$ 29,275
Administration fees – Note 8	84,000	84,000
Amortization	10,534	10,302
Bank charges and interest – Note 8	1,896	2,070
Consulting fees – Note 8	110,550	125,875
Foreign exchange (gain) loss	10,109	(96,682)
Investor relations	27,844	15,629
Legal and professional fees	139,645	63,476
Listing, filing and transfer agent fees	24,825	65,572
Marketing and advertising	78,780	163,848
Office administration and general	45,343	52,175
Rent – Note 8	52,947	37,811
Stock-based compensation – Note 7	-	795,724
Travel, conferences and promotion	78,525	27,294
Wages and benefits	<u>129,311</u>	<u>105,159</u>
Loss from operations	(857,035)	(1,367,677)
Other income (loss):		
Interest income	912	1,329
Unrealized gain on marketable securities	39,031	12,500
Realized loss on marketable securities	(14,896)	-
Gain on de-consolidation of subsidiary – Note 5	-	17,681
Gain on forgiveness of debt	-	14,433
Write-off of resource property costs – Note 6	<u>-</u>	<u>(1)</u>
Net loss and comprehensive loss for the year	<u>\$ (831,988)</u>	<u>\$ (1,435,586)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding	<u>137,069,041</u>	<u>125,886,441</u>

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

**DAJIN RESOURCES CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016**  
**(Expressed in Canadian Dollars)**

	Common Stock				
	Issued <u>Shares</u> (Note 7)	<u>Amount</u>	Contributed <u>Surplus</u>	Accumulated <u>Deficit</u>	<u>Total</u>
Balance, November 30, 2015	108,320,731	\$ 23,503,887	\$ 2,564,322	\$ (23,467,936)	\$ 2,600,273
Shares issued for cash:					
Pursuant to a private placement – at \$0.12	10,555,000	1,266,600	-	-	1,266,600
Pursuant to a private placement – at \$0.18	2,777,777	500,000	-	-	500,000
On exercise of share purchase options - \$0.05	2,320,000	116,000	-	-	116,000
On exercise of share purchase options - \$0.06	150,000	9,000	-	-	9,000
On exercise of share purchase options - \$0.07	250,000	17,500	-	-	17,500
On exercise of share purchase options - \$0.10	125,000	12,500	-	-	12,500
On exercise of share purchase options - \$0.14	273,000	38,220	-	-	38,220
On exercise of share purchase warrants - \$0.05	9,964,000	498,200	-	-	498,200
On exercise of share purchase warrants - \$0.17	300,000	51,000	-	-	51,000
Shares issued as finders' fees	50,000	6,000	-	-	6,000
Share issue costs	-	(9,600)	-	-	(9,600)
Allocation of options exercised *	-	129,135	(129,135)	-	-
Fair market value of stock based compensation	-	-	795,724	-	795,724
Net loss for the year	-	-	-	(1,435,586)	(1,435,586)
Balance, November 30, 2016	135,085,508	26,138,442	3,230,911	(24,903,522)	4,465,831
Shares issued for cash:					
On exercise of share purchase options - \$0.05	2,500,000	125,000	-	-	125,000
On exercise of share purchase options - \$0.06	700,000	42,000	-	-	42,000
On exercise of share purchase options - \$0.07	100,000	7,000	-	-	7,000
On exercise of share purchase options - \$0.10	475,000	47,500	-	-	47,500
On exercise of share purchase options - \$0.14	377,000	52,780	-	-	52,780
On exercise of share purchase options - \$0.16	176,000	28,160	-	-	28,160
On exercise of share purchase warrants - \$0.13	9,505,000	1,235,650	-	-	1,235,650
Allocation of options exercised *	-	200,358	(200,358)	-	-
Net loss for the year	-	-	-	(831,988)	(831,988)
Balance, November 30, 2017	<u>148,918,508</u>	<u>\$ 27,876,890</u>	<u>\$ 3,030,553</u>	<u>\$ (25,735,510)</u>	<u>\$ 5,171,933</u>

\* Representative of the fair value of stock-based compensation amounts originally recorded in contributed surplus.

