

ROKMASTER RESOURCES CORP.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

(Unaudited – Prepared by Management)

(Stated in Canadian Dollars Unless Noted Otherwise)

NOTICE TO READER

These condensed interim consolidated financial statements have been prepared by the management of Rokmaster Resources Corp. and have not been reviewed by the auditors of Rokmaster Resources Corp.

Rokmaster Resources Corp.

Interim Consolidated Statements of Financial Position

(Unaudited – Prepared by Management)
(Stated in Canadian Dollars Unless Noted Otherwise)

	As at September 30, 2018	As at December 31, 2017
ASSETS		
Current assets:		
Cash	\$ 94,617	\$ 52,424
Amounts receivable (Note 5)	34,905	23,404
Marketable securities (Note 6)	38,000	49,875
Prepays and deposits	13,500	15,112
	181,022	140,815
Non-current assets:		
Reclamation bond (Note 7)	13,500	13,500
Mineral interests (Note 8a)	715,500	715,500
Total Assets	\$ 910,022	\$ 869,815
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (Notes 9 and 11)	\$ 569,009	\$ 483,054
Loans from former related party (Note 11)	186,693	173,904
Total Liabilities	755,702	656,958
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	7,275,653	7,039,562
Share-based payments reserve	3,117,641	3,003,228
Accumulated other comprehensive loss (Note 3)	-	(28,500)
Accumulated deficit	(10,238,974)	(9,801,433)
Total Shareholders' Equity	154,320	212,857
Total Liabilities and Shareholders' Equity	\$ 910,022	\$ 869,815

Nature of Operations and Going Concern (Note 1)

Contingency (Note 14)

ON BEHALF OF THE BOARD:

"John M. Mirko", Director

"Larry M. Okada", Director

- See Accompanying Notes to the Interim Consolidated Financial Statements -

Rokmaster Resources Corp.

Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)

(Stated in Canadian Dollars Unless Noted Otherwise)

	For the three months ended September 30, 2018	For the three months ended September 30, 2017	For the nine months ended September 30, 2018	For the nine months ended September 30, 2017
Expenses				
Consulting fees (Note 11)	\$ 42,050	\$ 82,360	\$ 156,700	\$ 204,992
Corporate listing and filings fees	742	2,033	18,821	32,259
Exploration and evaluation expenditures (Note 8b)	61,229	32,634	70,861	65,060
Office and general	8,928	6,351	19,843	19,391
Professional fees	-	611	13,458	5,969
Rent	9,900	8,520	23,400	16,380
Share-based compensation (Note 10f)	261	37,155	5,265	418,655
Travel, public and shareholder relations and conferences	25,350	49,663	76,029	112,603
Loss From Operations	(148,460)	(219,327)	(384,377)	(875,309)
Other Income (Expense)				
Foreign exchange gain	-	-	-	81
Interest expense	(4,310)	(4,310)	(12,789)	(13,560)
Gain on sale of marketable securities	-	-	-	1,050
Change in fair value of marketable securities (Note 3)	11,875	-	(11,875)	-
Total Other Expense	7,565	(4,310)	(24,664)	(12,429)
Net Loss for the Period	(140,895)	(223,637)	(409,041)	(887,738)
Unrealized gain (loss) on marketable securities	-	(16,625)	-	3,500
Net Comprehensive Loss for the Period	\$ (140,895)	\$ (240,262)	\$ (409,041)	\$ (884,238)
Basic Loss per Common Share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.04)
Weighted Average Number of Common Shares Outstanding	22,470,083	20,884,661	24,524,662	19,766,049

- See Accompanying Notes to the Interim Consolidated Financial Statements -

Rokmaster Resources Corp.

Interim Consolidated Statements of Cash Flows

(Unaudited – Prepared by Management)
 (Stated in Canadian Dollars Unless Noted Otherwise)

	For the nine months ended September 30, 2018	For the nine months ended September 30, 2017
Operating Activities		
Net loss for the period	\$ (409,041)	\$ (887,738)
Items not affected by cash:		
Interest expense	12,789	13,560
Loss (gain) on sale of marketable securities	-	(1,050)
Change in fair value on marketable securities	11,875	-
Share-based compensation	5,265	418,655
Changes in non-cash working capital:		
Amounts receivable	(11,501)	(16,455)
Prepays and deposits	1,612	(14,967)
Accounts payable and accrued liabilities	85,955	(14,577)
Cash used in operating activities	(303,046)	(502,572)
Investing Activities		
Acquisition of mineral interests	-	(13,000)
Proceeds from marketable securities	-	5,175
Reclamation bond	-	(6,000)
Cash provided by (used in) investing activities	-	(13,825)
Financing Activities		
Proceeds from (repayment of) loans to related parties	-	(60,816)
Proceeds from share issuance, net of cash issue costs	345,239	300,850
Cash provided by financing activities	345,239	240,034
Net Increase (Decrease) in Cash	42,193	(276,363)
Cash - Beginning of the Period	52,424	345,977
Cash - End of the Period	\$ 94,617	\$ 69,614
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Shares issued for debt	\$ -	\$ 1,450,111
Shares issued for mineral interests	\$ -	\$ 615,000
Fair value of warrants in connection with financing (Note 10g)	\$ 103,243	\$ 144,520
Fair value of finder's options in connection with financing (Note 10g)	\$ 5,905	\$ -

