

ZincX Resources Corp.

(formerly Canada Zinc Metals Corp.)

Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2018 and 2017

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

ZincX Resources Corp.

(formerly Canada Zinc Metals Corp.)

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ZincX Resources Corp.
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NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

May 30, 2018

ZincX Resources Corp.

(formerly Canada Zinc Metals Corp.)

Condensed Consolidated Interim Statements of Financial Position

As at March 31, 2018 and June 30, 2017

(Expressed in Canadian Dollars - Unaudited)

	Note	March 31, 2018 (unaudited)	June 30, 2017 (audited)
Assets			
Current assets			
Cash		\$ 2,010,265	\$ 4,464,425
Receivables	3	24,945	43,163
Loan receivable	4	115,973	108,466
Prepaid expenses		83,973	146,875
Marketable securities	5	52,025	116,442
Investment	6	4,244,970	4,013,023
		6,532,151	8,892,394
Other assets	7	332,500	332,500
Equipment and leasehold improvements	10	284,540	313,119
Exploration and evaluation assets	11	72,486,267	70,771,060
		\$ 79,635,458	\$ 80,309,073
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	8	\$ 142,038	\$ 633,133
Flow-through premium liability	9	301,709	308,132
		443,747	941,265
Deferred income tax liability		1,603,000	1,603,000
Equity			
Capital stock	12	101,447,186	100,711,794
Reserves	12	14,147,016	13,700,878
Deficit		(37,993,635)	(36,660,295)
Accumulated other comprehensive gain (loss)		(11,856)	12,431
		77,588,711	77,764,808
		\$ 79,635,458	\$ 80,309,073

Nature and continuance of operations (Note 1)

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

ZincX Resources Corp.

(formerly Canada Zinc Metals Corp.)

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian Dollars - Unaudited)

	Note	Capital Stock					Reserves (Note 12)	Deficit	Accumulated other comprehensive loss	Total Equity
		Number of common shares	Number of treasury shares	Common shares amount	Treasury shares amount	Common stock subscribed				
Balance, June 30, 2016		152,414,428	(198,000)	\$ 97,043,465	\$ (30,230)	\$ –	\$ 13,063,384	\$ (34,632,982)	\$ (74,440)	\$ 75,369,197
Treasury shares repurchased		–	(297,000)	–	(101,924)	–	–	–	–	(101,924)
Treasury shares cancelled	(215,000)	–	215,000	(136,956)	33,800	–	103,156	–	–	–
Private placement		5,463,500	–	2,185,400	–	–	–	–	–	2,185,400
Flow-through private placements		1,173,608	–	610,276	–	–	–	–	–	610,276
Flow-through premium liability		–	–	(140,833)	–	–	–	–	–	(140,833)
Share issuance costs		–	–	(238,577)	–	–	–	–	–	(238,577)
Common stock subscribed		–	–	–	–	39,600	–	–	–	39,600
Exercise of share options		45,000	–	57,252	–	–	(46,902)	–	–	10,350
Share-based compensation		–	–	–	–	–	573,700	–	–	573,700
Change in fair value of securities		–	–	–	–	–	–	–	48,241	48,241
Net loss for the period		–	–	–	–	–	–	(2,147,356)	–	(2,147,356)
Balance, March 31, 2017		158,881,536	(280,000)	99,380,027	(98,354)	39,600	13,693,338	(36,780,338)	(26,199)	76,208,074
Treasury shares repurchased		–	(284,000)	–	(86,027)	–	–	–	–	(86,027)
Private placements		1,310,857	–	458,800	–	–	–	–	–	458,800
Flow-through private placements		3,415,390	–	1,502,772	–	(39,600)	–	–	–	1,463,172
Flow-through premium liability		–	–	(307,385)	–	–	–	–	–	(307,385)
Share issuance costs		–	–	(132,047)	–	–	–	–	–	(132,047)
Finders' warrants		–	–	(5,992)	–	–	5,992	–	–	–
Share-based compensation		–	–	–	–	–	1,548	–	–	1,548
Change in fair value of securities		–	–	–	–	–	–	–	38,630	38,630
Net income for the period		–	–	–	–	–	–	120,043	–	120,043
Balance, June 30, 2017		163,607,783	(564,000)	100,896,175	(184,381)	–	13,700,878	(36,660,295)	12,431	77,764,808
Treasury shares repurchased	12(b)	–	(967,000)	–	(261,421)	–	–	–	–	(261,421)
Treasury shares cancelled	12(b)	(564,000)	564,000	(371,865)	184,381	–	187,484	–	–	–
Flow-through private placements	12(b)	4,112,900	–	1,521,773	–	–	–	–	–	1,521,773
Flow-through premium liability	9	–	–	(304,355)	–	–	–	–	–	(304,355)
Share issuance costs	12(b)	–	–	(100,903)	–	–	–	–	–	(100,903)
Exercise of share options	12(b)	60,000	–	67,782	–	–	(53,982)	–	–	13,800
Share-based compensation	12(c)	–	–	–	–	–	312,636	–	–	312,636
Change in fair value of securities	5	–	–	–	–	–	–	–	(24,287)	(24,287)
Net loss for the period		–	–	–	–	–	–	(1,333,340)	–	(1,333,340)
Balance, March 31, 2018		167,216,683	(967,000)	\$ 101,708,607	\$ (261,421)	\$ –	\$ 14,147,016	\$ (37,993,635)	\$ (11,856)	\$ 77,588,711

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

ZincX Resources Corp.

