CROWNIA HOLDINGS LTD.

Consolidated Interim Financial Statements

(Expressed in US Dollars)

Three Months Ended September 30, 2017

(Unaudited)

CROWNIA HOLDINGS LTD.
Consolidated Interim Statements of Financial Position
(Expressed in US Dollars)

	Notes	September 30, 2017 (Unaudited) $	June 30, 2017 (Audited) $
ASSETS			
Current Assets			
Cash and cash equivalents		19,994	303,070
Accounts receivable	14(b)	2,369,735	2,348,693
Other receivables	5	428,832	388,675
Related party receivable	9(b)	9,790	29,500
Loan receivable	6	859,841	854,369
Prepaid expenses		15,934	17,335
Total current assets		3,704,126	3,941,642
Non-current assets			
Equipment	7	16,401	17,096
Intangible assets - Customer list	8	-	8,922
Total non-current assets		16,401	26,018
TOTAL ASSETS		3,720,527	3,967,660
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	14(d)	267,859	233,152
Tax payable		90,152	20,742
Related party payable	9(b)	276,209	268,835
Short term loans	10	-	174,067
Total current liabilities		634,220	696,796
TOTAL LIABILITIES		634,220	696,796
SHAREHOLDERS' EQUITY			
Common shares	11	6,024,039	6,024,039
Retained earnings		(3,557,636)	(3,303,974)
Reserves	12	340,781	316,617
Accumulated other comprehensive income		279,123	234,182
Total shareholders' equity		3,086,307	3,270,864
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,720,527	3,967,660

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
LEASE COMMITMENT (Note 17)
Approved and authorized by the Board on November 29, 2017

"*Savio Chiu*"_________ "*Ian Mallmann*"________
Savio Chiu, Director Ian Mallmann, CFO & Director

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

CROWNIA HOLDINGS LTD.

Consolidated Interim Statements of Operations and Comprehensive Loss

(Expressed in US Dollars)

		Three months ended September 30,	
	Note	**2017**	**2016**
		$	$
Revenue	16	40,372	903,625
Cost of sales		34,944	756,048
Gross margin		5,428	147,577
Expenses			
Accounting and audit		51,257	6,690
Amortization and depreciation	7	1,017	52
Consulting services	9a	40,138	66,299
Filing and transfer agent		8,022	8,176
Legal fees		32	2,104
Meal and travel expenses		6,236	11,294
Office and general		32,201	18,623
Stock-based compensation	12	24,164	57,730
Wages and salaries		63,789	50,187
		226,856	221,155
Other expenses			
Foreign exchange loss		22,015	1,976
Impairment loss	8	8,922	13,584
		30,937	15,560
Net loss before taxes		(252,365)	(89,138)
Income tax		(1,297)	(1,084)
Net loss		(253,662)	(90,222)
Other comprehensive income to be reclassified to profit or loss in subsequent period (net of tax):			
Unrealized gain on foreign exchange translation		44,941	(33,036)
Comprehensive loss		(208,721)	(123,258)
Basic and diluted loss per share		(0.01)	(0.00)
Weighted average number of common shares outstanding – basic and diluted		41,973,929	35,975,871

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

CROWNIA HOLDINGS LTD.
Consolidated Interim Statements of Cash Flows
(Expressed in US Dollars)

	Note	Three months ended September 30, 2017	2016
		$	$
Cash provided by (used in)			
Operating activities			
Net loss for the year		(253,662)	(90,222)
		(253,662)	(90,222)
Adjustments for items not involving cash:			
Amortization and depreciation		1,017	52
Impairment of intangible assets	8	8,922	13,584
Net foreign exchange differences		78,558	(6,599)
Stock-based compensation	12	24,164	57,730
		(141,001)	(25,455)
Changes in non-cash operating working capital:			
Accounts receivable		(21,711)	32,070
Other receivables		157,053	(75,439)
Due from/to related parties		(167,396)	-
Prepaid expenses		1,930	(103,215)
Accounts payable and accrued liabilities		(40,502)	70,636
Other payable		39,747	-
Tax payable		69,527	-
Income tax paid		(105)	-
Net cash used in operating activities		**(102,458)**	**(101,403)**
Investing activities			
Net cash from investing activities		**-**	**-**
Financing activities			
Cash received (paid) from loan receivable		(5,186)	-
Cash received (paid) from short term loan		(177,017)	-
Proceeds from private placement & exercise of warrants		-	77,577
Net cash from financing activities		**(182,203)**	**77,577**
Net change in cash and cash equivalent		(284,661)	(23,826)
Effect of exchange rate on cash and cash equivalent		1,585	8,410
Cash and cash equivalent, beginning of the year		303,070	123,473
Cash and cash equivalents, end of the year		**19,994**	**108,057**

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

CROWNIA HODLINGS LTD.