- See Accompanying Notes to the Interim Consolidated Financial Statements -

Rokmaster Resources Corp.

Interim Consolidated Statements of Shareholders' Equity (Deficiency)

(Unaudited – Prepared by Management)

(Stated in Canadian Dollars Unless Noted Otherwise)

	Share Capital		Share-Based Payments Reserve	Other Comprehensive Income	Accumulated Deficit	Total
	# of Shares	Amount				
Balance at December 31, 2016	11,430,816	\$ 4,800,121	\$ 2,433,556	\$ (22,500)	\$ (8,724,258)	\$ (1,513,081)
Shares issued for mineral interests	2,450,000	615,000	-	-	-	615,000
Shares issued for debt	5,800,445	1,450,111	-	-	-	1,450,111
Shares issued for cash	1,203,400	300,850	-	-	-	300,850
Fair value of share-based compensation	-	-	418,655	-	-	418,655
Fair value of warrants issued from financing	-	(144,520)	144,520	-	-	-
Unrealized gain on marketable securities	-	-	-	3,500	-	3,500
Net loss for the period	-	-	-	-	(887,738)	(887,738)
Balance at September 30, 2017	20,884,661	\$ 7,021,562	\$ 2,996,731	\$ (19,000)	\$ (9,611,996)	\$ 387,297
Balance at December 31, 2017	20,974,662	\$ 7,039,562	\$ 3,003,228	(28,500)	\$ (9,801,433)	\$ 212,857
Shares issued for cash	3,550,000	355,000	-	-	-	355,000
Share issue costs	-	(9,761)	-	-	-	(9,761)
Fair value of warrants issued from financing	-	(103,243)	103,243	-	-	-
Fair value of finders' options issued from financing	-	(5,905)	5,905	-	-	-
Fair value of share-based compensation	-	-	5,265	-	-	5,265
Adoption of IFRS 9 (Note 3)	-	-	-	28,500	(28,500)	-
Net loss for the period	-	-	-	-	(409,041)	(409,041)
Balance at September 30, 2018	24,524,662	\$ 7,275,653	\$ 3,117,641	\$ -	\$ (10,238,974)	\$ 154,320

- See Accompanying Notes to the Interim Consolidated Financial Statements -

Rokmaster Resources Corp.

Notes to the Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)
(Stated in Canadian Dollars Unless Noted Otherwise)

1. Nature of Operations and Going Concern

Rokmaster Resources Corp. (the “Company” or “Rokmaster”) was incorporated on December 21, 2010 under the Business Corporations Act (British Columbia). The Company is listed on the TSX Venture Exchange (“TSX.V”) under the symbol “RKR”, on the OTC Pink Sheets in the USA under the symbol “RKMSF” and on the Frankfurt Stock Exchange under the symbol “1RR.” The Company’s head office, principal address and records office is located at Suite 900 – 580 Hornby Street, Vancouver, British Columbia, Canada V6C 3B6. The Company’s registered address is located at Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, British Columbia, Canada V6C 2B5. Rokmaster is primarily engaged in the acquisition of mineral resource properties and the exploration and development of such properties for minerals. Minerals of interest to the Company include precious metals, base metals and industrial minerals.

These condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations, and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses since inception, has no recurring source of revenue, has an accumulated deficit of \$10,238,974 and a working capital deficiency of \$574,680 at September 30, 2018. These material uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.

The Company will need to raise sufficient funds as the Company’s current assets are not sufficient to finance its operations and administrative expenses. The Company is evaluating financing options including, but not limited to, the issuance of additional equity and debt. The Company has no assurance that such financing will be available or be available on favourable terms. Factors that could affect the availability of financing include the Company’s performance (as measured by numerous factors including the progress and results of its projects), the state of international debt and equity markets, investor perceptions and expectations and the global financial and metals markets. In addition to evaluating financing options, the Company implemented cost savings measures and deferred payments owed to related parties.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. Basis of Presentation

a. Statement of Compliance

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

The accounting policies and methods of application applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company’s most recent annual consolidated financial statements as at and for the year ended December 31, 2017, except for those policies which have changed as a result of the adoption of new and amended IFRS pronouncements effective January 1, 2018.

