



Rio Silver Inc.
Condensed Interim Consolidated Financial Statements
For the Six Month Period Ended
June 30, 2018
(Expressed in Canadian dollars)

Notice to Shareholders of Rio Silver Inc.

In accordance with National Instrument 51-102, Part 4, subsection 4.3 (3) (a), we report that the accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

(signed) "*Jeffery Reeder*"
Jeffery Reeder
President and Chief Executive Officer

(signed) "*Daniel Hamilton*"
Daniel Hamilton
Chief Financial Officer

Toronto, Canada
August 28, 2018

Rio Silver Inc.
Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at

| | June 30, 2018 \$ | December 31, 2017 \$ |
|---------------------------------------|------------------------|----------------------------|
| ASSETS | | |
| Current assets | | |
| Cash | 10,117 | 3,802 |
| Government taxes recoverable (Note 3) | 6,594 | 4,400 |
| Prepaid expenses and other assets | 1,948 | 1,392 |
| | 18,659 | 9,594 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Trade and other payables | 108,776 | 109,296 |
| Due to related parties (Note 4) | 375,954 | 344,970 |
| | 484,730 | 454,266 |
| Shareholders' Equity (Deficiency) | | |
| Share capital (Note 5) | 11,229,879 | 11,087,529 |
| Warrants (Note 5) | 101,366 | 70,087 |
| Contributed surplus | 3,159,182 | 3,192,001 |
| Accumulated deficit | (14,956,498) | (14,794,289) |
| | (466,071) | (444,672) |
| | 18,659 | 9,594 |

GOING CONCERN (Note 2)

COMMITMENT (Note 8)

SUBSEQUENT EVENTS (Note 9)

Approved on behalf of the Board: “Jeffrey Reeder”

“Edward J. Badida”

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

Rio Silver Inc.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|-------------------|------------------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| | | | \$ | \$ |
| Expenses | | | | |
| Exploration and evaluation expenditures (Note 7) | 41,824 | 1,056 | 53,980 | 19,812 |
| Management fees | 21,000 | 21,000 | 42,000 | 42,000 |
| Professional fees | 20,873 | 18,095 | 27,123 | 38,067 |
| Office and administration | 7,623 | 11,986 | 19,367 | 22,089 |
| Shareholder information and filing fees | 699 | 3,977 | 13,670 | 15,876 |
| Rent | 3,000 | 3,000 | 6,000 | 6,000 |
| Foreign exchange loss | 310 | - | 69 | 1,807 |
| Interest expense | - | - | - | 447 |
| Comprehensive Loss | 95,329 | 59,114 | 162,209 | 146,098 |
| Comprehensive loss per share, basic and diluted | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| Weighted average number of common shares | 38,482,116 | 36,392,006 | 37,883,166 | 34,793,573 |

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

Rio Silver Inc.
Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)

| | Share Capital | | | Contributed Surplus \$ | Deficit \$ | Total \$ |
|---|---------------------|--------------|----------------|------------------------------|---------------|-------------|
| | Number of shares | Amount \$ | Warrants \$ | | | |
| Balance, December 31, 2016 | 29,349,003 | 10,499,486 | 95,926 | 3,151,050 | (14,483,568) | (737,106) |
| Shares issued for cash | 1,250,000 | 40,705 | 34,295 | - | - | 75,000 |
| Shares-issued for cash - exercise of warrants | 2,733,334 | 248,467 | (60,134) | - | - | 188,333 |
| Shares issued for debt settlement | 3,059,669 | 244,774 | - | - | - | 244,774 |
| Share issuance costs | - | (4,003) | - | - | - | (4,003) |
| Comprehensive loss | - | - | - | - | (146,098) | (146,098) |
| Balance, June 30, 2017 | 36,392,006 | 11,029,429 | 70,087 | 3,151,050 | (14,629,666) | (379,100) |
| Shares issued for cash - exercise of options | 700,000 | 58,100 | - | (23,100) | - | 35,000 |
| Share-based payments | - | - | - | 64,051 | - | 64,051 |
| Comprehensive loss | - | - | - | - | (164,623) | (164,623) |
| Balance, December 31, 2017 | 37,092,006 | 11,087,529 | 70,087 | 3,192,001 | (14,794,289) | (444,672) |
| Shares issued for cash | 2,000,000 | 68,721 | 31,279 | - | - | 100,000 |
| Share issuance costs | - | (4,190) | - | - | - | (4,190) |
| Shares issued for cash - exercise of options | 900,000 | 77,819 | - | (32,819) | - | 45,000 |
| Comprehensive loss | - | - | - | - | (162,209) | (162,209) |
| Balance, June 30, 2018 | 39,992,006 | 11,229,879 | 101,366 | 3,159,182 | (14,956,498) | (466,071) |