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

**DAJIN RESOURCES CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016**  
**(Expressed in Canadian Dollars)**

	<u>2017</u>	<u>2016</u>
<b>Operating Activities</b>		
Net and comprehensive loss for the year	\$ (831,988)	\$ (1,435,586)
Add items not affecting cash:		
Stock based compensation	-	795,724
Write-off of resource property costs	-	1
Unrealized foreign exchange	3,154	-
Amortization	10,534	10,302
Gain on de-consolidation of subsidiary	-	(17,681)
Gain on forgiveness of debt	-	(14,433)
Unrealized gain on marketable securities	(39,031)	(12,500)
Realized loss on marketable securities	<u>14,896</u>	<u>-</u>
	(842,435)	(674,173)
Net change in non-cash working capital:		
Receivables	3,930	(2,445)
Prepaid expenses	(19,939)	(1,520)
Accounts payable and accrued liabilities	21,762	75,765
Due to related parties	<u>(25,566)</u>	<u>(145,079)</u>
	<u>(862,248)</u>	<u>(747,452)</u>
<b>Financing Activities</b>		
Proceeds from issuance of common shares	1,538,090	2,509,020
Share issue costs	<u>-</u>	<u>(3,600)</u>
	<u>1,538,090</u>	<u>2,505,420</u>
<b>Investing Activities</b>		
Resource property additions, net	(685,553)	(1,454,218)
Proceeds from sale of marketable securities	190,114	7,269
Purchase of marketable securities	(500,000)	-
Disposition of interest in Dajin Resources S.A.	-	865,000
Cash disposed of on de-consolidation	-	(45,317)
Reclamation bonds refunded	35,382	-
Equipment additions	<u>(2,787)</u>	<u>(30,905)</u>
	<u>(962,844)</u>	<u>(658,171)</u>
Increase (decrease) in cash during the year	(287,002)	1,099,797
Cash, beginning of the year	<u>1,400,647</u>	<u>300,850</u>
Cash, end of the year	<u>\$ 1,113,645</u>	<u>\$ 1,400,647</u>

Non-Cash Transactions – Note 11

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

**DAJIN RESOURCES CORP.**  
**CONSOLIDATED SCHEDULE OF RESOURCE PROPERTY COSTS**  
**FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016**  
**(Expressed in Canadian Dollars)**

	Canada		Argentina	(Note 14) USA	(Note 14)
	Cowtrail	Addie 1		Nevada	Total
<b>Acquisition costs</b>					
Balance November 30, 2015	\$ -	\$ -	\$ 25,781	\$ 228,071	\$ 253,852
Staking and filing fees	-	-	1,184	220,633	221,817
Proceeds	-	-	-	(60,631)	(60,631)
Costs reclassified as Investment in associate (Note 5)	-	-	(26,965)	-	(26,965)
Balance November 30, 2016	-	-	-	388,073	388,073
Staking and filing fees	-	-	-	32,226	32,226
Balance November 30, 2017	-	-	-	420,299	420,299
<b>Deferred exploration and development costs</b>					
Balance, November 30, 2015	1	1	1,897,200	541,266	2,438,468
Administrative	-	-	261,553	-	261,553
Assays	-	-	-	21,334	21,334
Drilling	-	-	-	21,346	21,346
Exploration	-	-	-	264,022	264,022
Geological consulting (Note 8)	-	-	54,971	378,707	433,678
Labour	-	-	-	13,241	13,241
Mapping	-	-	2,092	-	2,092
Reports	-	-	20,860	44,610	65,470
Security bond	-	-	-	4,293	4,293
Supplies and miscellaneous	-	-	2,394	9,210	11,604
Survey	-	-	-	4,461	4,461
Travel and accommodation	-	-	19,382	19,604	38,986
Costs reclassified as Investment in associate (Note 5)	-	-	(2,258,452)	-	(2,258,452)
Write off	-	(1)	-	-	(1)
Balance, November 30, 2016	1	-	-	1,322,094	1,322,095
Assays	-	-	-	6,695	6,695
Exploration	-	-	-	(155)	(155)
Geological consulting (note 8)	-	-	-	323,021	323,021
Mapping	-	-	-	18,212	18,212
Permits	-	-	-	159,573	159,573
Report	-	-	-	25,633	25,633
Supplies and miscellaneous	-	-	-	16	16
Travel and accommodation	-	-	-	13,217	13,217
Truck rental	-	-	-	376	376
As at November 30, 2017	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,868,682</u>	<u>\$ 1,868,683</u>
Total resource property costs					
As at November 30, 2016	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,710,167</u>	<u>\$ 1,710,168</u>
As at November 30, 2017	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,288,981</u>	<u>\$ 2,288,982</u>

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

**DAJIN RESOURCES CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016**  
**(Expressed in Canadian Dollars)**

Note 1 Nature of Operations

Dajin Resources Corp. (the “Company”) is an exploration stage company incorporated under the British Columbia Company Act on August 5, 1987 and is publically traded on the TSX Venture Exchange.