Rokmaster Resources Corp.

Notes to the Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)
(Stated in Canadian Dollars Unless Noted Otherwise)

2. Basis of Presentation - *Continued*

a. Statement of Compliance - *Continued*

These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and therefore should be read in conjunction with the Company's most recent annual consolidated financial statements as at and for the year ended December 31, 2017. The effects of the adoption of new and amended IFRS pronouncements have been disclosed in Note 3 of these condensed interim consolidated financial statements.

b. Approval of the Financial Statements

The condensed interim consolidated financial statements of Rokmaster for the nine months ended September 30, 2018 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 29, 2018.

3. New, Amended and Future IFRS Pronouncements

The following standards have been published and are mandatory for the Company's annual accounting periods beginning on or after January 1, 2018.

IFRS 9 – Financial Instruments: Classification and Measurement

This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized costs only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value with changes in fair value through profit or loss. In addition, this new standard has been updated to include guidance on financial liabilities and de-recognition of financial instruments and to include guidance on hedge accounting and allowing entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive income.

Effective January 1, 2018, the Company adopted IFRS 9 retrospectively without restatement. As a result of the adoption, the Company reclassified \$28,500 from Accumulated Other Comprehensive Income (Loss) to Accumulated Deficit on January 1, 2018 related to the reclassification of previously recognized available-for-sale marketable securities to fair value through profit or loss.

The Company also completed an assessment of its financial instruments as at January 1, 2018 and the only change in classification identified from the original classification under IAS 39 to IFRS 9 is that of marketable securities which was originally from fair value through other comprehensive income to fair value through profit or loss (*Note 13*). The Company does not have any available-for-sale marketable securities classified as strategic investments.

IFRS 16 – Leases

On January 13, 2016, the IASB issued IFRS 16, according to which, all leases will be on the balance sheet of lessees, except those that meet the limited exception criteria. Respectively, rent expense is to be removed and replaced by the recording of depreciation and finance expense. The standard is effective for annual periods beginning on or after January 1, 2019.

Rokmaster Resources Corp.

Notes to the Interim Consolidated Financial Statements

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4. Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Company has made in these financial statements.

Carrying Value of Deferred Mineral Interests

The Company has capitalized the cost of acquiring mineral property interests and has classified these interests as mineral interests in its statement of financial position. Mineral interests are expensed in the period in which the Company determines that the mineral property interests have no future economic value. Mineral interests may also be written down if future cash flow, including potential sales proceeds and option payments, related to the property are estimated to be less than the carrying value of the property. The Company reviews the carrying value of its mineral interests periodically, and whenever events or changes in circumstances indicate that the carrying value may not be recoverable, reductions in the carrying value of each property would be recorded to the extent that the carrying value of the investment exceeds the property's estimated fair value. Such events or changes in circumstances involve changes in political risk, economic risk, commodity prices, exchange rates, and interest rates among others.

The Company has determined that there is no impairment in the carrying value of the Big Copper and Duncan Lake properties.

Deferred Tax Assets

Deferred income tax asset carrying amounts depend on estimates of future taxable income and the likelihood of reversal of timing differences. Where reversals are expected, estimates of future tax rates will be used in the calculation of deferred tax asset carrying amounts. Potential tax assets were deemed not to be recoverable at the current year end.

Going Concern

Management assesses the Company's ability to continue as a going concern in relation to its ability to raise funds.

5. Amounts Receivable

	September 30, 2018	December 31, 2017
Sales tax receivable	\$ 28,381	\$ 16,880
Other	6,524	6,524
Total	\$ 34,905	\$ 23,404

Rokmaster Resources Corp.

Notes to the Interim Consolidated Financial Statements

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6. Marketable Securities

Marketable securities have been classified as available-for-sale investment consisting of common shares held by the Company of a public company and is summarized as follows:

		September 30, 2018	
	Market Value		Cost
Common shares of a public company, not subject to significant influence	\$ 38,000	\$	78,375

		December 31, 2017	
	Market Value		Cost
Common shares of a public company, not subject to significant influence	\$ 49,875	\$	78,375

The market value is based on the closing price of the public company's common shares on the TSX.V on the date indicative above.

7. Reclamation Bond

As at September 30, 2018, the Company had deposited \$3,500 (December 31, 2017 - \$3,500) into a guaranteed investment certificate (GIC) with a Canadian financial institution as part of a Safe Keeping Agreement entered into by the Company for the Big Copper Property. The GIC is being held to the order of the B.C. Ministry of Energy and Mines (the "BC MEM") and yields an annual interest rate of 0.60%.

