

**APAC RESOURCES INC.**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD ENDED AUGUST 31, 2017**  
**AND AUGUST 31, 2016**  
**(UNAUDITED)**

### **Notice of No Auditor Review of Interim Financial Statements**

The accompanying unaudited financial statements have been prepared by management and approved by the Audit Committee.

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

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**APAC RESOURCES INC.****CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION****EXPRESSED IN CANADIAN DOLLARS**

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	August 31, 2017 (Unaudited)	February 28, 2017 (Audited)
<b>ASSETS</b>		
Current		
Cash	\$ 61,796	\$ 185,785
Other receivables	2,258	—
	64,054	185,785
Exploration and evaluation assets (Note 6)	5,000	5,000
	\$ 69,054	\$ 190,785
<b>LIABILITIES</b>		
Current		
Accounts payable	\$ 7,101	\$ 13,546
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7)	939,977	939,977
Contributed surplus	279,649	279,649
Deficit	(1,157,673)	(1,042,387)
	61,953	177,239
	\$ 69,054	\$ 190,785

NATURE OF CONTINUANCE OF  
OPERATIONS (Note 1)

Approved and authorized for issue on behalf  
of the board on September 20, 2017.

“Robert Coltura” Director

“Jerry Minni” Director

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**APAC RESOURCES INC.****CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS****EXPRESSED IN CANADIAN DOLLARS****UNAUDITED**

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	<b>Three months ended August 31, <u>2017</u></b>	<b>Three months ended August 31, <u>2016</u></b>	<b>Six months ended August 31, <u>2017</u></b>	<b>Six months ended August 31, <u>2016</u></b>
<b>EXPENSES</b>				
Management fees	\$ 17,250	\$ 17,250	\$ 34,500	\$ 34,500
Office and miscellaneous	3,404	2,799	7,364	5,936
Professional fees	30,643	18,443	42,145	32,971
Rent	8,988	7,441	17,470	12,709
Transfer agent and filing fees	6,270	5,164	11,578	7,434
Travel and promotion	1,251	981	2,229	2,736
<hr/>				
Net loss and comprehensive loss, end of period	\$ 67,806	\$ 52,078	\$ 115,286	\$ 96,286
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Loss per share (basic and diluted)	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
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Weighted average number of common share outstanding	20,132,000	14,132,000	20,132,000	14,132,000

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

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**APAC RESOURCES INC.****CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY****EXPRESSED IN CANADIAN DOLLARS****UNAUDITED**

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	Number of Shares	Amount \$	Contributed Surplus \$	Deficit \$	Total \$
Balances, February 28, 2017	20,132,000	939,977	279,649	(1,042,387)	177,239
Comprehensive loss for the period	—	—	—	(115,286)	(115,286)
Balance August 31, 2017	20,132,000	939,977	279,649	(1,157,673)	61,953
Balance, February 29, 2016	14,132,000	621,068	264,578	(618,324)	267,322
Comprehensive loss for the period	—	—	—	(96,285)	(96,285)
Balances, August 31, 2016	14,132,000	621,068	264,578	(714,609)	171,037

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

**APAC RESOURCES INC.****CONDENSED INTERIM STATEMENTS OF CASH FLOWS****EXPRESSED IN CANADIAN DOLLARS****UNAUDITED**

	<b>Three months ended August 31, <u>2017</u></b>	<b>Three months ended August 31, <u>2016</u></b>	<b>Six month ended August 31, <u>2017</u></b>	<b>Six months ended August 31, <u>2016</u></b>
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net loss for the period	\$ (67,806)	\$ (52,078)	\$ (115,258)	\$ (96,285)
Items not involving cash:				
Stock - based payments	—	—	—	—
	(67,806)	(52,078)	(115,286)	(96,285)
Changes in non-cash working capital balances:				
Other receivable	(2,258)	(231)	(2,258)	1,687
Accounts payable and accrued liabilities	(1,886)	45,989	(6,445)	58,819
Cash used in operating activities	(71,950)	(6,320)	(123,989)	(35,779)
INVESTING ACTIVITY				
Mineral property acquisition and exploration costs	—	—	—	—
Cash used in investing activity	—	—	—	—
FINANCING ACTIVITIES				
Proceeds from related parties	—	—	—	—
Cash used in by financing activity	—	—	—	—
INCREASE IN CASH DURING THE PERIOD	(71,950)	(6,320)	(123,989)	(35,779)
CASH, BEGINNING OF PERIOD	133,746	7,147	185,785	36,606
CASH, END OF PERIOD	\$ 61,796	\$ 827	\$ 61,796	\$ 827
SUPPLEMENTAL DISCLOSURES				
Interest paid	\$ —	\$ —	\$ —	\$ —
Income taxes paid	\$ —	\$ —	\$ —	\$ —
Shares issued for and evaluation and exploration costs	\$ —	\$ —	\$ —	\$ —