Consolidated Interim Statements of Changes in Shareholders' Equity

(Expressed in US Dollars)

	Number of Shares	Amount	Accumulated Other Comprehensive Income	Retained Earning	Reserves	Shareholders' Equity
		$	$	$	$	$
Balance, June 30, 2016	**35,877,240**	**2,920,706**	**39,965**	**233,028**	**361,470**	**3,555,169**
Issuance of shares for non-brokered private placement	413,500	158,030	-	-	-	158,030
Exercise of finder's warrants	500,000	125,491	-	-	(47,915)	77,576
Fair value of stock based compensation	-	-	-	-	57,730	57,730
Other comprehensive income for the year	-	-	(33,036)	-	-	(33,036)
Net loss for the year	-	-	-	(90,222)	-	(90,222)
Balance – September 30, 2016	**36,790,740**	**3,204,227**	**6,929**	**142,806**	**371,285**	**3,725,247**
Balance, June 30, 2017	**47,124,413**	**6,024,039**	**234,182**	**(3,303,974)**	**316,617**	**3,270,864**
Fair value of stock based compensation	-	-	-	-	24,164	24,164
Other comprehensive income for the year	-	-	44,941	-	-	44,941
Net loss for the year	-	-	-	(253,662)	-	(253,662)
Balance – September 30, 2017	**47,124,413**	**6,024,039**	**279,123**	**(3,557,636)**	**340,781**	**3,086,307**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

CROWNIA HOLDINGS LTD. (formerly known as LINGXIAN CAPITAL INC.) (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on July 16, 2012 as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V" or "TSX Venture") Policy 2.4. On April 14, 2014, the Company filed a final prospectus with the securities regulatory authorities in British Columbia and Alberta and with the TSX-V. On May 22, 2014, the TSX-V approved the Initial Public Offering Prospectus ("IPO") and the Company began trading under the symbol LXC.P on May 23, 2014. The principal business of the Company was the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT").

On September 11, 2015, the Company completed a business combination with Jinsili International Steel Holdings Co., Limited ("Jinsili") by acquiring all of the issued and outstanding securities of Jinsili from its shareholders. As a result of the transaction, the former shareholder of Jinsili acquired control of the Company. Therefore, the transaction is considered as a reverse take-over. This transaction constituted the QT and the Company has ceased to be a capital pool company since then. Jinsili was incorporated under the British Virgin Island Business Companies Act on January 10, 2012. Jinsili specializes in specialty steel trading in the international steel markets. The head office of the Company is located at 1980 – 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9.

Going concern

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business, and do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

During the three months ended September 30, 2017, the Company incurred a net loss of $253,662 (three months ended September 30, 2016 – $90,222) and as at September 30, 2017, the Company has accumulative deficit of $3,557,636 (year ended June 30, 2017 – accumulative deficit of $3,303,974).

The continuation of the Company as a going concern is dependent upon its ability to renew its existing loans, the collectability of the existing accounts receivable and loan receivable and to raise additional financing and ultimately attain and maintain profitable operations. Management's current strategy is to focus on on exploring alternative market strategies to enhance revenue growth opportunities in the short to medium term. Management is also considering expanding to other geographical locations to explore business expansion opportunities which would be beneficial from the current "One Belt One Road" expansion plan promoted by the Chinese government. Management evaluates its potential sources of funds, including possible equity and debt financing options. Although Management intends to assess and act on these options through the course of the year, there can be no assurance that the steps Management takes will be successful. In the event that cash flow from operations, together with the proceeds from any future financings are insufficient to cover planned expenditures, Management will allocate available resources in such manner as deemed to be in the Company's best interest.

There is material uncertainty that the Company will be able to achieve profitable operations or raise funds in the future. These factors raise significant doubt about the Company's ability to continue as a going concern. If the going concern assumption is not appropriate, material adjustments to the financial statements could be required. After taking all the reasonable considerations, management has formed a judgment that the Company should have adequate resources to continue as a going concern for the foreseeable future, which management has defined as being at least the next 12 months.

