

**EQUITORIAL EXPLORATION CORP.**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**

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## **NOTICE – NO Auditor Review of the Consolidated Interim Financial Statements**

The accompanying unaudited consolidated interim financial statements of Equitorial Exploration Corp. (“the Company”), for the six months ended June 30, 2017 have been prepared by management and have not been the subject of a review by the Company’s external independent auditor.

**Equitorial Exploration Corp.**  
**Consolidated Statements of Financial Position**  
**(Expressed in Canadian dollars)**

	June 30 2017	December 31 2016
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	54,255	86,203
Accounts receivable (Note 5)	39,253	8,709
Prepaid (Note 9)	77,546	67,969
Marketable securities (Note 10)	222,245	2,202,123
	<u>393,299</u>	<u>2,365,004</u>
<b>Non-current assets</b>		
Property acquisition costs (Note 6)	<u>792,477</u>	<u>430,000</u>
<b>Total assets</b>	<b>\$ 1,185,776</b>	<b>\$ 2,795,004</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable	\$ 178,345	\$ 255,560
Accrued liabilities	31,720	36,000
Due to related parties (Note 9)	<u>4,200</u>	<u>-</u>
	<u>214,265</u>	<u>291,560</u>
<b>Shareholders' equity</b>		
Share capital (Note 7)	7,270,210	6,798,995
Contributed surplus (Note 8)	786,137	628,512
Deficit	<u>(7,165,488)</u>	<u>(5,004,715)</u>
	<u>890,859</u>	<u>2,422,792</u>
<b>Non-controlling interest</b>	<u>80,652</u>	<u>80,652</u>
	<b>\$ 1,185,776</b>	<b>\$ 2,795,004</b>

Nature of Operations (Note 1)  
Subsequent Events (Note 12)

Approved on behalf of the Board on August 11, 2017:

"Jack Bal"  
Signed

"Binny Jassal"  
Signed

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

**Equitorial Exploration Corp.**  
**Consolidated Interim Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian dollars)**

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
<b>Expenses</b>				
Accounting and audit (Note 9)	\$ 12,000	\$ 9,000	\$ 22,000	\$ 18,000
Bank charges	441	99	712	230
Consulting fees (Note 9)	353,383	79,338	425,201	101,293
Exploration expenses (Note 6)	10,489	-	14,370	-
Filing fees	324	5,164	13,566	10,414
Legal	9,843	3,416	20,104	17,228
Office expenses	4,600	92	16,326	217
Rent (Note 9)	4,800	1,500	6,300	3,000
Stock options	133,954	-	256,990	-
Shareholder's information	33,181	7,896	73,539	81,411
Transfer agent fees	1,508	4,216	2,913	9,918
Travel	6,983	-	15,511	-
	<b>571,506</b>	<b>110,721</b>	<b>867,532</b>	<b>241,711</b>
<b>Net loss before other income (expense)</b>	<b>(571,506)</b>	<b>(110,721)</b>	<b>(867,532)</b>	<b>(241,711)</b>
<b>Other income (expense)</b>				
Recovery in rent	-	9,013	-	9,013
Loss on disposal on marketable securities (Note 11)	-	(172,456)	(207,471)	(580,868)
Fair value change for marketable securities (Note 11)	(130,222)	111,111	(1,085,774)	(1,424,839)
Interest income	4	-	4	3
<b>Loss and comprehensive loss for the period</b>	<b>\$ (701,724)</b>	<b>\$ (163,053)</b>	<b>\$ (2,160,773)</b>	<b>\$ (2,238,402)</b>
<b>Loss and comprehensive loss (income) attributable to non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,471</b>
<b>Loss and comprehensive loss attributable to shareholders of the Company</b>	<b>\$ (701,724)</b>	<b>\$ (163,053)</b>	<b>\$ (2,160,773)</b>	<b>\$ (2,198,931)</b>
<b>Loss per share – basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>	<b>\$ (0.04)</b>	<b>\$ (0.04)</b>
<b>Weighted average number of shares outstanding</b>	<b>60,605,329</b>	<b>52,752,571</b>	<b>59,435,449</b>	<b>52,752,571</b>