(formerly Canada Zinc Metals Corp.)

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars - Unaudited)

	Note	Three months ended March 31,		Nine months ended March 31,	
		2018	2017	2018	2017
ADMINISTRATION EXPENSES					
Administration	14	\$ 15,000	\$ 15,000	\$ 45,000	\$ 45,000
Bank charges and interest		296	400	1,267	1,356
Bonuses	14	–	–	42,084	89,198
Consulting		19,488	50,312	232,628	310,937
Depreciation	10	598	783	1,816	2,674
Directors' fees	14	10,000	10,000	30,000	30,000
Flow-through taxes	9	2,425	–	2,425	–
Investor relations		597	6,616	2,746	41,396
Management fees	14	88,500	88,500	265,500	265,500
Marketing		23,479	76,903	99,000	208,841
Office and miscellaneous		24,754	16,467	67,472	62,307
Professional fees		427	–	6,991	16,008
Regulatory fees		2,350	2,650	18,974	16,549
Rent		24,279	24,815	72,763	74,777
Share-based compensation	12	309,506	39,520	312,636	573,700
Transfer agent fees		1,618	2,865	6,923	6,568
Travel and promotion		43,033	71,301	190,155	175,965
Wages and benefits		117,288	79,236	344,849	293,947
Loss before other items		(683,638)	(485,368)	(1,743,229)	(2,214,723)
OTHER ITEMS					
Interest income		28,056	24,811	80,716	67,367
Gain on sale of marketable securities	5	–	–	18,395	–
		28,056	24,811	99,111	67,367
Loss before income taxes		(655,582)	(460,557)	(1,644,118)	(2,147,356)
Deferred income tax recovery	9	2,646	–	310,778	–
Loss before comprehensive loss		(652,936)	(460,557)	(1,333,340)	(2,147,356)
Adjustment for change in fair value of marketable securities	5	(18,724)	61,696	(24,287)	48,241
Comprehensive loss for the period		\$ (671,660)	\$ (398,861)	\$ (1,357,627)	\$ (2,099,115)
Basic and diluted loss per share		\$ (0.004)	\$ (0.002)	\$ (0.008)	\$ (0.017)
Weighted average number of common shares outstanding		167,176,172	152,414,428	165,335,145	152,423,097

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

ZincX Resources Corp.

(formerly Canada Zinc Metals Corp.)

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars - Unaudited)

	Nine months ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (1,333,340)	\$ (2,147,356)
Items not affecting cash:		
Depreciation	1,816	2,674
Interest accrued on loan and investments	(49,946)	(49,127)
Gain on sale of marketable securities	(18,395)	–
Share-based compensation	312,636	573,700
Deferred income tax recovery	(310,778)	–
Changes in non-cash working capital items:		
Receivables	18,218	(8,645)
Prepaid expenses	72,902	(97,078)
Accounts payable and accrued liabilities	(44,682)	(73,379)
Due to related parties	–	5,832
Cash used in operating activities	(1,351,569)	(1,793,379)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments, net	(189,508)	30,247
Loan receivable	–	(100,000)
Marketable securities, net	58,525	(38,334)
Equipment and leasehold improvements	(33,107)	(1,551)
Exploration deposit	(10,000)	75,000
Exploration and evaluation expenditures	(2,547,348)	(123,449)
Payment in lieu of expenditures	445,598	–
Cash used in investing activities	(2,275,840)	(158,087)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock from private placements, net	1,420,870	2,557,099
Common stock subscribed	–	39,600
Exercise of options	13,800	10,350
Common shares repurchased	(261,421)	(101,924)
Cash generated from financing activities	1,173,249	2,505,125
Change in cash during the period	2,454,160	553,659
Cash, beginning of period	4,464,425	2,550,103
Cash, end of period	\$ 2,010,265	\$ 3,103,762

Supplemental disclosure with respect to cash flows (Note 13)

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

ZincX Resources Corp.

(formerly Canada Zinc Metals Corp.)

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2018 and 2017

(Expressed in Canadian Dollars, unless otherwise stated)

(Unaudited, prepared by management)

1. NATURE AND CONTINUANCE OF OPERATIONS

ZincX Resources Corp. (the “Company”) is incorporated under the laws of the Province of British Columbia. The Company operates in one business segment, that being the exploration and evaluation of resource properties in Canada, and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and upon future profitable production.

Effective May 7, 2018, the Company changed its name from Canada Zinc Metals Corp. to ZincX Resources Corp. and commenced trading its shares on the TSX Venture Exchange (“TSX-V”) under the new name and symbol ZNX.

The Company’s head office and principal address is Suite 2050-1055 West Georgia Street, PO Box 11121, Royal Centre, Vancouver, BC V6E 3P3. The registered and records office is Suite 400, 725 Granville Street, Vancouver, BC, V7Y 1G5.