These consolidated interim financial statements have been approved for issue by the Board of Directors on November 29, 2017.

(Expressed in US Dollars, unless stated otherwise)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

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

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its controlled entities. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation.

Since the QT is accounted for as a reverse take-over transaction, Jinsili is treated as an accounting acquirer and the Company is treated as an accounting acquiree. As a result, the financial statements are a continuance of Jinisili.

Details of controlled entities are as follows:

	Country of Incorporation	Percentage owned as at September 30,		Principal activity
		2017	2016	
Crownia International Trading Ltd.	Canada	100%	100%	Inactive
Jinsili International Steel Holdings Co., Limited (“Jinsili”) (1)	BVI	100%	100%	Trading
Jinsili (Hong Kong) International Steel Holdings Co., Ltd. (“Jinsili Hong Kong”) (2)	Hong Kong	100%	100%	Trading
Zhongwan Co., Ltd. (“Zhongwan”) (3)	Hong Kong	100%	-	Holding
Shenzhen Leader New Material Co., Ltd. (“New Material”) (4)	China	100%	-	Trading

(1) Owned through Crownia International Trading Ltd.
(2) Owned through Jinsili
(3) Owned through Jinsili Hong Kong
(4) Owned through Zhongwan

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements, in conformity with IFRS, requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the periods. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

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

Significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amount recognized in the statements of financial position are:

i. *Allowance for doubtful accounts*

The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by performing credit checks and actively pursuing past due accounts. An allowance for doubtful accounts is estimated and recorded based on management's assessment of credit history with the customers and current relationships with them.

ii. *Intangible assets*

The Company assesses that the intangible asset - customer list has a finite life. The useful life used by management is based on their best estimate. Actual results may differ from this estimate.

iii. *Share-based payment*

Share-based payments are valued using the Black-Scholes Option Pricing Model at the date of grant and expensed in profit or loss over vesting period of each award. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the option. Share-based compensation expense also utilizes subjective assumption on forfeiture rate. Changes in these input assumptions can significantly affect the fair value estimate.

Significant areas of critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the statement of financial position are:

i. *Going concern*

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended June 30, 2017 and 2016. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded the going concern basis of accounting is appropriate based on its access to replacement financing for the future twelve months.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting judgments, estimates and assumptions (continued)

ii. *Gross versus net revenue recognition*

The Company evaluates whether it is appropriate to record the gross amount of its revenues and related costs by considering a number of factors, including, among other things, whether the Company is the primary obligor under the arrangement and has latitude in establishing prices. Revenue is derived from strategic partners providing shipping and packaging services to customers. Management has reviewed the primary indicators of these transactions such as:

- The strategic partners provide the services to the customer operating on behalf of the Company;
- The Company has control over who performs the service;
- The Company is responsible for all billing and collecting of revenues;
- The Company is responsible for setting all rates; and
- The strategic partners receive a set percentage of revenue generate.

Taking all the above consideration, management has made the judgment that the Company is the primary obligor in these transactions and has sole latitude in establishing prices. Accordingly, revenue is recorded on a gross basis when the service has been performed, the related costs are incurred, the revenues can be reliably measured and when collectability is reasonably assured.

iii. *Impairment of goodwill*

The Company tests goodwill for impairment annually. In testing for impairment, assets are grouped into a cash generating unit ("CGU" or "CGUs") which represents the lowest level for which there are separately identifiable cash inflows. Assessing impairment of goodwill requires significant judgement including identifying the appropriate CGU, making estimates with regards to the amounts and timing of future cash flows and the discount rates to be used to value such cash flows.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed and equity instruments issued by the Company to the former owners of the acquiree in exchange for control of the acquiree. Acquisition-related costs incurred for the business combination are expensed. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the consideration of the acquisition over the Company's interest in the fair value of the net identifiable asset, liabilities and contingent liabilities recognized. If the Company's interest in the fair value of the acquiree's net identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognized in earnings as a bargain purchase gain. Goodwill may also arise as a result of the requirement under IFRS to record a deferred tax liability on the excess of the fair value of the acquired assets over their corresponding tax bases, with the corresponding offset recorded as goodwill.

