



ARMOR MINERALS INC.

Consolidated Financial Statements

*For the Year Ended March 31, 2018*

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Armor Minerals Inc.

We have audited the accompanying consolidated financial statements of Armor Minerals Inc., which comprise the consolidated statements of financial position as at March 31, 2018 and 2017 and the consolidated statements of net loss and comprehensive loss, changes in shareholders' 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, 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.

### *Auditors' 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 about whether the consolidated financial statements are free from 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 auditors' 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Armor Minerals Inc. as at March 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

July 27, 2018



**Armor Minerals Inc.**  
**Consolidated Statements of Financial Position**  
(Expressed in Canadian dollars)

	March 31, 2018	March 31, 2017
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 536,719	\$ 646,758
Amounts receivable	2,156	650
Prepaid expenses	5,025	9,748
	<u>543,900</u>	<u>657,156</u>
<b>Non-current assets:</b>		
Due from related party (note 8)	17,735	-
	<u>\$ 561,635</u>	<u>\$ 657,156</u>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities (note 4)	\$ 12,614	\$ 62,593
Due to related party (note 8)	1,275	319
Deferred rental liability (note 5)	8,075	-
	<u>21,964</u>	<u>62,912</u>
<b>Non-current liabilities:</b>		
Deferred rental liability (note 5)	21,533	-
	<u>\$ 43,497</u>	<u>\$ 62,912</u>
<b>Shareholders' equity</b>		
Share capital (note 7)	27,625,170	27,625,170
Reserves (note 7)	4,001,522	4,002,029
Deficit	(31,108,554)	(31,032,955)
	<u>518,138</u>	<u>594,244</u>
	<u>\$ 561,635</u>	<u>\$ 657,156</u>

Nature of operations (note 1)  
Commitments (note 10)  
Subsequent event (note 13)

These consolidated financial statements have been authorized for issue by the Board of Directors on July 27, 2018.

APPROVED BY THE DIRECTORS

/s/ Richard W. Warke  
Richard W. Warke, Director

/s/ Purni Parikh  
Purni Parikh, Director

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

## Armor Minerals Inc.

### Consolidated Statements of Net Loss and Comprehensive Loss

For the Years Ended March 31

(Expressed in Canadian dollars)

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	2018		2017
Expenses:			
Salaries and benefits	\$ 27,568	\$	49,433
General office expenses	19,805		35,812
Listing and filing fees	17,540		29,598
Professional fees	13,790		34,322
Investor relations	1,268		5,570
Exploration and evaluation costs (note 6)	-		317,622
Travel	-		3,488
Loss before other items	(79,971)		(475,845)
Foreign exchange loss	(253)		(1,203)
Finance income	4,625		2,659
Net loss	(75,599)		(474,389)
Other comprehensive loss:			
Items that may be reclassified to profit or loss:			
Foreign currency translation gain (loss)	(507)		1,330
Comprehensive loss	\$ (76,106)	\$	(473,059)
Basic and diluted net loss per share	\$ (0.00)	\$	(0.01)
Weighted average number of shares outstanding	41,319,015		39,746,070

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

**Armor Minerals Inc.****Consolidated Statements of Changes in Shareholders' Equity**  
(Expressed in Canadian dollars)

	Share Capital		Reserves				Shareholders' equity
	Number of shares	Amount	Foreign currency translation reserve	Options and warrants	Total	Deficit	
Balance, March 31, 2016	36,344,015	\$ 26,950,489	\$ -	\$ 3,682,872	\$ 3,682,872	\$ (30,558,566)	\$ 74,795
Units issued on private placement	5,000,000	682,173	-	317,827	317,827	-	1,000,000
Share issue costs	-	(7,492)	-	-	-	-	(7,492)
Escrow shares returned to treasury	(25,000)	-	-	-	-	-	-
Comprehensive income (loss)	-	-	1,330	-	1,330	(474,389)	(473,059)
Balance, March 31, 2017	41,319,015	\$ 27,625,170	\$ 1,330	\$ 4,000,699	\$ 4,002,029	\$ (31,032,955)	\$ 594,244
Comprehensive loss	-	-	(507)	-	(507)	(75,599)	(76,106)
Balance, March 31, 2018	41,319,015	\$ 27,625,170	\$ 823	\$ 4,000,699	\$ 4,001,522	\$ (31,108,554)	\$ 518,138