These consolidated financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to commence profitable operations in the future.

While the Company has been successful in obtaining its required financing in the past, mainly through the issuance of equity capital, there is no assurance that such financing will be available or be available on favorable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

At March 31, 2018, the Company has a positive working capital position of \$6,088,404 (June 30, 2017 - \$7,951,129). Management believes the Company has sufficient working capital to maintain its operations and its exploration activities for the next fiscal year.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements were authorized for issue on May 30, 2018 by the directors of the Company.

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company’s annual financial statements for the year ended June 30, 2017 except for new standards, interpretations and amendments mandatory effective for the first time from July 1, 2017.

It is, therefore, recommended that these condensed interim financial statements be read in conjunction with the Company’s audited consolidated financial statements for the year ended June 30, 2017.

ZincX Resources Corp.

(formerly Canada Zinc Metals Corp.)

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2018 and 2017

(Expressed in Canadian Dollars, unless otherwise stated)

(Unaudited, prepared by management)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Basis of preparation

These condensed consolidated interim financial statements of the Company have been prepared on an accrual basis except for certain cash flow information and are based on historical costs, except for certain financial instruments classified as financial instruments at fair value through profit and loss or available-for-sale which are stated at their fair value. The consolidated interim financial statements are presented in Canadian dollars unless otherwise noted, which is also the functional currency of the Company and its subsidiary.

The accounting policies chosen by the Company have been applied consistently to all periods presented.

Principles of consolidation

These condensed consolidated interim financial statements include amounts of the Company and its wholly owned subsidiary Ecstall Mining Corp. ("Ecstall"), a company incorporated under the laws of the Province of British Columbia and engaged in the exploration and evaluation of resource properties.

Subsidiaries are corporations in which the Company is able to control the financial operating, investing and financing activities and policies, which is the authority usually connected with holding majority voting rights. The consolidated financial statements include the accounts of the Company and its controlled entity from the date on which control was acquired. Ecstall uses the same reporting period and the same accounting policies as the Company.

All inter-entity balances and transactions, including unrealized profits and losses arising from inter-company transactions, have been eliminated in full on consolidation.

New standards and interpretations issued but not yet effective

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 9, Financial instruments ("IFRS 9") was issued by the IASB on July 24, 2014 and will replace IAS 39, Financial instruments: recognition and measurement ("IAS 39"). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognized in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.
- IFRS 15, Revenue from Contracts and Customers ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments.

ZincX Resources Corp.

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Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2018 and 2017

(Expressed in Canadian Dollars, unless otherwise stated)

(Unaudited, prepared by management)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

New standards and interpretations issued but not yet effective (cont'd)

IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

- IFRS 16, Leases, new standard contains a single lessee accounting model, eliminating the distinction between operating and financing leases from the perspective of the lessee. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements, effective for annual reporting periods beginning on or after January 1, 2019.

3. RECEIVABLES

	March 31, 2018	June 30, 2017
Government Sales Tax credits	\$ 21,966	\$ 42,871
Accrued interest (Note 6)	2,979	292
	\$ 24,945	\$ 43,163

4. LOAN RECEIVABLE

On August 25, 2016, the Company advanced \$100,000 to an operating entity of a company, which, subsequent to the advance, has a director in common, under a promissory note bearing interest at a rate of 10% per annum for a period of 6 months. The loan is classified as a short-term loan receivable subsequently measured at amortized cost. The loan matured on February 25, 2017 and was extended for an additional period bearing the same interest rate of 10% per annum. At March 31, 2018, the loan receivable balance was \$115,973 (June 30, 2017 - \$108,466) including accrued interest of \$15,973 (June 30, 2017 - \$8,466).

5. MARKETABLE SECURITIES

The Company holds marketable securities that have been designated as available-for-sale as follows:

	March 31, 2018	June 30, 2017
<i>Common shares of public companies:</i>		
Fair value, beginning of period	\$ 116,442	\$ 90,400
Purchases	—	38,334
Proceeds from sales	(58,525)	(137,744)
Gains realized on sale	18,395	38,581
Reclassification of previously recognized unrealized losses	(21,512)	3,163
Unrealized gains	(2,775)	83,708
Fair value, end of period	\$ 52,025	\$ 116,442

ZincX Resources Corp.

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Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2018 and 2017

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6. INVESTMENTS

Investments consist of highly liquid Canadian dollar denominated non-redeemable guaranteed investment certificates (“GIC”) yielding an average fixed interest rate of 1.52% per annum with maturity dates within one year. The investments are classified as FVTPL financial assets. The counter-party is a financial institution.

At March 31, 2018, the Company held two GIC investments with total principal amount of \$4,200,000 (June 30, 2017 - \$4,000,000) and accrued interest of \$44,970 (June 30, 2017 - \$13,023).

During the nine months ended March 31, 2018, the Company received an aggregate interest of \$10,492 (2017 - \$Nil) when it redeemed one of its GIC investments and re-invested it at a higher interest rate.