Cash and cash equivalents

Cash and cash equivalents comprises of cash at banks and cash on hand and short term money market instruments with an original maturity of three months or less when acquired, which are readily convertible into a known amount of cash. As at September 30, 2017 and June 30, 2017, cash and cash equivalents solely consist of cash.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue

The Company recognizes revenue, primarily from the sale of goods, net of trade discounts, rebates and other similar allowances. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, it is probably that the economic benefits will flow to the Company, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. The timing of the transfers of risks and rewards is depending on the terms of the contract of sales, which in most cases is after the product delivered to a destination port specified by the customers.

Foreign currencies translation and transaction

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in US dollars ("US Dollars"), which is Jinsili's functional currency. The functional currency of Jinsili Hong Kong and Zhongwan is Hong Kong dollars ("HK Dollars"). The functional currency of New Material is Renminbi ("RMB"). The functional currency of Crownia Holdings Ltd. is Canadian dollars.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of loss in the period in which they arise.

The financial statements of the entities that have a functional currency different from US Dollars are translated into US Dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as foreign currency translation adjustments.

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.

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided using the straight-line method over the estimated useful lives of assets as follows:

Office and electronic equipment	5 years

Cost associated with normal maintenance and repairs are expensed when they occur. Costs of major replacements that substantially extend the economic life of the asset are capitalized.

Upon disposal or abandonment, the carrying amount of an asset is derecognized and any gain or loss arising from the disposal or abandonment of the asset is determined as the sales proceeds less the carrying value of the asset and recognized as an operation expense in the consolidated statement of operations and comprehensive loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets and goodwill

Intangible assets – Customer list are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization is provided using the straight-line method in amounts sufficient to amortize the cost of the assets over the estimated useful lives indicated:

Customer list	3 years

Goodwill is initially measured at cost, being the excess of the consideration paid in a business combination over the fair value of the net identifiable assets acquired. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognized as gain.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether assets or liabilities of the acquired entity are assigned to those units.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets with finite lives are reviewed at each reporting date to determine whether there is any indication of impairment. If there is an indication of impairment, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss.

The recoverable amount is the higher of an asset's or CGU fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The impairment loss is recognized in consolidated statement of operations and comprehensive loss. 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Stock-based compensation

The Company follows the fair value method of accounting for share options. Compensation expense is recorded for share options over the vesting period with a corresponding increase to reserve. The fair value of the share options is measured at grant date, using Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserve.

Stock-based compensation to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when the related asset is realized or liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of outstanding common shares for the period. In computing diluted earnings (loss) per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported all outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are all anti-dilutive.

Financial instruments – recognition and measurement

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

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Held-to-maturity instruments and loans and receivables are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method.

Effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding year.

The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter year, to the net carrying amount on initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments – recognition and measurement (continued)

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effectively yield basis.

The Company has implemented the following classifications for its financial instruments:

1. Cash has been classified as FVTPL.
2. Accounts receivable, other receivables excluding taxes, and loan receivable have been classified as loans and receivables.
3. Accounts payables and accrued liabilities, related party payable and short term loans have been classified as other financial liabilities.

Impairment of financial assets

The Company assesses at the end of each reporting year whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to accounts receivable, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the accounts receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting standards issued but not yet in effect:

The IASB issued the following standards which are currently relevant but have not yet been adopted by the Company: IFRS 2, "Share-based Payments''; IFRS 7, "Financial Instruments: Disclosures"; IFRS 9, "Financial Instruments"; IFRS 15, "Revenue from Contracts with Customers"; IAS 7, "Statement of Cash Flows'' and IFRS 16, "Leases". The Company is currently assessing the impact that these new and amended standards will have on its consolidated financial statements.

IFRS 2 – Share-based Payments

In June 2016, the IASB issued an amendment to address certain issues related to the accounting for cash settled awards, and the accounting for equity settled awards that include a "net settlement'' feature in respect of employee withholding taxes. The mandatory effective date of the amendment to IFRS 2 is for annual periods beginning on or after January 1, 2018.

IFRS 7 – Financial Instruments: Disclosures

IFRS 7 has been amended to enhance disclosure requirements related to offsetting of financial assets and liabilities. Originally, the amendments were applicable retrospectively for annual periods beginning on or after January 1, 2013. However, IFRS 7 has since been amended to require additional disclosures on transition from IAS 39, "Financial Instruments: Recognition and Measurement" to IFRS 9 (see below), effective on adoption of IFRS 9, which is effective for annual periods beginning on or after January 1, 2018.