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

Rio Silver Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

| | Three months ended | | Six months ended | |
|--|--------------------|-----------------|------------------|------------------|
| | June 30, | | June 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| OPERATING ACTIVITIES | | | | |
| Comprehensive loss | (95,329) | (59,254) | (162,209) | (146,098) |
| Items not affecting cash: | | | | |
| Shares issued as settlement for trade debt | - | - | - | 244,774 |
| Changes in non cash working capital items: | | | | |
| Government taxes recoverable | (1,484) | 17,621 | (2,194) | (3,473) |
| Prepaid expenses & other assets | 430 | 36 | (556) | (2,000) |
| Trade and other payables | (12,143) | (3,251) | (520) | (168,676) |
| Due to related parties | 12,192 | 23,728 | 30,984 | (161,094) |
| Cash used in operating activities | (96,334) | (21,120) | (134,495) | (236,567) |
| FINANCING ACTIVITIES | | | | |
| Shares and warrants issued for cash | 65,000 | - | 100,000 | 75,000 |
| Shares issued for cash - exercise of options | 45,000 | - | 45,000 | - |
| Issue costs | (4,190) | (2,855) | (4,190) | (4,003) |
| Shares issued for cash - exercise of warrants | - | - | - | 188,333 |
| Promissory notes reimbursed | - | - | - | (16,606) |
| Cash generated by financing activities | 105,810 | (2,855) | 140,810 | 242,724 |
| Increase (decrease) in cash during the period | 9,476 | (23,975) | 6,315 | 6,157 |
| Cash, beginning of period | 641 | 33,093 | 3,802 | 2,961 |
| Cash, end of period | 10,117 | 9,118 | 10,117 | 9,118 |

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

Rio Silver Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six Months ended June 30, 2018

(Expressed in Canadian dollars unless otherwise noted)

1. Reporting entity

Rio Silver Inc. (the “Company” or “Rio Silver”) is listed on the TSX Venture Exchange under the symbol “RYO”. It is incorporated in Canada under the Canada Business Corporations Act. The Company’s corporate office and principal place of business is 40 University Avenue, Suite 603, Toronto, Canada M5J 1T1. The Company’s principal business activity is the acquisition, evaluation and development of mineral properties in the Americas.

2. Basis of Preparation and Summary of Significant Accounting Policies

These condensed interim consolidated financial statements for the six month period ended June 30, 2018 have been prepared in accordance with IAS34 Interim Financial Reporting.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s 2017 annual consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the Company’s 2017 annual consolidated financial statements.

These unaudited condensed interim consolidated financial statements for the six months ended June 30, 2018 were reviewed by the Audit Committee and approved and authorized for issued by the Board of Directors on August 28, 2018.

a) Going Concern

The Company is in the process of exploring and evaluating its mineral properties. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable mineral deposits. The recoverability of amounts shown as mineral exploration properties is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest, the ability of the Company to obtain the necessary financing to complete development, and future profitable production or alternatively, upon the Company’s ability to dispose of its interests on an advantageous basis, all of which are uncertain.

The Company will periodically be required to raise funds to continue operations by funding its working capital and capital expenditure requirements and, although it has been successful in the past, there can be no assurance it will be able to do so in the future on terms satisfactory to the Company. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as on the business performance of the Company. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

At June 30, 2018, the Company had no revenues, had a working capital deficit of \$466,071 (December 31, 2017 – working capital deficit of \$444,672) had not achieved profitable operations, had accumulated deficit of \$14,956,498 (December 31, 2017 - \$14,749,289) and expects to incur further losses in the development of its business, all of which casts substantial doubt upon the Company’s ability to continue as a going concern. The Company will require additional financing in order to conduct its planned work programs on mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due.

Rio Silver Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six Months ended June 30, 2018

(Expressed in Canadian dollars unless otherwise noted)

2. Basis of Preparation and Summary of Significant Accounting Policies (continued)

a) Going Concern (continued)

These financial statements have been prepared on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

b) Basis of Consolidation

The financial statements of the Company consolidate the accounts of the following companies:

| <u>Company</u> | <u>Location</u> | <u>Ownership</u> | <u>Principal Activity</u> |
|----------------------------|-----------------|------------------|---------------------------|
| Rio Silver Inc. | Canada | | Parent company |
| Rio Silver Exploration Ltd | Canada | 100% | Holding company |
| Minera Rio Plata S.A.C. | Peru | 100% | Exploration company |

There were no changes during the current interim period to the composition of the Company. The results of the subsidiaries are included in the condensed interim consolidated statements of comprehensive loss from the effective date of acquisition. All inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

c) Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements have been issued by the IASB or the IFRS Interpretations Committee ("IFRIC") that are mandatory for accounting periods ending after these financial statements. Some are not applicable or do not have a significant impact to the Company and have been excluded from the discussion below.