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

1. NATURE OF OPERATIONS

APAC Resources Inc. ("the Company") was incorporated on May 31, 2011 under the laws of British Columbia. The address of the Company's corporate office and its principal place of business is 200-551 Howe Street, Vancouver, British Columbia, Canada.

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at August 31, 2017, the Company had not yet determined whether the Company's mineral property asset contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

The Company had a deficit of \$1,157,673 as at August 31, 2017, which has been funded by the issuance of equity. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These financial statements do not give effect to any adjustments which would be necessary should the company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The financial statements are prepared in accordance with IAS 34 Interim Financial Reporting ("IAS34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). They do not include all financial information required for full annual financial statements and should be read in conjunction with the Audited Financial Statements of the Company for the year ended February 28, 2017.

The financial statements are prepared in accordance with accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretation of the International Financial Reporting Interpretation Committee ("IFRIC").

The financial statements were authorized for issue by the Board of Directors on September 20, 2017.

b) Basis of presentation

The financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Cash and cash equivalents

Cash in the statements of financial position is comprised of cash in banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

d) Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

d) Share-based compensation

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.



2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

f) Foreign currency

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates ("the functional currency"), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

g) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

i) Income taxes

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

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting period end date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

j) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. At August 31, 2017, the Company has not classified any financial assets as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At August 31, 2017, the Company has not classified any financial assets as available for sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and advances from related parties are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. At August 31, 2017, the Company has not classified any financial liabilities as FVTPL.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these 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 financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*Significant accounting estimates*

- i. the assessment of indications of impairment of the mineral property and related determination of the net realizable value and write-down of the mineral property where applicable;
- ii. the estimated value of the acquisition costs which are recorded in the statement of financial position;
- iii. the measurement of deferred income tax assets and liabilities; and

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

- iv. the inputs used in accounting for share-based payments in profit or loss.

*Significant accounting judgments*

- i. the determination of categories of financial assets and financial liabilities; and
- ii. the evaluation of the Company's ability to continue as a going concern.

4. ADOPTION OF NEW OR AMENDED ACCOUNTING STANDARDS

There were no new or revised accounting standards scheduled for mandatory adoption on March 1, 2017 that affected the Company's financial statements

5. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

The following accounting policies will be adopted by the Company effective March 1, 2017:

IAS 7 'Statement of Cash Flows': In January 2016, the IASB issued an amendment to IAS 7 which requires additional disclosures for changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as drawdowns and repayments of borrowings, and non-cash changes, such as acquisitions, disposals and unrealized exchange differences. The amendment is effective for fiscal years beginning on or after January 1, 2017, and is applied on a prospective basis. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

The following accounting policies will be adopted by the Company effective March 1, 2018:

IFRS 2 '*Share-based payments*' - In June 2016, the IASB issued the final amendments to IFRS 2 that clarify the classification and measurement of share-based payment transactions. This includes the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of this standard.

IFRS 9, *Financial Instruments* – This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

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5. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE - continued

*IFRS 15 Revenue from Contracts with Customers* - In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

The following standard will be adopted by the Company effective March 1, 2019:

IFRS 16 'Leases' - IFRS 16 will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

6. EXPLORATION AND EVALUATION ASSET

Lekcin Mineral Property

	<b>Acquisition Costs</b>	<b>Exploration Costs</b>	<b>Total</b>
	\$	\$	\$
Balance, February 28, 2015	11,897	157,257	169,154
Acquisition costs	35,000	-	35,000
Other exploration costs	-	33,000	33,000
Balance, February 29, 2016	46,897	190,257	237,154
BCMETC Credit	-	(6,624)	(6,624)
Impairment	(46,897)	(183,633)	(230,530)
Balance, February 28, 2017	-	-	-