IFRS 9 – Financial Instruments

IFRS 9, "Financial Instruments" was issued by the IASB in October 2010 and will replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Requirements relating to hedge accounting representing a new hedge accounting model have also been added to IFRS 9. The mandatory effective date for IFRS 9, which is to be applied retrospectively, would be annual periods beginning on or after January 1, 2018.

IFRS 15 – Revenue from Contracts with Customers

The objective of the IFRS 15 revenue standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The revenue standard is effective for entities that report under IFRS for annual periods beginning on or after January 1, 2018. Early adoption is permitted for IFRS reporters.

IAS 7 – Statement of Cash Flows

In January 2016, the IASB published amendments to IAS 7, "Statement of Cash Flows". The amendments are intended to clarify IAS 7 to improve information provided to users of financing statements about an entity's financing activities. They are effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting standards issued but not yet in effect: (continued)

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 Leases, which will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16.

3. REVERSE TAKE-OVER

On September 11, 2015, the Company completed a business transaction where the Company acquired all issued and outstanding equity interest of Jinsili for exchange of issuance of 22,000,000 common shares of the Company. As a result of the transaction, the former shareholder of Jinsili acquired control of the Company. Therefore, the transaction is considered as a reverse take-over.

As per IFRS 2 Share Based Payment and IFRS 3 Business Combination, since this transaction does not constitute a business combination, rather it is treated as a reverse take-over, it is treated as an issuance of shares by Jinsili for the net assets of the Company and its listing status as of September 11, 2015. Since the share consideration to be allocated to the former shareholders of the Company on closing the transaction is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or service received in return for the allocation of the shares, the value in excess of the net identifiable assets or obligations of the Company acquired on closing is to be expensed in the consolidated statement of operations and comprehensive loss as listing expense.

In connection with the transaction, the Company closed a non-brokered private placement for gross proceeds of $377,400 (CAD $500,000) for issuance of 2,500,000 common shares at a $0.15 (CAD $0.20) per share. Upon closing of the transaction, the Company also issued a finder's fee to Qu Bo International Trading Company Limited ("Qu Bo") for 500,000 common shares (each "Finder's Share") and 500,000 non-transferable warrants ("Finder's Warrants") to be exercised at $0.14 (CAD $0.19) for each Finder's Warrants for a period of two years.

The fair value of the Finder's Warrants is $44,289 (CAD $58,676) and is determined using the Black-Scholes option pricing model assuming a risk-free interest rate of 0.52%, a dividend yield of 0%, an expected volatility of 112.50% and an expected life of two years.

(Expressed in US Dollars, unless stated otherwise)

3. REVERSE TAKE-OVER (CONTINUED)

The assets acquired and liabilities assumed are at their fair values which are the same as their carrying amounts. The net assets of the Company at fair value on September 11, 2015, are as follows:

	USD $	CAD $
Crownia's Identifiable Net Assets		
Cash and cash equivalents	503,731	667,370
Subscription receipts	(377,400)	(500,000)
GST receivable	4,900	6,492
Prepaid expenses	9,199	12,187
Accounts payable	(108,032)	(143,127)
Identifiable net assets	32,398	42,922
Transaction Costs		
Deemed share issue	733,037	971,167
Options deemed granted	34,242	45,366
Warrants deemed granted	35,313	46,785
	802,592	1,063,318
Finders fees in common shares	75,480	100,000
Finders fees in warrants	44,289	58,676
	119,769	158,676
Listing expense, net of identifiable net assets and other comprehensive income	889,963	1,179,072

The share-based compensation in the amount of $802,592 (CAD $1,063,318) included in the listing expense is comprised of $733,037 (CAD $971,167) representing the fair value of the existing shares prior to the transaction at $0.15 (CAD $0.20) per share, $34,242 (CAD $45,366) representing the fair value of the existing options retained by the former shareholders of the Company, and $35,313 (CAD $46,785) representing the fair value of the existing warrants issued to the IPO agent. The $0.15 (CAD $0.20) value for the abovementioned shares was based on the fair value from the concurrent private placement, adjusted by the price effect on escrowed shares. The fair value of the options and warrants was based on an application of the Black Scholes option pricing model using the following weighted average assumptions: a share price of $0.15 (CAD $0.20) per share, a volatility of 112.5%, a weighted average annual risk-free interest rate of 0.52%, no dividends, and expected lives of 3.7 and 0.7 years for the options and warrants respectively.