The following new standards, amendments and interpretations that have not been early adopted in these consolidated financial statements will or may have an effect on the Company's future results and financial position:

IFRS 16 Leases

IFRS 16 was issued by the IASB in January 2016 and will replace IAS 17, Leases. This standard will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. Adoption of IFRS16 is mandatory and will be effective for annual periods beginning on or after January 1, 2019 with earlier adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

d) Significant Accounting Judgements and Estimates

Areas of critical accounting estimates and judgements that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements are disclosed in Note 3 of the Company's consolidated financial statement as at and for the year ended December 31, 2017.

Rio Silver Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six Months ended June 30, 2018

(Expressed in Canadian dollars unless otherwise noted)

3. Government Taxes Recoverable

Government taxes recoverable consist of HST recoverable. The HST recoverable is based on quarterly submissions to provincial and federal governments and an amount is accrued for the last quarter for HST that has been paid and is refundable.

At June 30, 2018, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables.

4. Related Party Transactions, Balances, and Key Management Remuneration

The Company defines key management as its Board of Directors, President and Chief Executive Officer and Chief Financial Officer. Remuneration of key management personnel:

| | Three months ended June 30, | | Six months ended June 30, | |
|-----------------|--------------------------------|------------|------------------------------|------------|
| | 2018 \$ | 2017 \$ | 2018 \$ | 2017 \$ |
| Management fees | 21,000 | 21,000 | 42,000 | 42,000 |
| | 21,000 | 21,000 | 42,000 | 42,000 |

The Company's related parties consist of its Directors, President and Chief Executive Officer, and Chief Financial Officer. The following is a summary of the Company's related party transactions and balances during the year:

- (a) Due to related parties includes \$22,000 (December 31, 2017 - \$20,000) payable to a private company owned by the Company's current CEO and earned in his capacity as CEO; \$102,000 (December 31, 2016 - \$84,000) payable to the Company's current CFO and earned in his capacity as CFO; and \$32,000 (December 31, 2016 - \$20,000) payable to the Company's Chairman and earned in his capacity as Chairman.
- (b) Due to related parties includes \$20,894 (December 31, 2017 - \$21,910) payable to current directors and officers and a former officer for services provided and reimbursable expenses incurred on behalf of the Company in the normal course of business. These amounts are unsecured, non-interest bearing and without fixed repayment terms.
- (c) Due to related parties includes \$199,060 (December 31, 2017 - \$199,060) payable to the Company's former Co-Chairman earned in his capacity as CEO of the Company up to July 12, 2013. Payment to the Company's former Co-Chairman has been deferred until the Company's working capital position has improved.
- (d) On June 1, 2018 the Company completed a non-brokered private placement financing of 2,000,000 units for gross proceeds of \$100,000 (Note 5(b)(vi)). Related parties acquired a total of 500,000 units.

Rio Silver Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six Months ended June 30, 2018

(Expressed in Canadian dollars unless otherwise noted)

5. Share Capital and Reserves

(a) Authorized

Unlimited number of voting common shares without nominal or par value.

Unlimited number of non-voting preferred shares issuable in a series. The directors may determine the number of shares of each series and fix the designation, privileges, rights, restrictions and conditions attaching to each series subject to the filing of Articles of Amendment.

(b) Common Shares Issued and Outstanding

The following is a summary of the changes in common share capital during the year:

| | Number of shares | Issue Price \$ | Amount \$ |
|--|-----------------------------|-------------------------------|----------------------|
| Balance, December 31, 2016 | 29,349,003 | | 10,499,486 |
| Share issuance (i) | 1,250,000 | 0.060 | 75,000 |
| Allocation to warrant reserve | | | (34,295) |
| Share issuance costs | | | (4,003) |
| Exercise of warrants (ii) | 2,066,667 | 0.075 | 155,000 |
| Exercise of warrants (ii) | 666,667 | 0.050 | 33,333 |
| Allocation from warrant reserve | | | 60,134 |
| Share issuance for debt settlement (iii) | 3,059,669 | 0.080 | 244,774 |
| Balance, June 30, 2017 | 36,392,006 | | 11,029,429 |
| Exercise of options (iv) | 700,000 | 0.050 | 58,100 |
| Balance, December 31, 2017 | 37,092,006 | | 11,087,529 |
| Share issuance (v) | 2,000,000 | 0.050 | 100,000 |
| Allocation to warrant reserve | | | (31,279) |
| Share issuance costs | | | (4,190) |
| Exercise of options (vi) | 900,000 | 0.050 | 45,000 |
| Allocation from contributed surplus | | | 32,819 |
| Balance, June 30, 2018 | 39,992,006 | | 11,229,879 |