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

**Equitorial Exploration Corp.**  
**Consolidated Interim Statements of Changes in Shareholders' Equity**  
**(Expressed in Canadian dollars)**

	Number of Shares	Share Capital & Shares subscribed	Contributed Surplus	Deficit	Shareholders' Equity	Non- controlling interest
<b>Balance, December 31, 2015</b>	<b>52,752,571</b>	<b>6,468,995</b>	<b>574,446</b>	<b>(2,762,519)</b>	<b>4,280,922</b>	<b>(159,501)</b>
Investment from non-controlling interest	-	-	-	-	-	(39,471)
Loss for the period	-	-	-	(2,198,931)	(2,198,931)	-
<b>Balance, June 30, 2016</b>	<b>52,752,571</b>	<b>6,468,995</b>	<b>574,446</b>	<b>(4,961,450)</b>	<b>2,081,991</b>	<b>198,972</b>
Shares issued pursuant to property agreement (Note 6)	5,000,000	300,000	-	-	300,000	-
Finder's fee pursuant to property agreement (Note 6)	500,000	30,000	-	-	30,000	-
Fair value of stock options granted (Note 8)	-	-	54,066	-	54,066	-
Investment from non-controlling interest	-	-	-	-	-	(118,320)
Loss for the year	-	-	-	(43,265)	(43,265)	-
<b>Balance, December 31, 2016</b>	<b>58,252,571</b>	<b>6,798,995</b>	<b>628,512</b>	<b>(5,004,715)</b>	<b>2,422,792</b>	<b>80,652</b>
Shares issued pursuant to property agreement (Note 6 (d)))	2,000,000	150,000	-	-	150,000	-
Shares issued pursuant to exercise of stock options	1,250,000	117,750	-	-	117,750	-
Fair value of stock options exercised	-	99,365	(99,365)	-	-	-
Shares issued pursuant to exercise of warrants	1,041,000	104,100	-	-	104,100	-
Fair value of stock options granted (Note 8)	-	-	256,990	-	256,990	-
Investment from non-controlling interest	-	-	-	-	-	-
Loss for the period	-	-	-	(2,160,773)	(2,160,773)	-
<b>Balance June 30, 2017</b>	<b>62,543,571</b>	<b>7,270,210</b>	<b>786,137</b>	<b>(7,165,488)</b>	<b>890,859</b>	<b>80,652</b>

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

**Equitorial Exploration Corp.**  
**Consolidated Interim Statements of Cash Flows**  
**(Expressed in Canadian dollars)**

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
<b>Cash flows from (used in)</b>				
<b>Operating activities</b>				
Loss for the period	\$ (701,724)	\$ (163,053)	\$ (2,160,773)	\$ (2,238,402)
<b>Items not affecting cash:</b>				
Recovery in rent	-	(9,013)	-	(9,013)
Fair value change for marketable securities	130,222	(111,111)	1,085,774	1,424,839
Stock options	133,954	-	256,990	-
Loss on disposal of marketable securities	-	172,456	207,471	580,868
	(437,548)	(110,721)	(610,538)	(241,708)
<b>Changes in non-cash working capital items:</b>				
(Increase) decrease in accounts receivable	(23,593)	(3,758)	(30,544)	2,282
(Increase) decrease in prepaid expenses	3,593	16,874	(9,577)	35,684
(Increase) decrease in due from related parties	-	684	-	684
Increase (decrease) in accounts payable and accrued liabilities	18,751	(826)	(81,495)	7,086
<b>Cash flows (used in) operating activities</b>	(438,797)	(97,747)	(732,154)	(195,972)
<b>Investing activities</b>				
Marketable securities	-	(1,000,000)	-	(1,000,000)
Sale of Marketable securities	-	1,058,553	686,633	1,555,241
Due to a related party	(7,875)	(97,481)	4,200	(96,181)
Advances	-	200,000	-	-
Resource property acquisition costs	(117,732)	-	(212,477)	-
	(125,607)	161,072	478,356	459,060
<b>Financing activities</b>				
Common shares	221,850	-	221,850	-
	221,850	-	221,850	-
<b>Change in cash during the period</b>	(342,554)	63,325	(31,948)	263,088
<b>Cash, beginning of the period</b>	396,809	203,935	86,203	4,172
<b>Cash, end of the period</b>	\$ 54,255	\$ 267,260	\$ 54,255	\$ 267,260