The Company’s principal business activities include acquiring and developing mineral properties. At November 30, 2017, the Company’s principal mineral interests are located in Argentina and the United States and it has not yet been determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for resource property costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying claims, the ability of the Company to obtain necessary financing to complete the development of the resource properties and upon future profitable production or proceeds from the disposition thereof.

The address of the Company’s corporate office and principal place of business is Suite 450 - 789 West Pender Street, Vancouver, BC, V6C 1H2.

Note 2 Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The consolidated financial statements were authorized for issue by the Board of Directors on March 29, 2018.

Going Concern

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at November 30, 2017, the Company had not advanced its resource properties to commercial production. At November 30, 2017, the Company has not achieved profitable operations, has accumulated losses of \$25,735,510 since inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company’s ability to continue as a going concern. The Company’s continuation as a going concern is dependent upon successful results from its exploration and evaluation activities, its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.



**DAJIN RESOURCES CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016**  
**(Expressed in Canadian Dollars)**

Note 2 Basis of Preparation – (cont'd)

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis in Canadian dollars, which is the Company's functional currency.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the revision affects both current and future periods. See note 4 for use of estimates and judgments made by management in the application of IFRS.

Note 3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements unless otherwise indicated.

a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Dajin Resources (US) Corp. (United States). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. All inter-company accounts have been eliminated. During the year ended November 30, 2016, the Company's de facto control over its previously wholly-owned subsidiary Dajin Resources S.A. was lost when the Company's interest was diluted to 49%, and accordingly, the accounts of this subsidiary have been de-consolidated herein from the date of dilution (See Note 5).

b) Basic and Diluted Loss per Share

Basic earnings per share are computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

**DAJIN RESOURCES CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016**  
**(Expressed in Canadian Dollars)**

Note 3     Significant Accounting Policies – (cont'd)

c) Resource Property Costs

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation costs

Once the legal right to explore a property has been acquired, exploration and evaluation expenditures are recognized and capitalized in addition to the acquisition costs. Mineral exploration costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while those costs for the prospects abandoned are written off.

On an annual basis or when impairment indicators arise, the Company evaluates the future recoverability of its mineral property costs. Impairment losses or write-downs are recorded in the event the net book value of such assets exceeds the estimated indicated future cash flows attributable to such assets.

The recoverability of the amounts capitalized for the undeveloped mineral property is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

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 history characteristic of many mineral properties. The Company has investigated title to its mineral properties and, to the best of its knowledge, title to its properties are in good standing.

Management's capitalization of exploration and development costs and assumptions regarding the future recoverability of such costs are subject to significant measurement uncertainty. Management's assessment of recoverability is based on, among other things, the Company's estimate of current mineral reserves and resources which are supported by geological estimates, estimated commodity prices, and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of the amounts recorded for mineral properties.

Mineral exploration tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mineral tax credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related deferred exploration expenditures.

**DAJIN RESOURCES CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016**  
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Note 3 Significant Accounting Policies – (cont'd)

d) Equipment

Equipment is stated at historical cost, being the purchase price and directly attributed cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of an future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions. Equipment is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land which is not depreciated. When parts of an item of equipment have different useful lives, they are accounted for as separate items of equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. Equipment and computer equipment is depreciated over a three year period.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

e) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

**DAJIN RESOURCES CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016**  
**(Expressed in Canadian Dollars)**

Note 3     Significant Accounting Policies – (cont'd)

e) Income Taxes – (cont'd)

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred income tax assets and liabilities are presented as non-current.

f) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants and flow-through shares are classified as equity instruments.

The Company follows the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component. The fair value of the common shares issued in a private placement are determined to be the more easily measurable component and are valued at their fair value on the announcement date and the balance, if any, is allocated to the attached warrants.

The proceeds from the exercise of stock options, share purchase warrants and escrow shares are recorded as share capital in the amount for which the stock options, share purchase warrants or escrow shares enabled the holder to purchase a share in the Company.