- (i) On January 19, 2017 the Company completed a non-brokered private placement financing of 1,250,000 units at \$0.06 per unit for gross proceeds of \$75,000. Each unit consisted of one common share of the Company and one common share purchase warrant exercisable at \$0.06 until July 18, 2018. (Note 5(c)).
- (ii) In January 2017 there were 2,066,667 warrants exercised at \$0.075 per share for gross proceeds of \$155,000, and 666,667 warrants exercised at \$0.05 per share for gross proceeds of \$33,333.
- (iii) On March 16, 2017 the Company settled an aggregate of \$244,774 in indebtedness owed to certain arm's length and non-arm's length creditors through the issuance of an aggregate of 3,059,669 common shares at a deemed issuance price of \$0.08 per common share of which 1,305,663 common shares were issued to non-arm's length creditors.

Rio Silver Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six Months ended June 30, 2018

(Expressed in Canadian dollars unless otherwise noted)

5. Share Capital and Reserves (continued)

(b) Common Shares Issued and Outstanding (continued)

- (iv) In December 2017 there were 700,000 options exercised at \$0.05 per share for gross proceeds of \$35,000.
- (v) On June 1, 2018 the Company completed a non-brokered private placement financing of 2,000,000 units at \$0.05 per unit for gross proceeds of \$100,000. Each unit consisted of one common share of the Company and one common share purchase warrant exercisable at \$0.06 until June 1, 2019 unless the closing price of the common shares of the Company is \$0.10 or higher for twenty (20) consecutive trading days any time after October 2, 2018, in which case the warrants will expire thirty (30) days after notice to warrant holders announcing an earlier expiry date. Finder's fees of \$2,800 were paid in connection with the financing. (Note 5(c)).
- (vi) During the six months ended June 2018 there were 900,000 options exercised at \$0.05 per share for gross proceeds of \$45,000.

(c) Warrants

The following is a summary of the changes in warrants during the year:

| | Six months ended June 30, 2018 | | Year ended December 31, 2017 | |
|----------------------------|---|---|---------------------------------|---|
| | Number | Weighted average exercise price (\$) | Number | Weighted average exercise price (\$) |
| Balance, beginning of year | 2,750,000 | 0.055 | 4,233,334 | 0.070 |
| Granted | 2,000,000 | 0.060 | 1,250,000 | 0.060 |
| Exercised | - | - | (2,066,667) | 0.075 |
| Exercised | - | - | (666,667) | 0.050 |
| Balance, end of period | 4,750,000 | 0.057 | 2,750,000 | 0.055 |

The following warrants are outstanding as at June 30, 2018:

| Expiry Date | Number of warrants outstanding | Exercise price (\$) | Weighted average remaining contractual life (years) |
|------------------|--------------------------------------|------------------------|--|
| June 1, 2019 | 2,000,000 | 0.060 | 0.92 |
| August 23, 2019 | 1,500,000 | 0.050 | 1.15 |
| January 19, 2020 | 1,250,000 | 0.060 | 1.56 |
| | 4,750,000 | 0.057 | 1.16 |

Rio Silver Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six Months ended June 30, 2018

(Expressed in Canadian dollars unless otherwise noted)

5. Share Capital and Reserves (continued)

(c) Warrants (continued)

During the six months ended June 30, 2018 the Company extended the expiry dates of 1,500,000 warrants from February 23, 2018 to August 23, 2019, and 1,250,000 warrants from July 19, 2018 to January 19, 2020.

6. Stock Options

The Company has adopted an incentive stock option plan for employees, consultants, officers and directors. The number of common shares reserved for issue under the stock option plan may not exceed 10% of the number of issued and outstanding common shares of the Company at any given time. The term of options granted under the stock option plan may not exceed ten years from the date of the grant. The Board of Directors will determine the vesting period within the exercisable term and options granted to consultants performing investor relations activities shall vest over a minimum of 12 months with no more than ¼ of such options vesting in any 3-month period. The option exercise price, also determined by the Board of Directors of the Company, may not be less than the lower of the market price for the common shares at the grant date and \$0.05.

As at June 30, 2018, the Company had 3,439,200 stock options available for issuance (December 31, 2016 – 1,714,900).