Pursuant to an option agreement (the "Original Agreement") dated June 11, 2011 and amended agreements dated on October 9, 2012, August 12, 2013, May 7, 2014, February 18, 2015, June 03, 2015 and July 23, 2015 (collectively, the "Option Agreement"), the Company had the option to acquire a 100% undivided interest in the Lekcin Mineral Property in the New Westminster Mining Division of British Columbia by issuing a total of 700,000 common shares of the Company to the optionors, making cash payments totaling \$155,000, and incurring a total of \$2,000,000 in exploration expenditures over a four year period from the Listing date (October 2, 2015) of the Company. The Company was also be required to issue an additional 600,000 common shares to the optionors upon completion of a positive feasibility study on the Property, and an additional 1,000,000 common shares upon the commencement of commercial production.

During the year ended February 29, 2016, the Company paid \$20,000 cash and issued 150,000 common shares valued at \$15,000 (Note 7c)(v)) in accordance with the Option Agreement.

During the year ended February 28, 2017, management decided not to pursue further work on the Lekcin Mineral Property and the Company recorded an impairment charge of \$230,530 on the statements of comprehensive loss.

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6. EXPLORATION AND EVALUATION ASSET - continued

Shuswap Silver Project

On February 15, 2017, the Company entered into an option agreement whereby the Company has the right to acquire 100% interest in the Shuswap Silver project located in the area of Sicamous, British Columbia, by issuing a total of 750,000 common shares of the Company to the optionors, making cash payments totaling \$100,000, and incurring a total of \$1,100,000 in exploration expenditures as follows:

	Common Shares	Cash	Exploration Expenditures
	#	\$	\$
Upon signing of the Option Agreement (paid)	-	5,000	-
On or before the first anniversary of the date of option agreement	75,000	15,000	100,000
On or before the second anniversary of the date of option agreement	75,000	15,000	200,000
On or before the third anniversary of the date of option agreement	150,000	15,000	200,000
On or before the fourth anniversary of the date of option agreement	175,000	25,000	200,000
On or before the fifth anniversary of the date of option agreement	275,000	25,000	400,000
<b>Total</b>	<b>750,000</b>	<b>100,000</b>	<b>1,100,000</b>

A net smelter returns royalty ("NSR") of 2% was retained by the optionor. Each 1% portion of the NSR can be purchased by the Company for \$750,000.

As of February 28, 2017 the Company had recorded \$5,000 in acquisition costs related to the Shuswap Silver Project.

7. SHARE CAPITAL

a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

b) Escrow Shares:

On March 25, 2015, the Company entered into an escrow agreement with Equity Financial Trust Company pursuant to which 4,340,000 common shares of the Company will be held in escrow in accordance with the requirements of National Instrument 46-201 - *Escrow for Initial Public Offerings*. 10% of the escrow shares will be released on the date the Company's common shares commence trading on the Canadian Securities Exchange (the "Listing Date") and 15% will be released on each of the 6, 12, 18, 24, 30 and 36 month anniversary dates thereafter.

As at August 31, 2017, there were 1,953,000 issued and outstanding common shares of the Company held in escrow.

c) Issued and outstanding:

As at August 31, 2017, the issued and outstanding share capital comprised of 20,132,000 common shares.

7. SHARE CAPITAL (continued)

c) Issued and outstanding: (continued)

For the year ended February 28, 2017, the Company issued 6,000,000 units at a price of \$0.06 per unit for gross proceeds of \$360,000. Each unit consists of one common share and one purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.08 for one year. In connection with this transaction, the Company incurred share issuance costs of \$26,020 and issued 432,000 agent warrants. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.08 per share for one year. The fair value of the agent warrants was \$15,071 and was estimated using the Black-Scholes option pricing model. The assumptions used in the model were: exercise price of \$0.08 per share, expected life of one year, volatility of 115%, risk-free rate of 0.48% and expected dividend of \$nil.

d) Stock Options

On April 14, 2015 the Company approved a stock option plan which provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options are non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to the stock options may not exceed 10% of the issued shares of the Company at the time of granting. The exercise price and vesting terms of stock options is determined by the Board of Directors of the Company at the time of grant.