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value reduced by an estimate of transaction costs normally incurred when issuing shares for cash, as determined by the board of directors of the Company.

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issue costs incurred in advance of share subscriptions are recorded as non-current deferred charges. Share issue costs related to uncompleted share subscriptions are charged to operations.

**DAJIN RESOURCES CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016**  
**(Expressed in Canadian Dollars)**

Note 3     Significant Accounting Policies – (cont'd)

g) Share-based payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares that will eventually vest. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

**DAJIN RESOURCES CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**(Expressed in Canadian Dollars)**

Note 3 Significant Accounting Policies – (cont'd)

h) Impairment of Long-lived Assets

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the statement of comprehensive loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

i) Rehabilitation Provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to the amount of the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using pre-tax rates that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as the related asset.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision.

The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to the statement of comprehensive loss for the period. As at November 30, 2017 and 2016, the Company is not aware of any reclamation costs and no amounts have been recorded.

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Note 3     Significant Accounting Policies – (cont'd)

j)     Translation of Foreign Currencies

The functional currency of the Company's foreign subsidiaries are measured using the currency of the primary economic environment in which that entity operates. These consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of the subsidiary that has operations in the United States is the Canadian dollar.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined and not subsequently restated.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

k)     Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial assets in the following categories depending on the purpose for which the instruments were acquired.

Financial assets are classified into one of four categories: Financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale ("AFS") financial assets and loans and receivables.

The Company has classified cash and cash equivalents, interest receivable and reclamation bonds as loans and receivables. The Company has classified its marketable securities as FVTPL.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. Financial assets are impaired when one or more events that occurred after the initial recognition of the financial asset indicate that the estimated future cash flows have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

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Note 3      Significant Accounting Policies – (cont'd)

k) Financial Instruments

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Impairment losses on loans and receivables 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. Impairment losses on available-for-sale equity instruments are not reversed.

Financial liabilities are classified as financial liabilities at FVTPL, or other financial liabilities, as appropriate.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value.

The Company's financial liabilities include accounts payables and accrued liabilities and due to related parties. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

l) Investments in associates

Investments in associates are accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The financial statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued, except to the extent that the Company has obligation, or has made payments on behalf of the investee. The Company accounts for its 49% investment in Dajin Resources S.A. using the equity method (Note 5).



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Note 3 Significant Accounting Policies – (cont'd)

m) Accounting standard issued but not yet applied

The following new standard and interpretation is not yet effective and has not been applied in preparing these consolidated financial statements. The Company is currently evaluating the potential impact of this new standard; however, the Company does not expect it to have a significant effect on the financial statements.

- IFRS 9, *Financial Instruments* (tentatively effective January 1, 2018) introduces new requirements for the classification and measurement of financial assets, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options available in IAS 39.

Note 4 Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are as follows:

i) Resource property expenditures

The application of the Company's accounting policy for resource property expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive loss in the period the new information becomes available.

ii) Impairment

At each reporting period, assets, specifically resource property costs are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

iii) Going concern

The Company uses judgment in determining its ability to continue as a going concern in order to discharge its current liabilities via raising additional financing.

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Note 4     Use of Estimates and Judgments – (cont'd)

iv) Investment in associate

The accounting for investments in other companies can vary depending on the degree of control and influence over those other companies. Management is required to assess at each reporting date the Company's control and influence over these other companies. Management has used its judgment to determine which companies are controlled and require consolidation and those which are significantly influenced and require equity accounting. The Company has diluted its interest in its wholly-owned subsidiary Dajin Resources S.A. and has concluded that it does not have the current ability to control the key operating activities of Dajin Resources S.A.; therefore, it does not have control and should account for it as an equity investment (Note 5).

v) Deferred income taxes

The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values

vi) Share-based compensation transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 7.

Note 5     Investment in associate

On October 25, 2016, the Company completed a share purchase agreement with Lithium S Holdings Corporation ("Lithium H"), a wholly-owned subsidiary of LSC Lithium Inc. ("LSC"), whereby Lithium H acquired, and can maintain, a 51% interest in Dajin Resources S.A. by making a cash payment of \$1,000,000 (\$865,000 received by the Company net of applicable Argentine tax of 13.5% on the gross proceeds) and agreeing to expend a total of \$2,000,000 on concessions held by Dajin Resources S.A. by the earlier of; (a) the date of delivery of the funding completion certificate; (b) forty-eight months following the date of the agreement; or (c) twenty-four months after Dajin Resources S.A. has obtained all the necessary permits allowing access and development of onsite activities in order to start exploration work in one or more of the relevant mining rights which covers over 2,000 adjacent hectares.