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

**Armor Minerals Inc.**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended March 31**  
**(Expressed in Canadian dollars)**

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	2018	2017
Cash used in:		
Operating activities:		
Net loss	\$ (75,599)	\$ (474,389)
Items not affecting cash:		
Foreign exchange loss (gain)	(87)	2,062
Amortization of deferred rental contribution	(2,019)	-
Net changes in non-cash working capital items:		
Amounts receivable	(1,506)	2,205
Prepaid expenses	4,723	16,440
Accounts payable and accrued liabilities	(49,979)	(14,022)
Due to related parties	956	319
	<u>(123,511)</u>	<u>(467,385)</u>
Financing activities:		
Proceeds from private placement	-	1,000,000
Share issue costs	-	(7,492)
Deferred rental contribution received	31,627	-
	<u>31,627</u>	<u>992,508</u>
Investing activities:		
Contributions to related party	(17,735)	-
	<u>(17,735)</u>	<u>-</u>
Effect of exchange rate changes on cash and cash equivalents	(420)	(732)
Increase (decrease) in cash and cash equivalents	(110,039)	524,391
Cash and cash equivalents, beginning of year	646,758	122,367
Cash and cash equivalents, end of year	<u>\$ 536,719</u>	<u>\$ 646,758</u>
Supplementary information:		
Cash and cash equivalents, end of year comprise:		
Cash and balances with banks	\$ 2,952	\$ 9,246
Cash equivalents	533,767	637,512
	<u>\$ 536,719</u>	<u>\$ 646,758</u>

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

# Armor Minerals Inc.

## Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars unless otherwise noted)

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### 1. Nature of Operations

Armor Minerals Inc. (the “Company” or “Armor”) is incorporated in British Columbia, Canada. The Company’s head office is located at Suite 555 – 999 Canada Place, Vancouver, British Columbia, V6C 3E1. The consolidated financial statements as at March 31, 2018 consist of Armor and its wholly owned subsidiary, Armor Minerals (US) Inc. (“Armor US”) organized under the laws of Virginia. The Company is publicly traded with shares listed on the TSX Venture Exchange (the “TSX-V”).

The Company is engaged in the acquisition and exploration of mineral property interests. The business of mining and the exploration for minerals involves a high degree of risk and there can be no assurance that such activities will result in profitable mining operations.

At March 31, 2018 the Company had cash and cash equivalents of \$536,719, working capital of \$521,936, net loss for the year ended March 31, 2018 of \$75,599, and a deficit of \$31,108,554. Based on anticipated cash flows, the Company is expected to have sufficient resources to meet its committed expenditures for the next twelve months.

### 2. Basis of Presentation

#### a) 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 (“IASB”) and interpretations of the International Financing Reporting Interpretations Committee (“IFRIC”).

The accounting policies applied in these consolidated financial statements are based on IFRS effective for the year ending March 31, 2018 as issued and outstanding as of July 27, 2018, the date the Board of Directors approved the financial statements.

#### b) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the Company’s presentation currency. The functional currency of the parent is the Canadian dollar and the functional currency of Armor US is the United States dollar.

#### c) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit and loss which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

#### d) Use of estimates and judgements

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is described below.