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

**Equitorial Exploration Corp.**  
**Notes to the Interim Consolidated Financial Statements**  
**For the periods ended June 30, 2017 and 2016**  
**(Expressed in Canadian dollars)**

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Equitorial Exploration Corp. (the "Company" or "Equitorial") was incorporated on September 21, 2010 under the laws of the British Columbia Business Corporations Act. The Company was listed on TSX Venture Exchange (the "TSX-V") on July 14, 2011. The address of its registered head office is Suite 1400 -1111 West Georgia St., Vancouver, British Columbia, Canada.

The Company is in the process of exploring its resource properties and has not determined whether these properties contain mineral reserves which are economically recoverable. The recoverability of amounts shown for exploration and evaluation expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production from the property or proceeds from its disposition.

At June 30, 2017, the Company had working capital of \$179,034 (December 31, 2016 - \$2,073,444), had not yet achieved profitable operations, has accumulated losses of \$7,165,488 (December 31, 2016 - \$5,004,715) since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned work program on its mineral properties, meet its on-going levels of corporate overhead, keep its property in good standing and discharge its liabilities as they come due. These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. Although the Company presently has sufficient financial resources to undertake its currently planned work programs and has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these consolidated financial statements.

**2. BASIS OF PRESENTATION**

**(a) Statement of compliance and principles of consolidation**

These interim consolidated financial statements, as at and for the six months ended June 30, 2017, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements include the financial statements of the Company and of the entity it controls, its 60%-owned subsidiaries, Equitorial Exploration International Corp., Equitorial Exploration Colombia Corp. and Equitorial Exploration Colombia S.A.S. The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant inter-company balances and transactions have been eliminated.

**(b) Basis of measurement**

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments, which are measured at fair value. All financial information in these financial statements is presented in Canadian dollars.

**Equitorial Exploration Corp.**  
**Notes to the Interim Consolidated Financial Statements**  
**For the periods ended June 30, 2017 and 2016**  
**(Expressed in Canadian dollars)**

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**2. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less and which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts. Cash may also be invested in guaranteed investment certificates that are available on demand by the Company for its program. The Company does not invest in any asset-backed deposits/investments.

**(b) Foreign currency translation**

The functional currency of the Company and its subsidiaries, as determined by management, is the Canadian dollar and this is also the currency in which it presents these financial statements. The Company recognizes transactions in currencies other than the Canadian dollar (foreign currencies) at the rates of exchange 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 the period end exchange rates are recognized in the consolidated statement of operation and comprehensive operation. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**(c) Impairment of tangible assets**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**(d) Deferred income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the



### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

#### **(e) Provision for decommissioning and restoration**

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of mineral properties in the year in which it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Initially, a provision for a decommissioning liability is recognized based on expected cash flows required to settle the obligation and discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. Following the initial recognition of the decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. The increase in the provision due to passage of time is recognized as interest expense. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows. As at June 30, 2017 and December 31, 2016, the Company has no known restoration, rehabilitation or environmental liabilities related to its mineral properties.

#### **(f) Provision for decommissioning and restoration**

The Company operates an employee stock option plan. Share based payments to employees are measured at the fair value of the instruments issued and amortized over the relevant vesting periods. Share based payments to non-employees are measured at the fair value of 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 fair value of options is determined using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

#### **(g) Earnings (loss) per share**

Basic earnings (loss) per share are calculated by dividing the net income (loss) available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss period, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. For the period presented, dilutive loss per share is equal to basic loss per share.