7. OTHER ASSETS

Other assets comprise of reclamation bonds totalling \$332,500 (June 30, 2017 – \$332,500) posted as security deposits with the Government of British Columbia in relation to the Akie and Kechika Regional properties. The reclamation bonds are deposited in GICs through a financial institution and earn an average annual variable interest rate of approximately 0.85% and reinvested on an annual basis immediately at maturity. Interest accrued on the GICs is included in receivables (Note 3).

8. TRADE PAYABLES AND ACCRUED LIABILITIES

	March 31, 2018	June 30, 2017
Exploration payables	\$ 86,870	\$ 533,283
Other trade payables	52,658	45,813
Accrued liabilities	2,510	54,037
	\$ 142,038	\$ 633,133

9. FLOW-THROUGH PREMIUM LIABILITY

	March 31, 2018	June 30, 2017
Balance, beginning of period	\$ 308,132	\$ –
Recorded (Note 12 (b)(i))	304,355	448,218
Amortized	(310,778)	(140,086)
Balance, end of period	\$ 301,709	\$ 308,132

On November 3, 2017, the Company completed a flow-through private placement of 4,112,900 shares at a price of \$0.37 per flow-through share. The Company recorded a flow-through liability of \$304,355 in connection with the flow-through private placement, which was calculated based on an estimated premium of approximately \$0.07 per flow-through share issued.

The flow-through premium liabilities does not represent a cash liability to the Company, and are to be fully amortized to the statement of operations and comprehensive loss pro-rata with the amount of qualifying flow-through expenditures incurred.

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Notes to Condensed Consolidated Interim Financial Statements

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9. FLOW-THROUGH PREMIUM LIABILITY (cont'd)

During the nine months ended March 31, 2018, the Company fully amortized its flow-through premium liabilities recorded in connection with the December 2016 and the April 2017 private placements after incurring sufficient amount of qualifying exploration expenditures. The incurred expenditures have been renounced to the flow-through subscribers for calendar 2016 and 2017.

With respect to the November 2017 flow-through private placement, the Company used the “look-back” rule to renounce exploration expenditures of \$1,521,773 to the flow-through subscribers for calendar 2017. The Company is required to incur qualified exploration expenditures of \$1,521,773 by December 31, 2018. At March 31, 2018, the Company incurred \$13,231 in the qualifying expenditures and will spend the remaining balance during its upcoming 2018 Akie drilling program.

When the Company uses the “look-back” rule to renounce exploration expenditures to investors before the Company actually incurs them, the Company is liable for the flow-through Part XII.6 tax (“FT Tax”). As at March 31, 2018, the Company recorded a provision for the FT Tax in the amount of \$2,510 (Note 8) (June 30, 2017 - \$2,037) associated with the November 2017 flow-through private placement.

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10. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	Computers and software	Office equipment and furniture	Office leasehold improvements	License ⁽¹⁾	Vehicle ⁽¹⁾	Camp equipment and fixtures ⁽¹⁾	Camp structures and upgrades ⁽¹⁾	Total
Cost:								
At June 30, 2016	\$ 18,217	\$ 19,702	\$ 4,616	\$ 19,000	\$ 37,026	\$ 344,891	\$ 654,554	\$ 1,098,006
Acquisition	1,552	–	–	15,000	–	–	–	16,552
At June 30, 2017	19,769	19,702	4,616	34,000	37,026	344,891	654,554	1,114,558
Acquisition	–	–	–	2,744	–	30,363	–	33,107
At March 31, 2018	\$ 19,769	\$ 19,702	\$ 4,616	\$ 36,744	\$ 37,026	\$ 375,254	\$ 654,554	\$ 1,147,665
Accumulated depreciation:								
At June 30, 2016	\$ 15,835	\$ 12,074	\$ 4,155	\$ 19,000	\$ 31,364	\$ 195,415	\$ 417,387	\$ 695,230
Depreciation	1,737	1,526	461	4,125	1,699	37,369	59,292	106,209
At June 30, 2017	17,572	13,600	4,616	23,125	33,063	232,784	476,679	801,439
Depreciation	904	912	–	4,758	889	20,963	33,260	61,686
At March 31, 2018	\$ 18,476	\$ 14,512	\$ 4,616	\$ 27,883	\$ 33,952	\$ 253,747	\$ 509,939	\$ 863,125
Net book value:								
At June 30, 2017	\$ 2,197	\$ 6,102	\$ –	\$ 10,875	\$ 3,963	\$ 112,107	\$ 177,875	\$ 313,119
At March 31, 2018	\$ 1,293	\$ 5,190	\$ –	\$ 8,861	\$ 3,074	\$ 121,507	\$ 144,615	\$ 284,540

(1) License, vehicles, camp equipment and fixtures and camp upgrades are used for exploration and evaluation activities.

Depreciation for these items of \$59,870 for the nine months ended March 31, 2018 (2017 - \$73,837) has been capitalized to exploration and evaluation assets (Note 11). Depreciation of the remaining items of \$1,816 (2017 - \$2,674) has been expensed.

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For the nine months ended March 31, 2018 and 2017

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11. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets 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 conveyancing history characteristic of many resource claims. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its claims are in good standing.

Akie Property, British Columbia

The Akie property is the Company's flagship exploration project and is host to the Cardiac Creek SEDEX Zn-Pb-Ag deposit. The Company owns a 100% interest in the Akie property, which resulted from Company expenditures and the acquisition of Ecstall Mining Corporation.