The Company also provided the BC MEM a reclamation security of \$10,000 (December 31, 2017 - \$10,000) with respect to the Duncan Lake Zinc-Lead Project.

8. Mineral Interests

a. Details of mineral interests capitalized for the nine months ended September 30, 2018 and year ended December 31, 2017 are as follows:

	Duncan Lake		Big Copper		Total
Balance – December 31, 2015	\$ -	\$ -	68,500	\$ -	68,500
Shares	-	-	1,000	-	1,000
Balance – December 31, 2016	\$ -	\$ -	69,500	\$ -	69,500
Cash	13,000	-	-	-	13,000
Shares	633,000	-	-	-	633,000
Balance – December 31, 2017 and September 30 2018	\$ 646,000	\$ -	69,500	\$ -	715,500

Rokmaster Resources Corp.

Notes to the Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)
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8. Mineral Interests - Continued

- b. Details of cumulative exploration and evaluation expenditures for the nine months ended September 30, 2018 and September 30, 2017 are as follows:

	Duncan Lake (Note 8c)	Big Copper (Note 8d)	Other Exploration Expenditures (Note 8e)	Total
Assaying and sampling	\$ 4,692	\$ -	\$ -	\$ 4,692
Field costs	19,274	-	-	19,274
Geological consulting	23,245	-	23,650	46,895
Expenditures for the period	47,211	-	23,650	70,861
Balance – beginning of period	75,237	\$ 23,355	\$ 2,689,101	\$ 2,787,693
Balance – September 30, 2018	\$ 122,448	\$ 23,355	\$ 2,712,751	\$ 2,858,554

	Duncan Lake (Note 8c)	Big Copper (Note 8d)	Other Exploration Expenditures (Note 8e)	Total
Assaying and sampling	\$ 5,164	\$ -	\$ -	\$ 5,164
Field costs	23,444	-	3,060	26,504
Geological consulting	7,482	-	24,950	32,432
Travel	960	-	-	960
Expenditures for the period	37,050	-	28,010	65,060
Balance – beginning of period	-	\$ 23,355	\$ 2,644,656	\$ 2,668,011
Balance – September 30, 2017	\$ 37,050	\$ 23,355	\$ 2,672,666	\$ 2,733,071

c. Duncan Lake Zinc-Lead Property, Canada

On January 17, 2017, the Company completed its acquisition of a 100% interest in the Duncan Lake Zinc-Lead Property located in the Slocan Mining Division in southeast British Columbia, Canada (the “Property” or “Duncan Lake”) approximately 64 km north of Kaslo, British Columbia (the “Acquisition”), pursuant to a property purchase agreement dated November 2, 2016 (the “Purchase Agreement”) with John (Jack) Denny, Robert Denny and Graeme Haines (collectively, the “Sellers”). The Property consists of nine contiguous mineral claims covering 1,648 hectares along the strike extension of Teck Resources Ltd.’s (“Teck”) historical Duncan Mine property and is 148 km by road northeast of Teck’s smelter in Trail, British Columbia.

Under the Purchase Agreement, Rokmaster provided the following aggregate consideration to the Sellers at closing in exchange for the Property:

- an aggregate of 2,400,000 common shares of the Company (“Common Shares”) were issued on the date of closing of the Acquisition;
- an aggregate of 2,400,000 Series A Special Warrants that have a term of 10 years, with each Series A Special Warrant being automatically exercised into one Common Share upon the Company receiving a technical report identifying a mineral resource or mineral reserve estimate totalling a minimum of 3 million tonnes of 6% combined lead and zinc equivalent;
- an aggregate of 2,400,000 Series B Special Warrants that have a term of 15 years, with each Series B Special Warrant being automatically exercised into one Common Share upon the Company receiving a technical report identifying a mineral resource or mineral reserve estimate totalling a minimum of 6 million tonnes of 6% combined lead and zinc equivalent;

Rokmaster Resources Corp.

Notes to the Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)
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8. Mineral Interests - *Continued*

c. Duncan Lake Zinc-Lead Property, Canada - *continued*

- an aggregate of 2,400,000 Series C Special Warrants that have a term of 20 years, with each Series C Special Warrant being automatically exercised into one Common Share once the Property commences commercial production; and
- a 2.5% net smelter returns royalty on gold, silver, lead and zinc bearing ores produced from the Property. The Company has the option to reduce the existing NSR of 2.5% to 0.5% by making cash payments of \$1,200,000 for each 1% increment at any time.