#### **(h) Significant accounting judgments and estimates**

The preparation of financial statements in conformity with IFRS 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 the reported revenues and expenses during the year. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include valuation of share-based payments and recognition of deferred income tax amounts, determination of functional currency and provision for restoration, rehabilitation and environmental costs.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

#### Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

#### Site decommissioning obligations

The Company recognizes a provision for future abandonment activities in the financial statements equal to the net present value of the estimated future expenditures required to settle the estimated future obligation at the statement of financial position date. The measurement of the decommissioning obligation involves the use of estimates and assumptions including the discount rate, the expected timing of future expenditures and the amount of future abandonment costs. The estimates were made by management and external consultants considering current costs, technology and enacted legislation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

#### Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

#### **(i) Mineral properties**

The Company charges to operations all exploration and evaluation expenses incurred prior to the determination of economically recoverable reserves. These costs would also include periodic fees such as license and maintenance fees.

The Company capitalizes direct mineral property acquisition costs and those expenditures incurred following the determination that the property has economically recoverable reserves. Mineral property acquisition costs include cash consideration and the fair value of common shares issued for mineral property interests, pursuant to the terms of the relevant agreement. These costs are amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned, or when impairment in value has been determined to have occurred. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry practice for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (j) Financial instruments

##### Financial assets

The Company classifies its financial assets into one of the following categories as follows:

**Fair value through profit or loss** - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. Cash has been classified under this category.

**Loans and receivables** - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. Accounts and loans receivables and due from a related party have been classified under this category.

**Held-to-maturity investments** - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

**Available-for-sale** - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

##### Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

**Fair value through profit or loss** - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

**Other financial liabilities**: This category consists of liabilities carried at amortized cost using the effective interest method. Accounts payable and accrued liabilities, loan payable and due to related parties have been classified under this category.

IFRS 7 requires additional disclosures relating to the measurement of fair value for financial instruments and liquidity risk. The disclosure requirement establishes a three level hierarchy that reflects the significance of the inputs used in fair value measurements on financial instruments. The three levels of the fair value hierarchy are:

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

Level 2 - Inputs are other than quoted prices in Level 1 that are either directly or indirectly observable for the asset or liability;

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

and Level 3 - Inputs for the asset or liability that are not based on observable market data.

All of the financial instruments measured at fair value on the statement of financial position are included in Level 1. The company does not hold any financial instruments that are measured from Level 2 or Level 3 inputs.

#### (k) Related party 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. Parties are also considered to be related if they are subject to common control, 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.

#### (l) Investment in Associates

Associates are entities over which the Company has significant influence, but not control. The financial results of the Company's investments in its associates are included in the Company's results according to the equity method. Subsequent to the acquisition date, the Company's share of profits or losses of associates is recognized in the consolidated statements of income (loss).

The Company assesses at each period-end whether there is any objective evidence that its interests in associates are impaired. If the interests are impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to the consolidated statements of income (loss).

#### (m) Accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRS Interpretations Committee that are mandatory for accounting periods beginning on or after January 1, 2017, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

i) New standard IFRS 9 Financial Instruments has been issued by IASB to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories: amortized cost and fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

**Equitorial Exploration Corp.**  
**Notes to the Interim Consolidated Financial Statements**  
**For the periods ended June 30, 2017 and 2016**  
**(Expressed in Canadian dollars)**

**3. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES**

**(a) Fair value of financial instruments**

The Company's financial instruments at June 30, 2017 consist of cash and cash equivalents, marketable securities, accounts and loan receivables, accounts and loan payables and accrued liabilities, and due from/to related parties. Cash and cash equivalents are carried at fair value using a level 1 fair value measurement. The carrying values of accounts and loan receivables, accounts and loan payables and accrued liabilities, and due from/to related parties approximate their fair values because of their nature and respective maturity dates or durations.