## Armor Minerals Inc.

### Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars unless otherwise noted)

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- Functional currency – The Company and its subsidiaries have to determine their functional currencies based on the primary economic environment in which each entity operates. In order to do that, management has to analyse several factors, including which currency mainly influences the cost of undertaking the business activities, in which currency the entity has received financing, and in which currency it keeps its receipts from operating activities. Management uses its judgment to determine which factors are most important, when the above indicators are mixed and the functional currency is not obvious.
- Options and warrants – The fair value of options and warrants is determined on the grant date. In order to compute the fair value, the Company uses the Black-Scholes option pricing model which requires management to make certain estimates, judgements, and assumptions in relation to the expected life, expected volatility, expected dividend yield and the risk-free interest rate, as well as the number of options or warrants expected to be exercised.

### 3. Summary of Significant Accounting Policies

The summary of significant accounting policies described below has been applied consistently to all periods presented in these consolidated financial statements.

#### a) Basis of consolidation

Subsidiaries are entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date which control is transferred to the Company until the date that control ceases. All intercompany transactions and balances are eliminated on consolidation.

#### b) Translation of foreign currencies

Management determines the functional currency of each entity as the currency of the primary economic environment in which the entity operates.

##### *Foreign currency transactions*

Transactions in currencies other than the functional currency are recorded at rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency gains and losses arising on period-end revaluations are recognized in the statement of income (loss).

##### *Foreign operations*

A subsidiary that has a functional currency other than Canadian dollars translates its assets and liabilities to Canadian dollars at the exchange rates prevailing at the end of each reporting period. Revenues and expenses are translated at the average exchange rate during the period. Differences arising from these foreign currency translations are recognized in other comprehensive income (loss) and presented within shareholders' equity in the foreign currency translation reserve. When a foreign operation is disposed, the relevant exchange differences accumulated in the foreign currency translation reserve are transferred to the statement of income (loss) as part of the profit or loss on disposal.



## Armor Minerals Inc.

### Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars unless otherwise noted)

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#### *Net investment in a foreign operation*

Foreign currency gains and losses arising on translational of a monetary item receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future are considered to form part of a net investment in the foreign operation. Such gains and losses are recognized in other comprehensive income (loss) and presented within shareholders' equity in the foreign currency translation reserve.

#### c) Cash and cash equivalents

Cash and cash equivalents include amounts held in banks and cash equivalents with maturities at point of purchase of 90 days or less or are cashable after 30 days at the option of the Company. Interest from cash and cash equivalents is recorded on an accrual basis.

#### d) Exploration and evaluation expenditures

Exploration and evaluation costs are charged to the statement of income (loss) in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration and development costs are capitalized.

Exploration and evaluation costs include the costs of acquiring licenses, option payments, and the costs of the Company's exploration activities.

Exploration and evaluation expenditures are expensed in the period they are incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination. Significant property acquisition costs are capitalized only to the extent that such costs can be directly attributable to an area of interest where it is considered likely to be recoverable by future exploitation or sale. Development costs relating to specific properties are capitalized once management has made a development decision.

#### e) Share capital

Common shares are classified as share capital. Proceeds from share issuances are recorded net of issue costs. Share capital issued as non-monetary consideration is recorded at an amount based on the fair value of the consideration received.

#### f) Net loss per share

Basic net loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of outstanding options and their equivalents are reflected in diluted earnings per share by application of the treasury stock method.

#### g) Share-based payments

The Company has established a share purchase option plan for eligible directors, officers, employees and consultants and accounts for this plan using the fair value method of accounting. Under this method, the grant date fair value of an award under the plan is recognized as an expense using a graded vesting method, with a corresponding increase in reserves. For awards subject to vesting, the Company recognizes an expense over the period that the holder becomes unconditionally entitled to the awards. Awards not subject to vesting are recognized as an expense at the grant date.

## Armor Minerals Inc.

### Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars unless otherwise noted)

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The Company estimates the grant date fair value of the award using the Black-Scholes option pricing model. The number of options expected to vest are estimated at the grant date and reviewed at the end of each reporting period. The Company recognises the impact of the revision to original estimates, if any, in the statement of income (loss) and comprehensive income (loss), with a corresponding adjustment to reserves. When equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of income (loss) and comprehensive income (loss).