If Lithium H fails to incur the expenditure requirement by the expiry date Lithium H shall have the option at any time and not later than the expiry date, to pay any shortfall in cash to the Company. If Lithium H fails to complete the full expenditure requirement by the expiry date, the capital stock of Dajin Resources S.A. will be adjusted in such a manner that for each funding shortfall of \$58,824, the Company is re-conveyed with and recovers 1% of the capital stock of Dajin Resources S.A. Lithium H was appointed Operator for the earn-in period.

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Note 5      Investment in associate – (cont'd)

Pursuant to the terms of the share purchase agreement, LSC issued 384,615 share purchase warrants to the Company, each exercisable for one common share of LSC at an exercise price of \$1.30, and expiring approximately 15 days prior to the completion of LSC's qualifying transaction. The Company ascribed no value to these warrants as the amount was indeterminable. During the year ended November 30, 2017, the Company exercised all 384,615 purchase warrants at a cost of \$500,000.

Dajin SA is not expected to generate any profit or loss while Lithium H is completing its expenditure requirement, and accordingly the Company's equity investment in it is expected to remain unchanged during that period. The Company's loss of current legal control of Dajin Resources S.A. precludes consolidation of the underlying accounts of that company under IFRS. However, its maintenance of an expandable beneficial interest in this entity has caused management to conclude that effectively carrying the aggregate investment at historical cost, with any proceeds received reported as cost recoveries, is a conservative and fair accounting presentation.

Accordingly, during the year ended November 30, 2016, the Company removed the accounts of Dajin Resources S.A. from its financial statements.

As at November 30, 2017, Dajin Resources S.A. still holds a 100% interest in excess of 93,000 hectares (230,000 acres) of exploration or exploitation concessions covering the Company's Salinas Grandes/Guayatayoc boron, lithium and potash project.

The carrying amount of the Investment in associate balance was established as follows:

Carrying values of Dajin Resources S.A.'s assets and liabilities, immediately prior to de-consolidation, within the financial statements of the Company:

Cash	\$ 45,317	
Receivables	1,286	
Deferred property costs	1,375,898	
Payables	\$ (77,780)	
Net assets of Dajin Resources S.A. disposed of:		\$ 1,344,721
Gain on de-consolidation		17,681
Carrying value of investment, accounts of the parent company, at the date of de-consolidation		1,362,402
Costs previously incurred directly by the Company related to the Argentine property interests owned by Dajin Resources S.A. (reclassified from resource property costs)		935,300
Less: net proceeds received from Lithium H		(865,000)
Carrying amount, Investment in associate		<u>\$ 1,432,702</u>

The costs applicable to this investment are directly reflective of actual historical exploration and evaluation expenses incurred and previously reported by the Company in respect to the property interests controlled by Dajin Resources S.A. Accordingly, the Company applies the impairment factors applicable to such costs in its assessment of the investment's current carrying value.

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Note 6      Resource Property Costs

(a) Cowtrail Property

The Company owns a 65% joint venture interest in the Cowtrail Mineral Property, consisting of 34 mineral claims located in the Cariboo Mining District of south central British Columbia.

(b) Argentina Concessions

As a result of the share purchase agreement that the Company entered into with Lithium H during the year ended November 30, 2016 (see Note 5), the Company derecognized its capitalized resource property costs associated with the Argentine properties.

(c) Nevada Properties

The Company acquired by staking a 100% interest in 403 placer claims covering an area of 3,202 hectares (7,914 acres) in the Teels Marsh valley of Mineral County, Nevada.

The Company acquired by staking a 100% interest in 191 placer claims covering an area of 1,558 hectares (3,850 acres) in the Alkali Lake valley of Esmeralda County, Nevada.

The Company's interest in these mineral claims is held in a wholly-owned US subsidiary, Dajin Resources (US) Corp.

Subsequent to November 30, 2017, the Company was refunded the remaining balance of reclamation bonds related to the Nevada properties. The Company also purchased a new reclamation bond for these properties in the amount of \$356,614 (\$USD 288,341).