All of the aforementioned Special Warrants (the “Special Warrants”) are subject to an accelerated exercise provision that would result in the Special Warrants being exercised automatically into Common Shares if and when there is:

(a) a consolidation, amalgamation, merger or take-over of the Company with, into or by another body corporate that results in the acquisition of at least 66 2/3 of the issued and outstanding shares of the Company for cash consideration, or if for non-cash consideration, as long as the acquisition price is at least a 25% premium to the volume weighted average trading price of the Company’s shares on the TSXV for the five consecutive trading days ending on the trading day prior to the first public announcement of such consolidation, amalgamation merger or take-over; or

(b) a transfer of the undertaking or assets of Rokmaster as an entirety or substantially as an entirety to another corporation or entity that is subject to shareholder approval of Rokmaster.

In the case of the Series C Special Warrants, if any of the aforementioned events occurred within 10 years from the date of issue thereof, only an aggregate of 1.2 million Common Shares would be issued to the holders of the Series C Special Warrants upon exercise thereof.

On March 3, 2017, the Company completed its acquisition of a 100% interest in a certain British Columbia Mineral Tenure located in the Slocan Mining Division by issuing 50,000 Rokmaster common shares. The mineral claim adjoins the Duncan Lake Zinc Project.

On September 20, 2017, the Company entered into a Property Purchase Agreement (the “PPA”), to acquire a 100% interest in 11 mineral claims totaling 620 hectares by issuing 90,000 Rokmaster common shares and a 2.5% Net Smelter Return Royalty (“NSR”) in favor of the arms-length seller. The NSR is subject to a buy-back provision providing the Company with the exclusive option, at any time if it so chooses, to purchase 1% NSR upon payment of \$500,000 and the remaining balance of 1.5% NSR upon payment of an additional \$500,000. The mineral claims are south of and adjacent to the Company’s Duncan Lake Zinc Project.

d. Big Copper Property, Canada

On February 16, 2012, the Company entered into an Option Agreement (the “Big Copper Option”) to earn a 100% undivided interest in certain mining claims, more particularly known as the Big Copper Property (“Big Copper”). Big Copper is located in the Fort Steele and Slocan Mining Divisions, British Columbia, Canada. To earn a 100% interest in Big Copper, the Company may, at its option, pay the following aggregate consideration over three years: paid \$45,000 in total cash payments and issued 40,000 common shares in total (fair value - \$24,500). On September 30, 2015, the parties mutually terminated the Big Copper Option and agreed to have the following share ownership to the Big Copper Property: 55% to Rokmaster and 45% to the vendors.

Rokmaster Resources Corp.

Notes to the Interim Consolidated Financial Statements

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8. Mineral Interests - Continued

e. Other Properties

The Company incurs exploration and evaluation expenditures in assessing the suitability of properties available for option or acquisition within North America and Latin America. Expenditures incurred during the year, as detailed in the schedule in Note 8b above, were part of a due diligence process in making these assessments. The beginning balance in the schedule includes past projects written-off or terminated by the Company. As at September 30, 2018, the Company has no other options to acquire interests in any mineral properties.

9. Accounts Payable and Accrued Liabilities

	September 30, 2018	December 31, 2017
Trade payables	\$ 513,814	\$ 434,360
Accrued expenses	53,205	46,704
Other	1,990	1,990
Total	\$ 569,009	\$ 483,054

10. Share Capital

Effective May 1, 2018, the Company consolidated its share capital, stock options, share purchase warrants and special warrants on a 5-to-1 basis. Accordingly, all share and exercise or conversion price figures in these condensed interim consolidated financial statements are stated on a post-consolidation basis and the figures provided for comparative purposes have also been stated on this post consolidation basis.

- a. Authorized: Unlimited number of common shares without par value.
- b. Incentive Stock Options

The Company adopted a stock option plan, which authorizes the Board of Directors to grant share purchase options to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price of the options will not be less than the price of the Company's shares at the date of grant. The options can be granted for a maximum of 10 years and the vesting of the options will be determined by the Board of Directors.

Details of issued and outstanding stock options are as follows:

	Number of Options	Weighted Average Exercise Price
Balance – December 31, 2016	263,000	\$0.70
Granted	1,810,000	\$0.30
Expired	(23,000)	\$0.75
Cancelled	(50,000)	\$0.30
Balance – December 31, 2017 & September 30, 2018	2,000,000	\$0.34

Rokmaster Resources Corp.