The fair value of warrants, issued in connection with the issuance of shares in the functional currency of the entity in which they are issued, are recognized on the date of issue as a reduction in share capital. The Company uses the Black-Scholes option pricing model to estimate the fair value of the warrants issued, separately calculating the fair value of the common shares and the warrants, and prorating these amounts by the actual proceeds received.

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

#### h) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are expensed 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.

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

- (i) **Financial assets and liabilities at fair value through profit or loss:** A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. The Company does not hold any assets classified as fair value through profit or loss. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income (loss) and comprehensive income (loss). Gains and losses arising from changes in fair value are presented in the statement of income (loss) and comprehensive income (loss) within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the statement of financial position date, which is classified as non-current.
- (ii) **Available-for-sale investments:** Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are initially measured at fair value with subsequent changes in fair value recognized in other comprehensive income (loss). The Company does not hold any available-for-sale assets.
- (iii) **Held-to-Maturity investments:** Held-to-maturity investments are non-derivatives that are designated in this category where the Company's intent is to hold the investment to maturity. Held-to-maturity investments are initially measured at fair value including transaction costs, and subsequently carried at amortized cost. The Company does not hold any held-to-maturity assets.
- (iv) **Loans and receivables:** Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise of cash and cash equivalents, amounts receivable and due from related party. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

## Armor Minerals Inc.

### Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars unless otherwise noted)

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- (v) Financial liabilities at amortized cost: Financial instruments held by the Company and classified in this category include accounts payable and accrued liabilities, due to related party and deferred rental liability. Financial liabilities at amortized cost are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, they are measured at amortized cost using the effective interest method.

The effective interest rate method calculates the amortized cost of a financial instrument and allocates interest over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts/payments over the expected life of the financial instrument (note 9).

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

- (vi) Derivative financial instruments: Derivative instruments, including embedded derivatives, are recorded at fair value through profit or loss ("FVTPL") and accordingly are recorded on the statement of financial position at fair value. Fair values for derivative instruments are determined using valuation techniques, using assumptions based on market conditions existing at the statement of financial position date. Derivatives embedded in non-derivative contracts are recognized separately unless they are closely related to the host contract. The Company does not have any derivative financial instruments.

i) Impairment of financial assets

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

- (i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- (ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income (loss) and comprehensive income (loss). This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to the statement of income (loss) and comprehensive income (loss).

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

j) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable and at each statement of financial position date. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized in the statement of income (loss) and comprehensive income (loss) for the amount by which the asset's carrying amount exceeds its recoverable amount.

Non-financial assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicated that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the

## Armor Minerals Inc.

### Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars unless otherwise noted)

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carrying amount that would have been determined had no impairment loss been recognized for the asset on the prior periods. A reversal of an impairment loss is recognized in the statement of income (loss) and comprehensive income (loss).

#### k) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability.

#### l) Income taxes

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

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.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated 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 statement of financial position 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 income tax is provided on temporary differences arising on investments in subsidiaries and associates except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current tax assets and liabilities on a net basis.

#### m) Accounting changes and recent accounting pronouncements

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC. Some updates that are not applicable or are not consequential to the Company may have been excluded.

IFRS 9, *Financial Instruments* is mandatorily effective for the Company's consolidated financial statements for the year ending March 31, 2019. IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost; fair value through profit and loss; and fair value through other comprehensive income. IFRS 9 introduces the expected credit loss model for impairment of financial assets which replaces the incurred loss model used in IAS 39. IFRS 9 amends the rules on hedge accounting to align the accounting treatment with the risk management practices of the business. Lastly, IFRS 9 amends some of the requirements of IFRS 7, *Financial Instruments: Disclosures*, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income,

## Armor Minerals Inc.

### Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars unless otherwise noted)

and guidance on financial liabilities and derecognition of financial instruments. The Company has determined that there will not be any material changes in the classification, measurement or carrying values of the Company's financial instruments as a result of the adoption of IFRS 9.