Kechika Regional project, British Columbia

The Kechika Regional project, represented by a series of contiguous property blocks including Pie and Mt. Alcock, extends northwest from the Akie property. The Company owns a 100% interest in these properties, which were acquired during fiscal 2007 and 2008, including the acquisition of Ecstall. The interest in the Mt. Alcock property is subject to a 1.0 % net smelter royalty.

In September 2013, the Company entered into an option agreement (the "Agreement") with Teck Resources Limited ("Teck") pursuant to which Teck can acquire up to a 70% interest in the Company's Pie, Cirque East and Yuen properties (the "Property"), three of the 10 regional properties that make up the Kechika Regional Project. The terms of the Agreement were amended on September 23, 2015 to revise the dates on which required exploration expenditures had to be incurred.

Portions of the Property fall within the area of interest provisions of the Teck and Korea Zinc joint venture (the "T-KZ JV") on their adjoining Cirque property. Korea Zinc elected to include the Agreement under the T-KZ JV and delivered Notice of Participation in the Agreement to the Company in November of 2013. Teck and Korea Zinc each hold a 50% interest in the T-KZ JV and, as a result of the Notice of Participation, will share any interest which may be acquired under the Agreement.

The amended Agreement outlines two options (the "Options") that are subject to certain expenditure requirements as outlined below:

- Under the First Option, Teck can earn an undivided 51% interest in and to the Property by incurring a cumulative aggregate of \$3,500,000 in exploration expenditures on the Property on or before December 31, 2017 (incurred), with \$500,000 in exploration expenditures to be completed on or before September 30, 2014 (incurred) and \$1,295,000 (incurred) in cumulative exploration expenditures to be completed on or before December 31, 2015.
- Under the Second Option, Teck may elect to acquire an additional 19% interest in the Property for a total of 70% by incurring an additional \$5,000,000 in exploration expenditures (for a total aggregate of \$8,500,000 in exploration expenditures) on the Property on or before September 30, 2019.

On December 28, 2017, Teck and Korea Zinc has served the First Exercise Notice to the Company confirming that they have incurred cumulative aggregate expenditures of \$3,054,402 on the Property since September 2013 and made a cash payment of \$445,598 to the Company for the shortfall of the required expenditures. As a result, Teck and Korea Zinc have incurred total cumulative expenditures of \$3,500,000, thereby exercising the First Option of the Agreement and earning a 51% interest in the Company's Pie, Cirque East and Yuen properties. The carrying value of the optioned Property has been reduced by the amount of the cash consideration received from Teck.

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11. EXPLORATION AND EVALUATION ASSETS (cont'd)

In January 2018, Teck and Korea Zinc informed the Company that they will not be proceeding with the Second Option to earn an additional 19% interest in the Property. According to the terms of the Agreement, the parties will continue exploration of the Property under a Joint Venture arrangement.

Summary of exploration expenditures incurred on various properties:

	Akie Property	Kechika Regional	Total
Acquisition Costs:			
Balance, June 30, 2017 and December 31, 2017	\$ 24,165,241	\$ 336,785	\$ 24,502,026
Deferred exploration costs:			
Balance, June 30, 2016	40,821,568	4,631,543	45,453,111
Camp equipment, depreciation	102,485	–	102,485
Airborne geophysical survey	2,075	4,200	6,275
Drilling	577,417	–	577,417
Geology	72,924	6,683	79,607
Technical review and engineering	30,258	–	30,258
Community consultations	937	–	937
Environmental studies and permit compliance monitoring	18,944	–	18,944
Balance, June 30, 2017	\$ 41,626,608	\$ 4,642,426	\$ 46,269,034
Camp equipment, depreciation	59,870	–	59,870
Drilling	1,620,608	–	1,620,608
Geology	85,769	–	85,769
Metallurgical testing	133,394	–	133,394
PEA	71,410	–	71,410
Road repair	75,104	–	75,104
Community consultations	221,250	–	221,250
Environmental studies and permit compliance monitoring	53,276	–	53,276
Less:			
Cash in lieu of expenditures	–	(445,598)	(445,598)
METC recovered	(159,876)	–	(159,876)
Balance, March 31, 2018	\$ 43,787,413	\$ 4,196,828	\$ 47,984,241
Total, June 30, 2017	\$ 65,791,849	\$ 4,979,211	\$ 70,771,060
Total, March 31, 2018	\$ 67,952,654	\$ 4,533,613	\$ 72,486,267

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11. EXPLORATION AND EVALUATION ASSETS (cont'd)

The Company applies for the 20% British Columbia Mining Exploration Tax Credit (“METC”) and the enhanced tax credit of an additional 10% for Mountain Pine Beetle affected areas, on qualified mining exploration costs incurred. During the nine months ended March 31, 2018, the Company received BC METC of \$159,876 (2017 - \$Nil) for its fiscal 2016 and 2017 exploration expenditures above the amounts renounced under its flow-through commitments.