Notes to the Interim Consolidated Financial Statements

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10. Share Capital - Continued

b. Incentive Stock Options - Continued

At September 30, 2018, the following stock options have vested and were exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Options	Weighted Average Remaining Life in Years
May 28, 2019	\$0.65	190,000	0.66
July 14, 2019	\$0.65	50,000	0.79
July 19, 2019	\$0.35	100,000	0.80
January 30, 2022	\$0.30	1,540,000	3.34
August 11, 2017	\$0.30	120,000	3.87
		2,000,000	2.92

c. Share Purchase Warrants

Details of issued and outstanding share purchase warrants are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance – December 31, 2016	1,540,022	\$0.30
Issued	1,203,400	\$0.30
Balance – December 31, 2017	2,743,422	\$0.30
Issued	1,775,000	\$0.18
Balance – September 30, 2018	4,518,422	\$0.25

At September 30, 2018, the following share purchase warrants were exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Warrants	Weighted Average Remaining Life in Years
December 28, 2018	\$0.30	1,540,022	0.25
April 5, 2019	\$0.30	1,203,400	0.52
December 8, 2019	\$0.18	1,775,000	1.19
		4,518,422	0.69

d. Special Warrants

Details of issued and outstanding special warrants are as follows:

	Number of Special Warrants	Expiry Date
Balance – December 31, 2016	-	
Issued – Series A (Note 8c)	2,400,000	January 17, 2027
Issued – Series B (Note 8c)	2,400,000	January 17, 2032
Issued – Series C (Note 8c)	2,400,000	January 17, 2037
Balance – December 31, 2017 & September 30, 2018	7,200,000	

Rokmaster Resources Corp.

Notes to the Interim Consolidated Financial Statements

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10. Share Capital – Continued

e. Finder's Options

Details of issued and outstanding finders' options are as follows:

	Number of Finders' Options	Expiry Date
Balance – December 31, 2017	-	N/A
Issued (Note 10g)	72,000	December 8, 2019
Balance – September 30, 2018	72,000	

f. Share-Based Payments

On January 30, 2017, the Company granted 1,590,000 incentive stock options to directors, officers and consultants and all of which vested at the date of grant. The options are exercisable at \$0.06 per share and will expire on January 30, 2022. The fair value of these options was \$381,500 and was recognized as share-based compensation expense during the period ended September 30, 2017. The corresponding share-based compensation expense has a weighted average fair value of \$0.05 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	
Risk-free interest rate	1.14%
Expected stock price volatility	185.76%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	5 years

On July 19, 2017, the Company granted 100,000 incentive stock options to an investor relations consultant. The options are exercisable at \$0.35 per share and will expire on July 19, 2019 and vests 25% three months after the grant date and the remaining will vest at 25% every three months thereafter. The fair value of these options was \$20,077 and the portion recognized as share-based compensation expense during the period ended September 30, 2018 was \$5,265 (September 30, 2017 - \$8,315). The corresponding share-based compensation expense has a weighted average fair value of \$0.20 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	
Risk-free interest rate	1.22%
Expected stock price volatility	194.45%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	2 years

On August 11, 2017, the Company granted 600,000 incentive stock options to a director of the Company and all of which vested at the date of grant. The options are exercisable at \$0.06 per share and will expire on August 11, 2022. The fair value of these options was \$28,840 and was recognized as share-based compensation expense during the period ended September 30, 2017. The corresponding share-based compensation expense has a weighted average fair value of \$0.05 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

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10. Share Capital – Continued

f. Share-Based Payments – Continued

Assumptions	
Risk-free interest rate	1.46%
Expected stock price volatility	186.94%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	5 years

g. Private Placement

For the period ended September 30, 2018

On June 8, 2018, the Company closed a non-brokered private placement by issuing 3,550,000 units at \$0.10 per unit (a “Unit”) for gross proceeds of \$355,000. Each Unit comprises of one common share and one-half common share purchase warrant, with each whole warrant exercisable to purchase one additional common share until December 8, 2019, at a price of \$0.18 per share and subject to an accelerated expiry date, which comes into effect when the trading price on the TSX.V of the Company’s common shares closes at or above \$0.30 per share during any 10 consecutive trading day period commencing four months plus one day after the date of issuance. In such an event, the Company will give an expiry acceleration notice (“Notice”) to the warrant holders and the expiry date of the warrants will be 30 days from the date of the Notice.

The warrants attached to this issuance have been valued at \$103,243 based on the Black-Scholes Method using the assumptions noted below:

Assumptions	
Risk-free interest rate	1.92%
Expected stock price volatility	182.30%
Expected dividend yield	0.00%
Expected life of warrants	1.5 years

In connection with this private placement, the Company incurred \$15,666 in share issuance costs consisting of \$9,761 in cash (\$7,200 paid to finders) and issued 72,000 Finders’ Options to certain finders, equal to 8% of the proceeds and number of units, respectively, placed by such finders in the financing. Each Finder Option has the same terms as the Unit. The Finder’s Options issued have been valued at \$5,905 based on the Black-Scholes Method using the assumptions noted above.