On January 13, 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16") in accordance with which, all leases will be recorded on the statement of financial position of lessees, except those that meet the limited exception criteria. As a result, for the Company's office rental leases, rent expense will be removed and replaced by the recording of depreciation and finance expenses. IFRS 16 is mandatorily effective for the Company's consolidated financial statements for the year ending March 31, 2020.

#### 4. Accounts Payable and Accrued Liabilities

	March 31, 2018	March 31, 2017
Trade and other payables	\$ 12,614	\$ 22,627
Due to Jack's Fork Exploration, Inc.	-	39,966
	<u>\$ 12,614</u>	<u>\$ 62,593</u>

#### 5. Deferred Rental Liability

Deferred rental contribution represents the unamortized balance of an amount received from a company previously related through certain common directors and management with respect to the provisions of agreements governing certain shared operating leases. The amount is being amortized to office and administrative expense over the remaining term of the leases. The following is a summary of changes in deferred rental contribution:

	March 31, 2018	March 31, 2017
Balance, start of year	\$ -	\$ -
Deferred rental contribution received	31,627	-
Amortization of deferred rental contribution	(2,019)	-
Balance, end of year	<u>\$ 29,608</u>	<u>\$ -</u>

Deferred rental liability is reflected in the consolidated balance sheets as follows:

	March 31, 2018	March 31, 2017
Current	\$ 8,075	\$ -
Non-current	21,533	-
	<u>\$ 29,608</u>	<u>\$ -</u>

#### 6. Exploration and Evaluation Costs

The following is a summary of exploration and evaluation costs by category for the years ended March 31, 2018 and 2017:

	2018	2017
Administration fee	\$ -	\$ 33,353
Option payments	-	39,237
Drilling	-	54,617
Property access	-	4,783
Assay and analysis	-	66,045
Geologic consulting and support	-	91,818
Travel, food and accommodations	-	19,368
Supplies and other	-	8,401
	<u>\$ -</u>	<u>\$ 317,622</u>

## Armor Minerals Inc.

### Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars unless otherwise noted)

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On October 28, 2015, the Company signed a definitive Earn-in Agreement (the "Agreement") with Jack's Fork Exploration, Inc. ("Jack's Fork"), to acquire up to an 80% joint venture interest in the Warmister and Tower Hill gold properties (the "Properties") located in Virginia, USA. On April 7, 2016, the Company assigned the Agreement to its wholly owned subsidiary, Armor US.

On February 24, 2017 in accordance with the Agreement, Armor gave thirty days' advance notice of termination to Jack's Fork. Upon expiry of the thirty day notice period, the Agreement was of no further force or effect and Armor has no further obligation to incur expenses on or for the benefit of the Properties and has no further obligations or liabilities to Jack's Fork under the Agreement or with respect to the Properties, other than to reimburse Jack's Fork for expenditures initiated on the Properties prior to the termination date.

As of the date of termination, the Company incurred expenditures totaling US\$455,040 and earned a 10% interest in the Properties.

## 7. Share Capital and Reserves

### a) Share capital

At March 31, 2018, the authorized share capital comprised of an unlimited number of common shares. The common shares do not have a par value and all issued common shares are fully paid.

The Company has a total of 3,842,716 debt units remaining in escrow as at March 31, 2018 (March 31, 2017 – 11,528,148). Each debt unit comprised of one common share and one common share purchase warrant (a "Debt Warrant"). Each Debt Warrant entitles the holder to purchase one common share at a price of \$0.05 per common share until April 22, 2020. The remaining escrowed units are to be released on April 22, 2018.