Note 7      Share Capital

Authorized:

Unlimited common shares without par value  
Unlimited preferred shares without par value

Nature and Purpose of Equity and Reserves:

The reserves recorded in equity on the Company's Statement of Financial Position include 'Contributed Surplus', and 'Accumulated Deficit'.

'Contributed Surplus' is used to recognize the value of stock option grants prior to exercise.

'Accumulated Deficit' is used to record the Company's change in deficit from earnings from year to year.

Commitments:

Share-Based Compensation Plan

The Company has granted employees and directors common share purchase options. These options are granted with an exercise price equal to the market price of the Company's stock on the date of the grant.

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Note 7 Share Capital – (cont'd)

Commitments - (cont'd)

Share-Based Compensation Plan - (cont'd)

A summary of the status of the stock option plan as of November 30, 2017 and 2016 and changes during the years then ended on those dates is presented below:

	November 30, 2017		November 30, 2016	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	15,602,000	\$0.11	10,120,000	\$0.06
Expired	(2,605,000)	\$0.15	(300,000)	\$0.06
Granted	-	-	8,900,000	\$0.15
Exercised	(4,328,000)	\$0.07	(3,118,000)	\$0.06
Options outstanding at end of the year	8,669,000	\$0.12	15,602,000	\$0.11
Options exercisable at end of the year	8,669,000	\$0.12	15,602,000	\$0.11
Weighted remaining life in years		2.96		3.87

At November 30, 2017, the Company has 8,669,000 share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Number	Exercise Price	Expiry Date
1,600,000	\$0.05	June 20, 2019
1,150,000	\$0.05	December 23, 2019
50,000	\$0.05	January 2, 2020
200,000	\$0.06	April 1, 2020
50,000	\$0.06	May 1, 2020
100,000	\$0.07	August 25, 2020
2,125,000	\$0.14	April 4, 2021
1,744,000	\$0.16	July 15, 2021
1,650,000	\$0.16	Oct 20, 2021
8,669,000		

On April 4, 2016, the Company granted 3,500,000 share purchase options exercisable at \$0.14 per share expiring on April 4, 2021.

On July 15, 2016, the Company granted 2,500,000 share purchase options exercisable at \$0.16 per share expiring on July 15, 2021.

On October 20, 2016, the Company granted 2,900,000 share purchase options exercisable at \$0.16 per share expiring on October 20, 2021.

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Note 7 Share Capital – (cont'd)

Commitments - (cont'd)

Share-Based Compensation Plan - (cont'd)

There were no share purchase options granted during the year ended November 30, 2017.

Subsequent to November 30, 2017, 237,000 share purchase options were exercised for total proceeds of \$18,420. The Company also granted 950,000 stock options, exercisable at \$0.16 per share, and expiring on December 15, 2022.

The Company employed the Black-Scholes option-pricing model using the following assumptions.

	2017	2016
Risk free interest rate	-	0.56% - 0.71%
Expected life of options in years	-	5 years
Expected volatility	-	114% -122%
Dividend per share	-	\$0.00
Forfeiture rate	-	30%

During the year ended November 30, 2017 compensation expense of \$Nil (2016: \$795,724), using the graded method, were recognized for options granted and vested during the period and for consultants' options revalued during the period.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing model may not necessarily provide a reliable measure of the fair value of its stock options.

**Share Purchase Warrants**

On April 20, 2016, the Company completed a non-brokered private placement for a total of 10,555,000 units at a price of \$0.12 per unit for gross proceeds of \$1,266,600. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at a price of \$0.17 per share on or before April 20, 2018. Finders' fees of 50,000 units, valued at \$6,000, and \$3,600 cash were paid in respect to this financing. The Finders' units have similar terms as the non-brokered private placement.

On August 12, 2016, the Company completed a non-brokered private placement with Lithium H for a total of 2,777,777 units at a price of \$0.18 per unit for gross proceeds of \$500,000. Each Unit is comprised of one common share of the Company and one share purchase warrant exercisable into one common share at \$0.25 per share expiring two years from the date of issuance.

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Note 7 Share Capital – (cont'd)

Commitments - (cont'd)

Share Purchase Warrants - (cont'd)

On November 9, 2017, the Company repriced 10,005,000 share purchase warrants that are set to expire on April 20, 2018 from \$0.17 per share to \$0.13 per share. The Company also instituted an Early Exercise Period from November 9, 2017 to November 29, 2017. Each warrant holder that exercises their warrants during the Early Exercise Period will be issued a one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one additional share for a period of 12 months from the date of issuance at a price of \$0.17 per share. During the Early Exercise Period the company issued 9,505,000 shares for total proceeds of \$1,235,650.