For the period ended September 30, 2017

On April 5, 2017, the Company closed the final tranche of a non-brokered private placement by issuing 6,017,000 units at \$0.05 per unit for gross proceeds of \$300,850. Each unit comprises of one common share and one common share purchase warrant, with each warrant exercisable to purchase one additional common share until April 5, 2019, at a price of \$0.06 per share and subject to an accelerated expiry date, which comes into effect when the trading price on the TSX.V of the Company’s common shares closes at or above \$0.10 per share during any 10 consecutive trading day period commencing four months plus one day after the date of issuance. In such an event, the Company will give an expiry acceleration notice (“Notice”) to the warrant holders and the expiry date of the warrants will be 30 days from the date of the Notice.

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10. Share Capital – Continued

g. Private Placement – Continued

The warrants attached to this issuance have been valued at \$144,520 based on the Black-Scholes Method using the assumptions noted below:

Assumptions	
Risk-free interest rate	0.72%
Expected stock price volatility	212.61%
Expected dividend yield	0.00%
Expected life of warrants	2 years

h. Shares for Debt

On January 27, 2017, the Company completed its shares for debt transaction with various creditors by issuing 5,800,445 common shares at a deemed price of \$0.25 per share to settle outstanding debt in the aggregate of \$1,450,111 (the “Debt”) owed to directors, officers and certain arm’s length creditors. The Debt settled consisted of the following: \$322,300 of loans due to a related party; \$642,608 of amounts due to related parties; \$156,445 of third party loans payable including interest; and \$328,758 of third party trade payables. There were no shares for debt transaction during the period ended September 30, 2018.

11. Related Party Transactions

Details of transactions between the Company and its related parties are disclosed below.

As at September 30, 2018, the Company’s related parties consist of the Company’s directors and companies controlled by executive officers and directors of the Company.

	Nature of Transaction
Canam Mining Corporation (“Canam”)	Management – Officer and Director
0909074 B.C. Ltd. (“0909074”)	Management – Officer
Moore Geological Inc. (“Moore”)	Consulting - Director
L. M. Okada Ltd. (“Okada”)	Fees – Director
Other Directors	Directorship

The Company incurred fees and expenses in the normal course of operations in connection with companies controlled by key management and directors. Details are as follows:

	Notes	For the nine months ended September 30, 2018	For the nine months ended September 30, 2017
Consulting fees	(i)	\$ 133,200	\$ 153,350
Geological consulting fees included in exploration and evaluation expenditures	(ii)	23,650	15,950
		\$ 156,850	\$ 169,300

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11. Related Party Transactions – Continued

- (i) During the nine months ended September 30, 2018, the Company paid or accrued management consulting fees of \$nil (September 30, 2017 - \$99,350) and \$79,200 (September 30, 2017 - \$nil) to Canam and John Mirko, respectively, and management and financial consulting fees of \$54,000 (September 30, 2017 - \$54,000) to 0909074.
- (ii) During the nine months ended September 30, 2018, the Company paid or accrued geological consulting fees of \$nil (September 30, 2017 - \$15,950) to Canam and \$23,650 (September 30, 2017 - \$nil) to John Mirko.

Included in accounts payable and accrued liabilities as at September 30, 2018 are:

- \$81,428 (December 31, 2017 - \$81,428) owing to Canam for management and geological consulting fees;
- \$154,410 (December 31, 2017 - \$123,565) owing to the Company's CEO for reimbursable expenses and management and geological consulting fees;
- \$83,397 (December 31, 2017 - \$83,397) owing to Somji Consulting Ltd. (former director) for consulting fees and reimbursable expenses; and
- \$110,000 (December 31, 2017 - \$72,200) owing to 0909074 for management and financial consulting fees.

Loans from former related party

As at September 30, 2018, \$186,693 (December 31, 2017 - \$173,904) is the balance, including accrued interest, of three short-term loans from a former director of the Company. Two loans bear interest at 1.5% per month, are unsecured and were due between July 17, 2014 and September 19, 2014. The Company and the director are currently negotiating a mutually agreeable repayment date with respect to these loans. The other loan bears no interest, is unsecured and has no fixed repayment term. As at September 30, 2018, the Company has accrued interest of \$86,693 relating to the balances outstanding from the two interest bearing loans.

Compensation of Key Management Personnel

Key management personnel are those persons that have authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly, and by definition include the directors of the Company.