### b) Warrants

The following summarizes the Company's warrants at March 31, 2018:

Date of Issue	Exercise Price	Expiry Date	March 31, 2017	Issued	Expired	March 31, 2018
April 29, 2015	\$0.05	April 22, 2020	25,618,106	-	-	25,618,106
April 29, 2015	\$0.08	April 29, 2018	4,000,000	-	-	4,000,000 <sup>1</sup>
October 7, 2015	\$0.15	October 7, 2020	5,000,000	-	-	5,000,000
July 25, 2016	\$0.40	July 25, 2021	2,500,000	-	-	2,500,000
			37,118,106	-	-	37,118,106

<sup>1</sup> Subsequent to March 31, 2018, 3,000,000 share purchase warrants were exercised (note 13) and the remainder (1,000,000) expired.

The weighted average exercise price of the warrants outstanding at March 31, 2018 is \$0.09 (March 31, 2017 – \$0.09).

### c) Share purchase options

The Company has established a share purchase option plan whereby the Board of Directors may, from time to time, grant options to directors, officers, employees or consultants. Options granted must be exercised no later than five years from the date of grant or such lesser period as determined by the Company's Board of Directors. The exercise price of an option is not less than the closing price on the TSX-V on the last trading day preceding the grant date. Options begin vesting on the grant date based on a schedule outlined in the share purchase option plan. The option plan provides that the aggregate number of shares reserved for issuance under the plan which may be made subject to options at any time and from time to time (including those issuable upon the exercise of pre-existing options) shall not exceed 10% of the total number of issued and outstanding shares, on a non-dilutive basis, as constituted on the grant date of such options.

## Armor Minerals Inc.

### Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars unless otherwise noted)

At March 31, 2018 and 2017 there are no options reserved under the Plan and there are no options outstanding.

#### 8. Related Party Disclosures

##### *Compensation of key management*

Key management includes the Company's directors and certain senior management. For the year ended March 31, 2018, the Company paid salaries and benefits of \$11,856 to key management personnel (March 31, 2017 – \$26,516).

##### *Related party transactions*

Commencing March 1, 2015, the Company shares office space, equipment, personnel, consultants and various administrative services with other companies (NewCastle Gold Ltd. until December 22, 2017, Arizona Mining Inc., and Titan Mining Corporation) related by virtue of certain common management and a director of the Company. These services have been mainly provided through a management company equally owned by the related companies. Costs incurred by the management company are allocated between the related companies based on time incurred and use of services. The Company was charged for the following with respect to these arrangements in years ended March 31, 2018 and 2017:

	2018		2017
Salaries and benefits	\$ 27,568	\$	49,433
Office and administrative	20,661		34,615
Listing and filing fees	3,951		2,954
Investor relations	498		3,885
Professional fees	-		14,357
Exploration and evaluation costs	-		16,523
Travel	-		3,430
	<u>\$ 52,678</u>	<u>\$</u>	<u>125,197</u>

At March 31, 2018, prepaid expenses include \$nil (March 31, 2017 – \$4,423) and due to related party includes \$1,275 (March 31, 2017 – \$ 319) with respect to these arrangements.

The amount due from related party at March 31, 2018 of \$17,735 (March 31, 2017 - \$nil) relates to the Company's share of jointly owned assets (primarily security deposits, leasehold improvements, and furniture and equipment) held by the management company.

#### 9. Financial Instruments and Capital Management

The Company's financial instruments are classified into the following categories of financial assets and liabilities (shown at carrying value):

	March 31, 2018		March 31, 2017
Financial assets			
Loans and receivables			
Cash and cash equivalents	\$ 536,719	\$	646,758
Amounts receivable	2,156		650
Due from related party	17,735		-
	<u>\$ 556,610</u>	<u>\$</u>	<u>647,408</u>

## Armor Minerals Inc.

### Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars unless otherwise noted)

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#### Financial liabilities

##### Financial liabilities at amortized cost

Accounts payable and accrued liabilities	\$	12,614	\$	62,593
Due to related party		1,275		319
Deferred rental liability – current		8,075		-
Deferred rental liability – non-current		21,533		-
	\$	43,497	\$	62,912

The fair values of the Company's financial instruments in the table above approximate their carrying values.