12. CAPITAL STOCK AND RESERVES

(a) Authorized

Unlimited common shares without par value

(b) Issued and outstanding

During the nine months ended March 31, 2018, the Company completed the following equity transactions:

- (i) On November 3, 2017, the Company completed a flow-through private placement of 4,112,900 flow-through shares at a price of \$0.37 per share for gross proceeds of \$1,521,773. The Company paid aggregate cash finders' fees of \$91,306 and incurred regulatory filing fees, legal fees and other expenses of \$9,597 in connection with the private placement. A flow-through premium liability of \$304,355 was recorded in connection with this private placement, which was calculated based on an estimated premium of approximately \$0.07 per flow-through share issued (Note 9);
- (ii) 60,000 common shares were issued pursuant to the exercise of 60,000 stock options at a price of \$0.23 per share by employees of the Company for total proceeds of \$13,800. In addition, a reallocation of \$53,982 from reserves to capital stock was recorded on the exercise of these options. This amount constitutes the fair value of options recorded at the original grant date;
- (iii) The Company received the TSX-V approval for the renewal of its Normal Course Issuer Bid (“NCIB”) application to purchase at market price up to 8,152,189 common shares, being approximately 5% of the Company's issued and outstanding common shares, through the facilities of the TSX-V. The bid commenced on August 1, 2017 and will stay open for another 12 months;
- (iv) The Company repurchased 967,000 of its common shares under the renewed NCIB for total consideration of \$261,421 at a weighted average price of \$0.27 per share; and
- (v) 564,000 common shares repurchased under the NCIB in fiscal 2017 were cancelled and returned to the Company's treasury in July 2017. Upon the cancellation, \$371,865 was recorded as a reduction to capital stock for the assigned value of the shares, and \$187,484 was allocated to reserves.

During the year ended June 30, 2017, the Company completed the following equity transactions:

- (vi) On December 15, 2016, the Company completed a flow-through private placement of 1,173,608 flow-through shares at a price of \$0.52 per share for gross proceeds of \$610,276. A flow-through premium liability of \$140,833 was recorded in connection with this private placement (Note 9);
- (vii) On December 15, 2016, the Company also completed a brokered private placement of 3,676,000 units at a price of \$0.40 per unit for gross proceeds of \$1,470,400, and a non-brokered private placement of 1,787,500 units at a price of \$0.40 per unit for gross proceeds of \$715,000. Each unit consisted of one common share and one-half share purchase warrant of the Company. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.55 for a period of 24 months from closing;

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12. CAPITAL STOCK AND RESERVES (cont'd)

(b) Issued and outstanding (cont'd)

- (viii) The Company paid aggregate cash finders' fees of \$139,219 and incurred regulatory filing fees, legal fees and other expenses of \$99,358 in connection with the December 2016 private placements;
- (ix) On April 5, 2017, the Company completed a flow-through private placement of 3,415,390 flow-through shares at a price of \$0.44 per share for gross proceeds of \$1,502,772. A flow-through premium liability of \$307,385 was recorded in connection with this private placement (Note 9);
- (x) On April 5, 2017, the Company also completed a non-brokered private placement of 1,310,857 units at a price of \$0.35 per unit for gross proceeds of \$458,800. Each unit consisted of one common share and one-half share purchase warrant of the Company. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.50 for a period of 24 months from closing.

The Company paid aggregate cash finders' fees of \$114,691 and incurred regulatory filing fees and other expenses of \$17,356 in connection with the April 2017 private placements.

The Company also issued 70,071 share purchase warrants to certain finders. Each finder's warrant entitles the holder to purchase one common share of the Company at a price of \$0.45 per share for a two-year period from closing. The finder's warrants were recorded at a fair value of \$5,992;

- (xi) 45,000 share options were exercised at a price of \$0.23 per share, and 45,000 common shares were issued for total proceeds of \$10,350. In addition, a reallocation of \$46,902 from reserves to capital stock was recorded on the exercise of these options. This amount constitutes the fair value of options recorded at the original grant date and subsequent repricing;
- (xii) The Company received the TSX-V approval for its new Normal Course Issuer Bid ("NCIB") application to purchase at market price up to 7,609,971 common shares, being approximately 5% of the Company's issued and outstanding common shares, through the facilities of the TSX-V. The bid commenced on August 2, 2016 and stayed open for 12 months;
- (xiii) The Company repurchased 581,000 of its common shares under the NCIB for total consideration of \$187,951 at a weighted average price of \$0.32 per share; and
- (xiv) 215,000 common shares repurchased under the NCIB, of which 198,000 common shares were repurchased in fiscal 2016, were cancelled and returned to the Company's treasury in July 2016. Upon the cancellation, \$136,956 was recorded as a reduction to capital stock for the assigned value of the shares, and \$103,156 was allocated to reserves.

(c) Share options

The Company has adopted a 20% fixed share option plan whereby the Company has reserved 20,557,283 common shares under the plan. The term of any options granted under the plan is fixed by the Board of Directors and may not exceed ten years from date of grant.

The number of options granted to a consultant in a 12 month period must not exceed 2% of the issued shares of the Issuer from the date of grant. Options issued to consultants performing investor relations activities must vest in stages over 12 months with no more than 1/4 of the options vesting in any three month period. Share options granted to directors, officers and employees of the Company vest immediately.