Subsequent to November 30, 2017, 350,000 share purchase warrants were exercised for total proceeds of \$45,500. These warrants were deemed to have been exercised during the Early Exercise Period, and therefore the Company issued 175,000 warrants, exercisable at \$0.17 per share, and expiring on November 29, 2018.

A summary of the status of share purchase warrants as of November 30, 2017 and 2016 and changes during the year then ended on those dates is presented below:

	November 30, 2017		November 30, 2016	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Balance, beginning of the year	13,082,777	\$0.19	9,964,000	\$0.05
Issued	4,752,500	\$0.17	13,382,777	\$0.19
Exercised	(9,505,000)	\$0.13	(10,264,000)	\$0.05
Balance, end of the year	8,330,277	\$0.19	13,082,777	\$0.19

At November 30, 2017, the Company has 8,330,277 share purchase warrants outstanding as follows:

Number	Exercise Price	Expiry Date
300,000	\$0.17	April 20, 2018
500,000	\$0.13	April 20, 2018
2,777,777	\$0.25	August 8, 2018
4,752,500	\$0.17	November 30, 2018
8,330,277		

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Note 8 Related Party Transactions

The Company incurred the following charges with directors and officers of the Company and companies controlled by the directors:

	<u>2017</u>	<u>2016</u>
Wages and benefits	\$ 44,798	\$ 43,200
Share-based compensation	<u>-</u>	<u>17,451</u>
	<u>44,798</u>	<u>60,651</u>
Key management compensation		
Administration fees	84,000	84,000
Consulting fees – resource property costs	116,684	182,762
Consulting fees – operating expenses	87,000	-
Rent reimbursement	52,947	37,811
Share-based compensation	<u>-</u>	<u>446,935</u>
	<u>340,631</u>	<u>751,508</u>
	<u>\$ 385,429</u>	<u>\$ 812,159</u>

These charges were measured by the exchange amount that is the amount agreed upon by the transacting parties and are on terms and conditions similar to non-related entities.

Included in November 30, 2017 prepaid expenses are rent and expense reimbursements of \$9,822 (2016: \$4,412) to companies with common directors.

Due to related parties, representing amounts due to companies controlled by the directors and officers of the Company for unpaid fees and reimbursement of expenses are non-interest bearing, unsecured and are due on demand.

Note 9 Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative 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 properties in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

There were no changes in the Company's approach to capital management during the year ended November 30, 2017. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.



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Note 10 Financial Instruments

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's common shares are classified as equity instruments.

Subsequent measurement and changes in fair value will depend on their initial classification, as follows: FVTPL financial assets are measured at fair value and changes in fair value are recognized in income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in income.

The Company classifies and measures its financial instruments as follows:

- Cash and cash equivalents, interest receivable and reclamation bonds are classified as loans and receivables. The fair value of cash approximates its carrying value due to its short term nature.
- Marketable securities are classified as FVTPL.
- Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities and are measured at fair value at inception. Their fair values approximate their carrying values due to their short term nature.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. The Company reduces its credit risk on cash by placing it with institutions of high credit worthiness. As at November 30, 2017 the Company is not exposed to any significant credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. At November 30, 2017, the Company had cash of \$1,113,645 (2016 - \$1,400,647) and current liabilities of \$123,654 (2016 - \$231,042). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's current policy is to invest excess cash in short-term deposits with its banking institutions. The Company monitors the investments it makes and is satisfied with the credit ratings of the banks with which they are held.

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Note 10 Financial Instruments – (cont'd)

(d) Price risk

The ability of the Company to finance the exploration and development of its properties and the future profitability of the Company is directly related to the commodity prices of industrial minerals (Lithium, Boron and Potassium), and precious and base metals. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Sensitivity to price risk relative to earnings is remote since the Company has not established any reserves or production. The Company is also exposed to the risk of equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company monitors commodity prices of industrial minerals, precious and base metals, individual equity movements, and the stock market in general to determine the appropriate course of action to be taken.

(e) Sensitivity Analysis

The Company has designated its cash and cash equivalents, interest receivable and reclamation bonds as loans and receivables, and measures them at their amortized costs. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities, which are measured at their amortized costs.