The remuneration of the Company's key management personnel for the nine months ended September 30, 2018 and 2017 are as follows:

	Notes	September 30, 2018	September 30, 2017
Management, director and geological consulting fees	(i)	\$ 156,850	\$ 169,300
Share-based Compensation	(ii)	-	278,375
Total		\$ 156,850	\$ 447,675

- (i) Management, director and geological consulting fees include those disclosed in the table above.
- (ii) Share-based payments are the fair value of options granted and vested to key management.

Key management personnel were not entitled to post-employment, termination or other long-term benefits during the nine months ended September 30, 2018 and 2017. The above transactions occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

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12. Capital Management

The Company primarily considers shareholders' equity in the management of its capital. The Company manages its capital structure and makes adjustments to it based on funds available to the Company, in order to support exploration and development of mineral properties. The Board of Directors has not established quantitative capital structure criteria management, but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining sufficient level of funds, to support continued evaluation and maintenance of the Company's existing properties, and to acquire, explore and develop other precious metals, base metals and industrial mineral deposits;
- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal; and
- To obtain the necessary financing if and when it is required.

The property in which the Company currently holds an interest is in the exploration stage and the Company is dependent on external financing to explore and take the project to development. In order to carry out planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and attempt to raise additional amounts as needed.

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

In order to facilitate the management of capital and development of its mineral properties, the Company's management informs the Board of Directors as to the quantum of expenditures for review and approval prior to commencement of work. In addition, the Company may issue new equity, incur additional debt, enter into joint venture agreements or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends. The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2018 compared to the year ended to December 31, 2017. The Company is not subject to externally imposed capital requirements. Further information relating to management of capital is disclosed in Note 1.

13. Financial Instruments

Classification and Measurement

The Company classifies its cash, amounts receivable (excluding sales tax receivable) and reclamation bonds as financial assets measured at amortized costs and its marketable securities as financial assets measured at fair value through profit or loss ("FVTPL"). Accounts payable and accrued liabilities and loan from related party are classified as other financial liabilities measured at amortized cost.

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13. Financial Instruments – Continued

As of September 30, 2018, the statement of financial position carrying amounts of these financial instruments closely approximate their fair values, except for accounts payable and accrued liabilities, and loan from related party where the fair value may be less than carrying amounts due to liquidity risks (Note 1).

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following provides the valuation method of the Company's financial instruments as at September 30, 2018 and December 31, 2017:

	Level	As at September 30, 2018	As at December 31, 2017
Financial assets at amortized cost	1	\$ 114,641	\$ 72,448
Financial assets at FVOCI	1	\$ -	\$ 49,875
Financial assets at FVTPL	1	\$ 38,000	\$ -
Other financial liabilities at amortized cost	1	\$ 755,702	\$ 656,958

Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk.

Credit Risk - Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash, short-term investment, reclamation bonds and amounts receivable. The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

The Company deposits its cash with a high credit quality major Canadian financial institution as determined by ratings agencies. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses. To reduce credit risk, the Company regularly reviews the collectability of its amounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. The Company historically has not had difficulty collecting its amounts receivable.

Liquidity Risk - Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining a sufficient cash balance. As at September 30, 2018, the Company had cash of \$94,617 to settle current liabilities of \$755,702. Further information relating to liquidity risk is disclosed in Note 1.

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13. Financial Instruments – Continued

Market Risks - The significant market risks to which the Company is exposed are currency and interest rate risks.

The operating results and financial position of the Company are reported in Canadian dollars. As the Company conducts exploration and property examinations in other countries outside of Canada, some of the Company's transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are subject to currency transaction and translation risks. The Company has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks at this time. Management believes the foreign exchange risk derived from currency conversions for property examinations incurred in other countries outside of Canada is not significant and therefore does not hedge its foreign exchange risk.

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest rate risk arises primarily from interest earned on the short-term investment. Cash is not subject to interest rate risk since it does not bear interest.

14. Contingency

The Company is committed to making severance payments amounting to approximately \$270,000 to certain officers and directors of the Company in the event that there is a change in control. Change in control is generally defined as follows: the acquisition by any unrelated party between 30% to 50% of the Company's shares, the change of 51% or more of the directors, the sale of all or substantially all of the assets of the Company, and/or a reorganization, merger or other transaction.

15. Segmented Information

The Company conducts its business in a single operating segment: the acquisition, exploration and development of mineral properties. The following geographic data references assets based on their physical location:

Total Assets	September 30, 2018	December 31, 2017
Canada	\$ 904,670	\$ 864,463
Peru	5,352	5,352
	\$ 910,022	\$ 869,815

The following geographic data references net loss based on location of expenditures:

Net Loss	For the nine months ended September 30, 2018	For the nine months ended September 30, 2017
Canada	\$ 409,041	\$ 884,601
Peru	-	3,137
	\$ 409,041	\$ 887,738