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at June 30, 2017 as follows:

		Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>					
Cash and cash equivalents	\$	54,255	\$ -	\$ -	\$ 54,255
Marketable securities		222,245	-	-	222,245
	\$	<b>276,500</b>	\$ -	\$ -	<b>276,500</b>

**(b) Risk Management**

**Credit Risk**

Credit risk is the risk of loss associated with a counter party's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivables. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents are held with reputable Canadian financial institutions, from which management believes the risk of loss to be minimal. The Company's receivables consist of mostly GST receivable due from the Federal Government of Canada. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

**Interest Rate Risk**

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

**Liquidity Risk**

The Company ensures that there is sufficient capital in order to meet annual business requirements, after taking into account administrative, property holding and exploration budgets, and cash and cash equivalent holdings. As the Company does not have operating cash flow and the Company has relied primarily on equity financings to meet its capital requirements.

**Foreign currency risk**

The Company's functional currency is the Canadian dollar and it transacts major purchases in Canadian dollars, Colombian Peso and US dollars. To fund exploration expenses, it maintains a Colombian Peso and US dollars-denominated bank accounts containing sufficient funds to support monthly forecasted cash outflows. Management believes the foreign exchange risk derived from currency conversions is minimal and therefore does not hedge its foreign exchange risk.

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**Notes to the Interim Consolidated Financial Statements**  
**For the periods ended June 30, 2017 and 2016**  
**(Expressed in Canadian dollars)**

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**4. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES (continued)**

Commodity price risk

The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals. The Company monitors precious metals prices to determine the appropriate course of action to be taken by the Company.

**(c) Capital Management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its mineral properties and to maintain a flexible capital structure which optimises the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes cash, debt and the components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company 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 its capital structure, the Company may issue new shares, issue new debt, and acquire or dispose of assets.

The Company is dependent on the capital markets as its sole source of operating capital. The Company's capital resources are largely determined by the strength of the junior resource markets, by the status of the Company's projects in relation to those markets, and by its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. However, it is subject to any regulations and rules imposed by the TSX Venture Exchange in issuing and/or maintaining debt or equity financings. In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

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

**5. ACCOUNTS RECEIVABLE**

		<b>June 30</b>		<b>December 31</b>
		<b>2017</b>		<b>2016</b>
GST receivable	\$	<b>4,253</b>	\$	8,709
Others		<b>35,000</b>		-
	\$	<b>39,253</b>	\$	8,709

## **6. MINERAL PROPERTIES**

- (a) The Company's 60%-owned subsidiary, Equitorial Exploration Colombia S.A.S., owns an eighty-five percent (85%) interest in and to the mineral concession located in Dabeiba, Antioquia, Colombia, known as the El Hávila copper-gold property (the "Property" or the "EL Hávila Property").

The Company and Artic agreed to make 60% and 40% contributions respectively on the exploration work of the El Hávila Property and the Company acts as the operator of all exploration programs.

The Company has no plan to perform any work on this property, therefore this property has been written-off during the year ended December 31, 2015.

- (b) On September 24, 2015, the Company signed a Participation and Joint Venture Agreement with Cardiff Energy Corp. ("Cardiff") to fund the completion of Clayton #1H well and to help expedite the development of its Runnels County oil and gas leases in Texas. Cardiff is a public company listed on the venture board of the Toronto Stock Exchange with the ticker symbol CRS. The Company and Cardiff have one common director who is also the president, director and chief financial officer of Cardiff.

Under the terms of the Joint Venture Agreement, the Company will purchase a 15% working interest ("WI") in Clayton #1H from Cardiff for USD\$270,000 and will have the opportunity to fund and purchase a 40% WI on all future wells drilled on Cardiff's leases in Runnels County. The Company paid entire USD\$270,000 during the year ended December 31, 2015. On October 24, 2015, the Company further increased additional 15% working interest, bringing total interest to 30%. The cost to participate for an additional 15% interest is USD\$360,000. During the year ended December 31, 2015, the Company has paid USD\$180,344.