4. ACQUISITION OF ZHONGWAN CO, LTD.

Effective November 24, 2016, the Company completed the acquisition of Zhongwan Co., Ltd. ("Zhongwan") by acquiring all of the issued and outstanding securities of Zhongwan from its shareholders through its wholly owned subsidiary, Jinsili (Hong Kong). The primary reason for this acquisition was to gain strategic benefit of vertically integrating operations to reduce costs and capture the profits generated along the value chain by having an export tax refund license issued by the government of China.

The Company issued 6,933,673 common shares to the shareholders of Zhongwan at a deemed price of $0.36 (CAD $0.49) per share for an aggregate purchase price of $2,519,246 (CAD $3,397,500). As management concluded that Zhongwan constitutes a business, the acquisition is accounted for in accordance with IFRS 3 – Business Combination. Total consideration for the acquisition was valued at $2,519,246 (CAD $3,397,500) at the acquisition date and the purchase price allocation was estimated as follows:

(Expressed in US Dollars, unless stated otherwise)

4. ACQUISITION OF ZHONGWAN CO, LTD. (CONTINUED)

Total consideration paid:		
6,933,673 shares at USD $0.36 per share	$	2,519,246
	$	**2,519,246**

Fair value of identifiable net assets acquired:		
Cash and cash equivalents		3,250
Accounts receivable		225,055
Other receivables		392,288
Prepaids		91,724
Inventory		10,735
Equipment		19,007
Other payables		(820,116)
Subtotal		(78,057)
Goodwill	**$**	**2,597,303**
	$	**2,519,246**

The revenue and net loss of Zhongwan, since the acquisition date, included in the consolidated financial statement of comprehensive loss for the reporting period were $45,571 and $87,019, respectively.

If the acquisition had occurred at the beginning of the annual reporting period, management estimated that the Company's consolidated revenue and consolidated loss would be $2,978,085 and $3,991,359, respectively, for the year ended June 30, 2017. Management has determined these amounts based on internally prepared financial results obtained from the vendor. These pro-forma results may not necessarily be indicative of actual results had the acquisition occurred on July 1, 2017.

As of year ended June 30, 2017, the Company conducted an impairment assessment of goodwill. Due to the unfavourable steel market condition, the Company's revenue is lower than the anticipated sales as expected at the time of acquisition. Combined with the economy deterioration of the Company's strategic market, the Company is uncertain of the amount of benefit it can generate from the acquisition. As such, the Company determined that goodwill should be fully impaired. As a result, goodwill impairment loss of $2,597,303 was recorded for the year ended June 30, 2017.

5. OTHER RECEIVABLES

	For the three months ended September 30,	
	2017	2016
	$	$
Others receivable (1)	428,832	-
	428,832	-

(1) Others receivable mainly represents reiceivables from suppliers.

(Expressed in US Dollars, unless stated otherwise)

6. LOAN RECEIVABLE

On November 1, 2015 and amended on June 7, 2016, the Company entered into a loan agreement with an arm's length party, who is the former parent company of New Material, the major export agent of the Company. The Company agreed to provide an operating loan up to $1,736,530 ($11,300,000 RMB) to help with this arm's length party's short-term working capital need. The loan is unsecured and non-interest bearing and due on demand with repayment term no more than one year.

As at September 30, 2017, the outstanding balance is $859,841 ($5,720,829 RMB) (June 30, 2017 - $854,369 ($5,794,329 RMB)). The difference is due to the fluctuations between the US Dollar and the RMB.

7. EQUIPMENT

	Office and electronic equipment
	$
Cost	
At June 30, 2016	650
Acquired from acquisition of Zhongwan (Note 4)	19,007
Effect of foreign exchange	(6)
At June 30, 2017	19,651
Accumulated depreciation	
At June 30, 2016	(463)
Additions	(52)
At September 30, 2016	(515)
Additions	(2,401)
Effect of foreign exchange	361
At June 30, 2017	(2,555)
Additions	(1,017)
Effect of foreign exchange	322
At September 30, 2017	(3,250)
Net book value	
At June 30, 2017	17,096
At September 30, 2017	16,401

(Expressed in US Dollars, unless stated otherwise)

8. INTANGIBLE ASSETS

On August 30, 2014, the Company entered into an assets purchase agreement with Profisino Global Holdings Company Limited ("Profisino") to purchase a client database for a consideration of $163,018 (RMB $1,000,000). The purchase was completed on November 30, 2014 and the amortization commenced on December 1, 2014. The amortization expenses for the three months ended September 30, 2017 is $8,922 (three months ended September 30, 2016 - $13,584).