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12. CAPITAL STOCK AND RESERVES (cont'd)

(c) Share options (cont'd)

Share option transactions are summarized as follows:

	Options Outstanding	Weighted Average Exercise Price
Outstanding, June 30, 2016	6,977,500	\$ 0.32
Exercised	(45,000)	0.23
Granted	2,590,000	0.43
Cancelled	(440,000)	0.42
Outstanding, June 30, 2017	9,082,500	0.34
Granted	1,380,000	0.30
Exercised	(60,000)	0.23
Cancelled/ Forfeited	(810,000)	0.63
Outstanding, March 31, 2018	9,592,500	\$ 0.32

Share options outstanding and exercisable at March 31, 2018 are summarized as follows:

Number of Options	Exercise Price	Expiry Date	Remaining Life of Options (Years)	Number of Options Exercisable
220,000	\$ 0.25	October 31, 2018	0.59	220,000
150,000	\$ 0.40	November 2, 2018	0.59	150,000
50,000	\$ 0.40	October 9, 2019	1.53	50,000
25,000	\$ 0.63	January 15, 2020	1.79	25,000
30,000	\$ 0.23	January 15, 2020	1.79	30,000
42,500	\$ 0.23	November 8, 2020	2.61	42,500
545,000	\$ 0.55	November 24, 2020	2.65	545,000
5,000	\$ 0.23	November 24, 2020	2.65	5,000
600,000	\$ 0.35	June 16, 2021	3.21	600,000
90,000	\$ 0.40	November 2, 2021	3.59	90,000
1,290,000	\$ 0.39	December 27, 2023	5.75	1,290,000
3,725,000	\$ 0.23	April 10, 2025	7.03	3,725,000
1,440,000	\$ 0.40	September 13, 2026	8.46	1,440,000
1,380,000	\$ 0.30	February 9, 2028	9.87	1,380,000
9,592,500	\$ 0.32		6.63	9,592,500

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12. CAPITAL STOCK AND RESERVES (cont'd)

(c) Share options (cont'd)

During the nine months ended March 31, 2018, the Company granted 1,380,000 (2017 – 2,590,000) stock options to consultants and employees of the Company and recorded share-based compensation expense of \$312,636 (2017 - \$573,700) for the vested portion of the share options granted.

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options granted. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. The following weighted average assumptions were used to estimate the following weighted average grant date fair values:

	2018	2017
Number of options granted	1,380,000	2,590,000
Risk free interest rate	2.24%	0.85%
Expected dividend yield	0%	0%
Stock price volatility	70.29%	69.40%
Expected life of options	10 years	6.74 years
Weighted average fair value of options	\$ 0.22	\$ 0.23
Forfeiture	0%	0%

(d) Warrants

Share purchase warrants transactions and warrants outstanding are summarized as follows:

	Warrants Outstanding	Weighted Average Exercise Price
Balance, June 30, 2016	1,250,000	\$ 0.40
Granted (Note 12(b)(vi)(ix))	3,457,250	0.54
Balance, June 30, 2017	4,707,250	0.50
Expired	(1,250,000)	0.40
Balance, March 31, 2018	3,457,250	\$ 0.54

The following table summarizes the warrants outstanding at March 31, 2018:

Number of Warrants	Exercise Price	Expiry Date	Remaining Life of Warrants (Years)
2,731,750	\$ 0.55	December 15, 2018	0.71
655,429	\$ 0.50	April 12, 2019	1.03
70,071	\$ 0.45	April 12, 2019	1.03
3,457,250	\$ 0.54		0.78

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12. CAPITAL STOCK AND RESERVES (cont'd)

(e) Reserves

	Options and agent warrants	Finance warrants	Treasury shares	Total
Balance, June 30, 2016	\$ 9,481,603	\$ 2,204,276	\$ 1,377,505	\$ 13,063,384
Exercise of options	(46,902)	–	–	(46,902)
Finders' warrants	5,992	–	–	5,992
Share-based compensation	575,248	–	–	575,248
Cancellation of treasury shares	–	–	103,156	103,156
Balance, June 30, 2017	10,015,941	2,204,276	1,480,661	13,700,878
Exercise of options 12 (b)(ii)	(53,982)	–	–	(53,982)
Share-based compensation 12(c)	312,636	–	–	312,636
Cancellation of treasury shares 12(b)(v)	–	–	187,484	187,484
Balance, March 31, 2018	\$ 10,274,595	\$ 2,204,276	\$ 1,668,145	\$ 14,147,016

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the nine months ended March 31, 2018 included:

- exploration and evaluation assets of \$86,870 (June 30, 2017 - \$533,283) in accounts payable (Note 8);
- equipment and leasehold improvements of \$Nil (June 30, 2017 - \$10,000) in accounts payable;
- depreciation of camp equipment and upgrades of \$59,870 included in exploration and evaluation assets (Note 10);
- an allocation of \$53,982 from reserves to capital stock upon the exercise of stock options (Note 12(b)(v));
- an allocation of \$304,355 from capital stock to flow-through premium liability on the issuance of the flow-through shares in November 2017 (Note 12(b)(i));
- unrealized gain of \$5,563 on marketable securities due to changes in fair value, which was allocated to AOCL (Note 5); and
- reclassification of previously recognized unrealized losses on marketable securities of \$21,512 from AOCL to deficit (Note 5).