#### **Financial Risk Management**

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

##### *Currency risk*

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and a portion of its expenses are incurred in U.S. dollars. A significant change in the currency exchange rates between the Canadian dollar relative to the U.S. dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. As at March 31, 2018, the Company has a U.S. dollar cash balance of \$255 (March 31, 2017 – US\$494), and a 10% change in the Canadian-U.S. dollar exchange rate would have an insignificant impact on the Company's earnings.

##### *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Credit risk arises for the Company from cash held with banks and financial institutions, as well as credit exposure on outstanding amounts receivable. The Company manages its exposure to credit risk by holding its cash through Canadian chartered banks. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

##### *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 risk that the Company will realize a loss as a result of a decline in the fair value of the investments included in cash is limited. Based on the amount of cash invested as at March 31, 2018 and assuming that all other variables remain constant, a 0.5% change in the applicable interest rate would result in an insignificant impact in the interest earned by the Company per annum.

##### *Liquidity risk*

Liquidity risk arises through 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.

#### **Capital Management**

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the



## Armor Minerals Inc.

### Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars unless otherwise noted)

Company may attempt to issue new shares, acquire or dispose of assets or obtain debt financing. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

#### 10. Commitments

At March 31, 2018, based on current estimated usage, the Company is committed to payments for office premises through fiscal 2022 in the total amount of approximately \$58,300. Payments by fiscal year are:

2019	\$	15,900
2020		15,900
2021		15,900
2022		10,600

#### 11. Segment Information

The Company operates in one industry segment, being mineral exploration. Geographic information is as follows:

	Canada	United States	Total
Total assets as at:			
March 31, 2018	\$ 561,041	\$ 594	\$ 561,635
March 31, 2017	\$ 656,746	\$ 410	\$ 657,156
Net loss for the year ended:			
March 31, 2018	\$ 75,037	\$ 562	\$ 75,599
March 31, 2017	\$ 155,690	\$ 318,699	\$ 474,389

#### 12. Income Taxes

The provision for income taxes reported differs from the amount computed by applying the cumulative Canadian Federal and Provincial income tax rates to the loss before the tax provision due to the following:

	Year ended March 31, 2018	Year ended March 31, 2017
Net loss	\$ (75,599)	\$ (474,389)
Statutory tax rate	27.00%	26.00%
Expected income tax recovery	(20,412)	(123,341)
Reconciling items:		
Difference in tax rates with foreign jurisdictions	(67)	(41,112)
Tax benefits of losses and temporary differences not recognized	20,479	162,842
Non-deductible expenses and other	-	1,611
Income tax recovery	\$ -	\$ -

## Armor Minerals Inc.

### Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

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The Company's unrecognized tax losses and other deductible temporary differences for which no deferred tax asset is recognized consists of the following:

	March 31, 2018	March 31, 2017
Non-capital loss carryforwards	\$ 4,843,000	\$ 4,787,000
Net-capital loss carry forwards	7,636,242	7,636,242
Mineral properties	308,190	318,420
Excess tax value of equipment over book value	25,517	25,517
Share issuance costs	21,600	31,652
Cumulative eligible expenditures	40,226	36,275
Deferred rental liability	29,608	-
	<u>\$ 12,904,383</u>	<u>\$ 12,835,106</u>

At March 31, 2018, the Company had Canadian unrecognized operating loss carry forwards of approximately \$4,840,000 (March 31, 2017 – \$4,784,000) and US unrecognized operating loss carry forwards of approximately US\$3,000 (March 31, 2017 – US\$2,000). The unrecognized operating loss carry forwards expire at various times between 2027 and 2037. The unrecognized net capital losses were also incurred in Canada and can be carried forward indefinitely.

### 13. Subsequent event

Subsequent to March 31, 2018, 3,000,000 share purchase warrants were exercised at a price of \$0.08 with an expiry date of April 29, 2018 for total proceeds of \$240,000.