Based on management's knowledge and experience of the financial markets, the Company believes the following is "reasonably possible" during the upcoming financial year:

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of precious metals. Precious metal prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of industrial minerals and precious metals may be produced in the future, a profitable market will exist for them. As of November 30, 2017, the Company was not an industrial mineral or precious metal producer. As a result, commodity price risk largely affects the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

(f) Foreign Currency Risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company's operations are carried out in the Canada, United States and Argentina. As at November 30, 2017, the Company had accounts payable of \$26,810 (2016: \$100,578) denominated in US dollars. These factors expose the Company to foreign currency exchange rate risk, which could have an adverse effect on the profitability of the Company. The Company currently does not plan to enter into foreign currency future contracts to mitigate this risk.

Note 11 Non-Cash Transactions

Investing and financing activities that do not have a direct impact on current and future cash flows are excluded from the statements of cash flows. At November 30, 2017, the Company had \$32,431 (2016: \$139,169) in accounts payable and accrued liabilities related to mineral property costs. These transactions were excluded from the statements of cash flows.

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Note 12 Corporation Income Taxes

A reconciliation of Canadian income taxes at statutory rates is as follows:

	<u>2017</u>	<u>2016</u>
Corporate tax rate	26.10%	25.28%
Net loss for the year before income taxes	<u>\$ (831,988)</u>	<u>\$(1,435,586)</u>
Expected income tax recovery	(217,200)	(362,900)
Net adjustment for deductible and non-deductible amounts	3,100	162,100
Change in unrecognized benefit of tax pool assets	<u>214,100</u>	<u>200,800</u>
Total income tax recovery	<u>\$ -</u>	<u>\$ -</u>

The significant components of the Company's deferred income tax assets are as follows:

	<u>2017</u>	<u>2016</u>
Deferred income tax assets:		
Capital loss carry-forwards	\$ 40,000	\$ 38,000
Resource properties	1,439,000	1,437,000
Non-capital loss carry-forwards	1,664,000	1,452,000
Share issue costs	4,000	7,000
Equipment	<u>30,000</u>	<u>23,000</u>
	3,177,000	2,957,000
Valuation allowance	<u>(3,177,000)</u>	<u>(2,957,000)</u>
Net deferred income tax assets	<u>\$ -</u>	<u>\$ -</u>

The Company has non-capital losses available to reduce taxable income in Canada that expire in stages through 2037 as follows:

	Canada	USA
2026	\$ 325,000	\$ -
2027	67,000	-
2028	489,000	-
2029	276,000	-
2030	574,000	-
2031	672,000	-
2032	359,000	-
2033	569,000	-
2034	545,000	2,000
2035	914,000	-
2036	772,000	-
2037	<u>829,000</u>	<u>3,000</u>
	<u>\$ 6,391,000</u>	<u>\$ 5,000</u>

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Note 12 Corporation Income Taxes – (cont'd)

The Company has capital losses totaling approximately \$309,000 which may be carried forward and applied against capital gains in future years. Subject to certain restrictions, the Company also has resource property expenditures of approximately \$5,534,000 available to reduce taxable income in future years.

Future tax benefits which may arise as a result of these losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

The Company has in the past renounced exploration expenditures to investors in flow-through shares, and also claims refundable tax credits relating to exploration work from the Government of British Columbia.

Note 13 Segmented Information

The Company operates in one business segment, mineral exploration. As at November 30, 2017, its mineral properties and head office are located in three geographic locations: Canada, Argentina and the United States.

The Company's net loss is allocated to the geographic segments as follows:

	<u>2017</u>	<u>2016</u>
Net loss		
Canada	\$ (825,838)	\$ (1,533,834)
Argentina	-	67,595
United States	<u>(6,150)</u>	<u>30,653</u>
	<u>\$ (831,988)</u>	<u>\$ (1,435,586)</u>

The Company's total assets are allocated to the geographic segments as follows:

	<u>2017</u>	<u>2016</u>
Total Assets		
Canada	\$ 1,547,984	\$ 1,512,704
Argentina	1,432,702	1,432,702
United States	<u>2,314,900</u>	<u>1,751,467</u>
	<u>\$ 5,295,586</u>	<u>\$ 4,696,873</u>

Note 14 Comparative Figures

Certain comparative figures have been restated to conform to the presentation adopted in the current year.