Significant non-cash transactions for the nine months ended March 31, 2017 included:

- exploration and evaluation assets of \$9,955 (June 30, 2016 - \$32,822) in accounts payable;
- depreciation of camp equipment and upgrades of \$73,837 included in exploration and evaluation assets;
- an allocation of \$46,902 from reserves to capital stock upon the exercise of share options (Note 12(b));
- an allocation of \$140,833 from capital stock to flow-through premium liability on the issuance of the flow-through shares in December 2016 (Note 12(b)); and
- unrealized loss of \$48,241 on marketable securities due to changes in fair value, which was allocated to AOCL.

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14. RELATED PARTY TRANSACTIONS

The remuneration of directors and other key management personnel during the nine months ended March 31, 2018 and 2017 was as follows:

March 31,		2018		2017
Bonuses (iii)	\$	42,084	\$	89,198
Consulting fees (iv)		11,250		11,250
Directors fees (ii)		30,000		30,000
Geological consulting (v)		112,500		112,500
Management fees (i)		265,500		265,500
Other employment benefits (vii)		22,227		19,432
Share-based compensation (vi)		3,130		280,210
Total	\$	486,691	\$	808,090

- (i) Pursuant to a management and administrative services agreement amended effective July 1, 2011 and May 1, 2014 with Varshney Capital Corp. ("VCC"), a company with two common directors, Peeyush Varshney and Praveen Varshney, the Company agreed to pay monthly management and administrative fees of \$29,500 and \$5,000, respectively.

During the nine months ended March 31, 2018, the Company paid \$265,500 (2017 – \$265,500) for management fees and \$45,000 (2017 – \$45,000) for administrative fees to VCC;

- (ii) the Company paid \$30,000 (2017 - \$30,000) in directors' fees to the four directors of Company - John Thomas, Marco Strub, Peeyush Varshney and Praveen Varshney;
- (iii) the Company paid \$11,250 (2017 - \$11,250) for consulting fees to Sircon AG, a company controlled by Marco Strub, a director of the Company;
- (iv) the Company paid \$42,084 (2017 - \$89,198) in bonus to VCC;
- (v) the Company paid geological consulting fees of \$112,500 (2017 - \$112,500) to Ridgeview Resources Ltd., a company controlled by Ken MacDonald, VP of Exploration of the Company, of which \$85,312 (2017 - \$33,438) was capitalized as exploration and evaluation costs and \$27,188 (2017 - \$79,062) was expensed as consulting fees;
- (vi) share-based compensation is the fair value of options that have been granted to directors and executive officers and the related compensation expense recognized over the vesting periods; and
- (vii) other employment benefits included life insurance and health benefits for the CEO and health benefits for the CFO of the Company.

15. CAPITAL MANAGEMENT

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties, and support any expansionary plans. 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 Company considers its capital to be equity.

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15. CAPITAL MANAGEMENT (cont'd)

The Company's operations are currently not generating positive cash flow; as such, the Company is dependent on external financing to fund its activities. In order to carry out potential expansion and to continue operations, and pay for administrative costs, the Company will spend its existing working capital, and raise additional amounts as needed. Companies in this stage typically rely upon equity and debt financing or joint venture partnerships to fund their operations. The current financial markets are very difficult and there is no certainty with respect to the Company's ability to raise capital. However, the Company feels that it has sufficient working capital to continue with planned activities.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's overall strategy with respect to capital risk management remained unchanged during the nine months ended March 31, 2018. The Company is not subject to any externally imposed capital requirements.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Cash, investments, and marketable securities are carried at fair value using a level 1 fair value measurement. The carrying value of receivables, loan receivable and trade payables and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank deposits of \$2,010,265 and short-term investments in GICs with the fair value of \$4,244,970. This risk is managed by using major Canadian banks that are high credit quality financial institutions as determined by rating agencies.

The Company's secondary exposure to credit risk is on its receivables. This risk is minimal as receivables consist primarily of refundable government sales taxes and interest accrued on GIC investments.

The Company is exposed to higher credit risk on its loan receivable with the amortized balance of \$115,973 (Note 4) as it is issued under unsecured promissory note.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents. As at March 31, 2018, the Company was holding cash deposits of \$2,010,265 to settle current cash liabilities of \$142,038. Management believes it has sufficient funds to meet its current obligations as they become due and to fund its exploration projects and administrative costs.

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16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant and the Company, has exposure to these risks.

a. Interest Rate Risk

The Company is exposed to interest rate risk as its bank treasury account and other assets earn interest income at variable rates. The effect of a 10% fluctuation in interest rates may result in an increase or decrease in net loss of \$2,010.

b. Currency Risk

The Company operates in Canada and is therefore not exposed to significant foreign exchange risk arising from transactions denominated in a foreign currency.

c. Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors certain commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

The Company also maintains investments in certain marketable securities. There can be no assurance that the Company can exit these positions if required, resulting in proceeds approximating the carrying value of these securities.