On April 15, 2015, the Company granted a total of 600,000 stock options to directors of the Company with an exercise price of \$0.10 and an expiry date of April 15, 2020. The options vested on the grant date and the Company recognized \$48,315 as share-based compensation. The grant date weighted average fair value of the stock options issued was estimated to be \$0.08.

The fair value of stock options granted was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2016
Share price at grant date	\$0.10
Risk-free interest	50%
Exercise price	\$0.10
Expected dividend yield	-
Expected stock price volatility	115%
Expected life in years	5

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price \$
Outstanding and exercisable, February 28, 2017 and August 31, 2017	600,000	0.10

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7. SHARE CAPITAL (continued)

As at August 31, 2017, the Company had stock options outstanding to the officers and directors as follows:

Outstanding and exercisable	Exercise Price	Remaining life (in years)	Expiry Date
600,000	\$0.10	2.63	April 15, 2020

e) Warrants

On September 29, 2016, the Company issued 432,000 agent warrants in connection with the share issuance transaction. The warrants are exercisable at an exercise price of \$0.08 per share until September 28, 2017.

On October 2, 2015 the Company granted 342,400 agent warrants in connection with the IPO with an exercise price of \$0.10 and an expiry date of October 2, 2017. The Company recognized \$20,063 as share issue costs in connection with the issuance of these agent warrants. The grant date weighted average fair value of the agent's warrants issued was estimated to be \$0.06. The fair value of agents' warrants issued was calculated using the Black-Scholes options pricing model with the following weighted average assumptions:

	2017	2016
Share price at grant date	\$0.08	\$0.10
Risk-free interest	48%	50%
Exercise price	\$0.08	\$0.10
Expected dividend yield	-	-
Expected stock price volatility	115%	115%
Expected warrant life in years	1	2

A summary of the Company's share purchase warrants are as follows:

	Number of Options	Weighted Average Exercise Price \$
Outstanding and exercisable, February 28, 2017 and August 31, 2017	6,774,400	0.06

Outstanding and exercisable	Exercise Price	Remaining life (in years)	Expiry Date
342,400	\$0.10	0.34	October 2, 2017
6,000,000	\$0.06	0.33	September 28, 2017
432,000	\$0.08	0.33	September 28, 2017



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(Expressed in Canadian dollars)

UNAUDITED

8. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The following amounts are due to related parties as at August 31, 2017:

	2017	2016
	\$	\$
Accounts payable and accrued liabilities	7,363	49,984
Total	7,363	49,984

The amounts are due to companies controlled by directors of the Company. The amounts are non-interest bearing, unsecured and are due upon demand.

The Company had the following related party transactions during the periods ended August 31, 2017, and 2016:

	2017	2016
	\$	\$
Professional fees	12,600	12,400
Rent	9,000	6,000
Total	21,600	18,400

Professional fees and rent are paid to companies controlled by directors of the Company.

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel include the directors of the Company. The remuneration of key management during the periods ended August 31, 2017, and 2016 is as follows:

	2017	2016
	\$	\$
Management fees	34,500	34,500

Management services were provided by companies owned by two directors of the Company. +

9. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. 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 Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

Fair Value of Financial Instruments

The Company's financial assets include cash and are classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at August 31, 2017 are as follows:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	\$	\$	\$	\$
Cash	61,796	–	–	61,796

The fair value of the Company's financial instruments approximates their carrying value as at August 31, 2017 because of the demand nature or short-term maturity of these instruments.

Financial risk management objectives and policies

The Company's financial instruments include cash, accounts payable and advances from related parties. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

The Company does not have any significant foreign currency denominated monetary liabilities. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high quality financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

11. SUBSEQUENT EVENT

The Company has entered into an agreement, subject to due diligence, to acquire 100% of issued and outstanding share of XORTX Pharma Corp., in exchange for 49,383,093 post consolidated shares of the Company. Con-current with the acquisition the Company has agreed to consolidate its issued and outstanding shares on a basis of 4 old for 1 new. The Company has also agreed to complete a private placement of \$2 million. The acquisition is subject to regulatory approval.