The Clayton #1H well has not produced and the Company has been notified by Cardiff Energy that the well will be abandoned.

The Company has no plan to perform any work on this property, therefore this property cost of \$591,777 has been written-off during the year ended December 31, 2016.

- (c) On July 27<sup>th</sup>, 2016 the Company purchased from Strategic Metals Ltd. ("Strategic") 100% interest of the Li Property, which is located in the North West Territories

As consideration of the purchase and sale, the Company has issued to Strategic 5,000,000 common shares of the Company on the closing date; and paid \$100,000 towards expenditures required for the 2016 work program on the Property and grant a 2% NSR Royalty to Strategic. The Company will have the right to buy down half of the NSR Royalty (equal to 1% of the Net Smelter Returns) in consideration for \$2,000,000. Within one year of the closing date, the Company will issue to Strategic 2,500,000 common shares of the Company; and 2,500,000 common share purchase warrants of the Company, with each warrant entitling Strategic to purchase one common share of the Company at a price of \$0.10 per share for a period of 24 months from the date of issue of the warrants. The company has also issued 500,000 shares as finder's fee.

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6. MINERAL PROPERTIES (continued)

- (d) On February 17, 2017, the Company acquired 100% interest in the Tule Valley Lithium Brine project in Utah and the Gerlach (San Emidio Desert) Lithium Brine properties from Umbral Energy Corp ("Umbral").

As per the agreement, the Company paid the sum of \$50,000 on execution of this agreement and had issued 2,000,000 common shares in consideration for the assignment of the underlying agreement. The Company will assume a final payment of \$100,000 (paid) to the underlying owner and Umbral will issue 1,500,000 shares for 100% interest in the properties. There is a 2% NSR in favour of the underlying owner.

During the period ended June 30, 2017, the Company incurred property acquisition costs as follows:

		USA Tule Valley Utahs	Canada Li Property	Total
<b>Mineral properties</b>				
Balance, December 31, 2015	\$	-	\$ -	\$ -
Acquisition costs incurred during the year		-	430,000	
Balance, December 31, 2016		-	430,000	430,000
Acquisition costs incurred during the period		362,477	-	362,477
Written-off		-	-	-
<b>Balance, June 30, 2017</b>	<b>\$</b>	<b>362,477</b>	<b>\$ 430,000</b>	<b>\$792,477</b>

During the year ended December 31, 2016, the Company incurred property acquisition costs as follows:

		USA Runnels Country Texas	Colombia El Havila	Total
<b>Mineral properties</b>				
Balance, December 31, 2014	\$	-	\$ -	\$ -
Acquisition costs incurred during the year		591,777	-	
Balance, December 31, 2015		591,777	-	591,777
Acquisition costs incurred during the year		-	430,000	430,000
Written-off		(591,777)	-	(591,777)
<b>Balance, December 31, 2016</b>	<b>\$</b>	<b>-</b>	<b>\$ 430,000</b>	<b>\$430,000</b>



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**6. MINERAL PROPERTIES (continued)**

During the period ended June 30, 2017 and 2016, the Company incurred exploration expenditures as follows:

	Canada Li Property June 30, 2017	Canada Li Property June 30, 2016
<b>Exploration and related expenditures</b>		
Consulting	\$ 14,370	\$ -
<b>Total exploration expenditure</b>	<b>\$ 14,370</b>	<b>\$ -</b>

**7. SHARE CAPITAL**

	June 30, 2017	December 31, 2016
(a) Authorized: Unlimited common shares and preferred shares without par value		
Issued:		
62,543,571 common shares (2016: 58,252,571 shares)	\$ 7,270,210	\$ 6,798,995

(b) The Company issued shares as follows:

- i On August 24, 2016, the Company issued 5,000,000 shares at a fair value of \$300,000 pursuant to a property agreement. The Company also issued 500,000 shares as finder's fee at a fair value of \$30,000. Note 6 (c))
- ii During the period ended June 30, 2017, the Company issued 2,000,000 shares at a fair value of \$150,000 pursuant to a property agreement. Note 6 (d))
- iii During the period ended June 30, 2017, the Company issued 1,250,000 shares for a gross proceed of \$117,750 pursuant to an exercise of stock options.
- iv During the period ended June 30, 2017, the Company issued 1,041,000 shares for a gross proceed of \$104,100 pursuant to an exercise of warrants.

(c) Share based payments

- (i) As at June 30, 2017, the Company had stock options outstanding and exercisable enabling holders to acquire the following:

Number of Shares	Exercise Price	Expiry Date
450,000	\$0.12	May 24, 2023
50,000	\$0.275	April 9, 2019
600,000	\$0.09	November 25, 2020
1,250,000	\$0.055	January 27, 2022
500,000	\$0.05	March 9, 2022
400,000	\$0.10	May 30, 2022
350,000	\$0.105	June 21, 2022
<b>3,600,000</b>		

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7. SHARE CAPITAL (continued)

Share based payments (continued)

- (ii) A summary of the status of the Company's stock options as at June 30, 2017 and December 31, 2016 and changes during those years are presented below:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life Years
Balance, December 31, 2015	3,400,000	\$0.19	5.28
Granted	1,100,000	0.06	-
Exercised	-	-	-
Expired/Cancelled	(2,900,000)	0.14	-
Balance, December 31, 2016	1,600,000	\$0.10	4.55
Granted	3,750,000	0.07	-
Exercised	(1,250,000)	(0.09)	-
Expired/Cancelled	(500,000)	(0.07)	-
<b>Balance, June 30, 2017</b>	<b>3,600,000</b>	<b>\$0.08</b>	<b>4.60</b>

(e) Share purchase warrants

- (i) As at June 30, 2017, the Company had warrants outstanding enabling holders to acquire the following:

Number of Shares	Exercise Price	Expiry Date
2,700,000	\$0.20	July 27, 2020
997,106	\$0.20	August 25, 2020
4,522,699	\$0.10	October 8, 2017
3,423,833	\$0.10	October 26, 2017
104,000	\$0.06	October 26, 2017
840,000	\$0.10	November 2, 2017
67,200	\$0.06	November 2, 2017
<b>12,654,838</b>		

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**7. SHARE CAPITAL (continued)**

**Share purchase warrants (continued)**

- (ii) A summary of the Company's issued and outstanding share purchase warrants as at June 30, 2017 and December 31, 2016 and changes during those periods are presented below:

Balance, December 31, 2015	18,393,373
Granted	-
Exercised	-
Expired	(2,961,270)
Balance, December 31, 2016	15,432,103
Granted	-
Exercised	(1,041,000)
Expired	(1,736,265)
<b>Balance, June 30, 2017</b>	<b>12,654,838</b>

**8. CONTRIBUTED SURPLUS**

The following table reconciles the Company's reserve for warrants and options:

Balance, December 31, 2015	574,446
1,100,000 options granted @ \$0.055	54,066
Balance, December 31, 2016	628,512
500,000 options granted @ \$0.05	20,338
500,000 options granted @ \$0.07	31,880
1,300,000 options granted @ \$0.055	70,818
1,100,000 options granted @ \$0.10	100,370
350,000 options granted @ \$0.105	33,584
Fair value of 1,250,000 options exercised	(99,365)
<b>Balance, June 30, 2017</b>	<b>\$ 786,137</b>

The Company has a stock option plan (the "Plan") for directors, senior officers, employees, consultants, and management. The Plan provides for the issuance of stock options to acquire up to a maximum of 10% of the issued and outstanding common shares of the Company. Options granted to directors, senior officers, employees, and consultants vest fully upon the expiry of the hold period of four months from the award date. Options granted to consultants performing investor relations activities vest over a period of time.