A summary of changes in common stock options outstanding is presented below:

| | Six months ended June 30, 2018 | | Year ended December 31, 2017 | |
|--|---|---|---|---|
| | Number | Weighted average exercise price (\$) | Number | Weighted average exercise price (\$) |
| Options outstanding, beginning of the period | 1,860,000 | 0.29 | 1,220,000 | 0.29 |
| Granted | - | 0.05 | 1,700,000 | 0.05 |
| Exercised | (900,000) | 0.05 | (700,000) | 0.05 |
| Expired | (400,000) | 0.50 | (360,000) | 0.50 |
| Options outstanding, end of the period | 560,000 | 0.07 | 1,860,000 | 0.29 |
| Options exercisable, end of the period | 560,000 | 0.07 | 1,860,000 | 0.29 |

Rio Silver Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six Months ended June 30, 2018

(Expressed in Canadian dollars unless otherwise noted)

6. Stock Options (continued)

The following table summarizes information about the common stock options outstanding and exercisable at June 30, 2018:

| Expiry Date | Number Outstanding | Exercise Price (\$) | Number of options exercisable | Weighted Average Remaining Contractual Life (years) |
|-----------------------|---------------------------|----------------------------|--------------------------------------|--|
| June 26, 2019 | 60,000 | 0.25 | 60,000 | 0.99 |
| August 9, 2019 | 500,000 | 0.05 | 500,000 | 1.14 |
| | 560,000 | 0.07 | 560,000 | 1.12 |

7. Exploration and Evaluation Expenditures

The principal Niñobamba concession is located in the Department of Ayacucho, Peru and is owned 100% by the Company's wholly owned Peruvian subsidiary, Minera Rio Plata S.A.C., and is not subject to any royalties or exploration expenditures commitments.

| Accumulated costs/expenditures | Niñobamba, | | Total |
|---------------------------------------|-------------------|-------------------|--------------|
| | Peru | Gerow Lake | |
| Balance, December 31, 2016 | \$ 2,971,217 | \$ 876,633 | \$ 3,847,850 |
| Expenditures | 19,812 | - | 19,812 |
| Balance, June 30, 2017 | \$ 2,991,029 | \$ 876,633 | \$ 3,867,662 |
| Expenditures | 11,811 | - | 11,811 |
| Balance, December 31, 2017 | \$ 3,002,840 | \$ 876,633 | \$ 3,879,473 |
| Acquisition costs and annual fees | 41,517 | - | 41,517 |
| Expenditures | 12,463 | - | 12,463 |
| Balance, June 30, 2018 | \$ 3,056,820 | \$ 876,633 | \$ 3,933,453 |

On October 24, 2016, the Company and Magellan Gold Corporation ("Magellan") signed a Definitive Agreement (the "Agreement") whereby Magellan acquired an option (the "Option") to earn an undivided 50% interest in the Niñobamba Project. Pursuant to the Agreement, in order to exercise the Option, Magellan was required to spend US\$2 million over the following 3 years on qualifying exploration expenditures. Additionally, Magellan was obligated to subscribe for two Rio Silver private placement unit financings of \$75,000 each. The first private placement financing closed on August 23, 2016 and the second private placement financing closed on January 19, 2017 (see Note 5). Effective December 31, 2017, the Company and Magellan mutually agreed to terminate the Agreement.

On September 8, 2016, the Company acquired 3 concessions (2,200 additional hectares) that adjoin to the west of the principal Niñobamba concession and are subject to a 2% net smelter royalty. In January 2017, the Company acquired by application an additional 553 hectare concession immediately west of and adjoining to the Niñobamba property.

Rio Silver Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Six Months ended June 30, 2018

(Expressed in Canadian dollars unless otherwise noted)

7. Exploration and Evaluation Expenditures (continued)

The Gerow Lake property is a base metal project located in northwestern Ontario. The Company has a 100% interest subject to a 2.5% net smelter royalty applicable to 40% of the revenue generated from 14 of the 36 mineral claims (the Company having the right to purchase 1% of the royalty for \$1,000,000) and, a 2% net smelter royalty on 100% of the claims (the Company having the right to purchase the royalty for \$200,000).

8. Commitment

Operating lease

The Company is party to an operating lease agreement for office space with annual lease payments of approximately \$12,000, expiring on April 30, 2019.

9. Subsequent Events

Subsequent to June 30, 2018, the Company settled an aggregate of \$42,894 of indebtedness owed to certain creditors through the issuance of an aggregate of 857,879 common shares at a deemed issuance price of \$0.05 per common share, of which 497,200 common shares were issued to a related party.