During the period ended June 30, 2017, the Company has recognized \$256,990 (December 31, 2016 - \$54,066) in compensation upon issuance of 2,300,000 stock options (December 31, 2016 - 1,100,000). The fair values of these options were determined using the Black-Scholes option pricing model with the following assumption:

	June 30, 2017	December 31, 2016
Risk-free interest rate	0.72 % - 1.12%	0.91%
Experienced life of options	5 years	5 years
Annualized volatility	148.01% - 152.30%	143.44%
Dividend rate	-	-

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**9. RELATED PARTY TRANSACTIONS**

- (a) During the period ended June 30, 2017, the Company incurred consulting fees of \$60,000 (June 30, 2016: \$52,500) with directors, companies owned by directors and a company by common directors.

As at June 30, 2017, \$4,200 (December 31, 2016 - \$nil) was owing to companies controlled by directors and officers of the Company.

- (b) During the period ended June 30, 2017, payment of rent of \$3,000 (June 30, 2016: \$3,000) pertains to rent paid to a company related by a common officer for shared office premises.

- (c) During the period ended June 30, 2017, the Company incurred accounting fees of \$21,000 (June 30, 2016: \$18,000) with officer of the Company.

- (d) As at June 30, 2017, prepaid expenses include \$23,625 (December 31, 2016: \$23,625) to CEO and president of the Company.

The amounts due from or to the related parties are unsecured and without interest or stated terms of repayment. All related party transactions are in the normal course of operations and have been measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties. Note 10 also provide information on related party transactions.

**10. MARKETABLE SECURITIES**

As at December 31, 2015, the Company was entitled to 43,183,232 common shares of Iberian, a public company trading on TSX-Venture. These marketable securities are classified as financial assets through profit-and-loss.

During the period ended June 30, 2017, the Company sold 8,941,000 shares (December 31, 2016 – 34,242,000) for the net proceeds of \$686,633 (December 31, 2016 – 1,768,663).

The Company incurred the loss on disposal of shares \$207,471. The fair value of the remaining 232 shares of Iberian at June 30, 2017 was \$23 (December 31, 2016 - \$894,123).

On March 11, 2016, the Company entered into agreement with Mag One Products Inc. ("Mag One"), in which Mag One has granted the Company a first right to a 50/50 JV to fund equally the construction of the first magnesium and refining production facility for use by Mag One to produce magnesium metal and related products, by using its proprietary magnesium metal technology upon the Company completing its investment of \$1,500,000 to Mag One. The terms of the JV shall be set out in a formal JV agreement once the Investment is in place.

During the year ended December 31, 2016, the Company has bought 1,111,111 units of Mag One at \$0.90 for total cost of \$1,000,000. Each unit consists of one common share and one share purchase warrant exercisable at \$1.10 per share for one year. Shares of Mag One were financial assets at fair value through profit or loss, and were measured at their quoted fair market value. The fair value of 1,111,111 warrants was established by using the valuation technique, the Black Scholes Option Pricing Model. Assumptions used in the option pricing model were as follows: average risk free interest rate – 0.63% to 0.73%; expected life – 0.38 year to 1 year; expected volatility – 60.77% to 93.80%; and expected dividends – nil.

The fair value of the shares of Mag One at June 30, 2017 was \$222,222 (December 31, 2016 - \$1,308,000).

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**11. SEGMENTED INFORMATION**

The Company conducts all of its operations in acquisition, exploration and development of mineral, and oil & gas properties. The geographical division of the Company's total assets are as follows:

<b>Assets</b>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Canada	\$ 823,299	\$ 2,795,004
USA	362,477	-
<b>Total</b>	<b>\$ 1,185,776</b>	<b>\$ 2,795,004</b>

**12. SUBSEQUENT EVENTS**

(a) 500,000 options \$0.05, 350,000 options @ \$0.105 were exercised.