	Intangible Asset Customer list $
At June 30, 2016	163,018
Additions	-
At June 30, 2017	163,018
Accumulated depreciation	
At June 30, 2016	(99,756)
Additions	(13,584)
At September 30, 2016	(113,340)
Additions	(40,755)
Effect of foreign exchange	(1)
At June 30, 2017	(154,096)
Additions	(8,922)
At September 30, 2017	(163,018)
Net book value	
At June 30, 2017	8,922
At September 30, 2017	-

9. RELATED PARTY TRANSACTIONS

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Related party compensation*

During the three months ended September 30, 2017 and 2016, the following amounts were incurred with respect to key management and director of the Company and a corporation over which the former CEO have significant influence:

	For three months ended September 30,	
	2017	2016
	$	$
Key management	47,844	59,757
Director	2,395	2,306

(Expressed in US Dollars, unless stated otherwise)

9. RELATED PARTY TRANSACTIONS

(b) *Balance with related parties*

As at September 30, 2017 and June 30, 2017, the following amounts remained outstanding:

	September 30, 2017	June 30, 2017
	$	$
Related party receivable (i)	9,790	29,500
Related party payable (ii & iii)	(276,209)	(268,835)

These transactions were conducted in the normal course of operations, on commercial terms established and agreed to by the related parties, and were recorded at the exchange amount.

i. Advances to a director

There is an advancement made to a director of the Company for $29,500 (RMB 200,000), which has been fully received by the Company during the period of the three months ended September 30, 2017.

There is an advancement made to the CEO of the Company for $9,790.

ii. Transactions with Shenzhen China Kyle Special Steel Co. Ltd. ("Shenzhen China-Kyle ")

Shenzhen China-Kyle is an export-oriented Chinese company which specializes in special steel supply. The former CEO of the Company holds a key management position at Shenzhen China-Kyle. The current CEO owns 30% of Shenzhen China-Kyle.

On April 28, 2012, Jinsili entered into a labour cooperation agreement, among Shenzhen Foreign Labour Service Company, with Shenzhen China-Kyle, pursuant to which Shenzhen China-Kyle agrees to provide labour management services for Jinsili for a period of 5 years. On August 1, 2014, Jinsili entered into an operation cooperation agreement with Shenzhen China-Kyle, pursuant to which Shenzhen China-Kyle provides office space as well as management and administrative services to Jinsili. Jinsili shall be responsible for the rents, office expenses, salaries, benefits and travel expenses in respect of the office spaces and staff that Jinsili has utilized and engaged pursuant to the labour cooperation agreement and operation cooperation agreement. Expenses incurred by Shenzhen China-Kyle on behalf of Jinsili will be paid off to Shenzhen China-Kyle by December 31, 2016 with no interest charge. On August 31, 2015, both parties agreed to terminate the labour cooperation agreement as of August 31, 2015 without any penalty. As of September 30, 2017, the balance owing to Shenzhen China-Kyle is $261,380 (June 30, 2017 – 268,835), the difference is due to foreign exchange adjustment.

iii. Advances from a director

There is an advancement made from a director to the Company for $14,829 (June 30, 2017: Nil).

10. SHORT TERM LOANS

As at June 30, 2017, the Company has outstanding short-term loans of $174,067 (RMB 1,180,112) (2016: Nil) with an arms-length party. The short term loans bear interest of 10.20% to 11% per annum and are due in August 2017. The loans are not subject to any financial covenant or collateral.

As at September 30, 2017, all short-term loans have been repaid.

11. SHARE CAPITAL

a) Authorized: Unlimited number of common voting shares without nominal or par value

b) Issued and Outstanding: At September 30, 2017, 47,124,413 common shares were outstanding (June 30, 2017 – 47,124,413) .

Share transactions after the reverse take-over:

c) On February 22, 2017, the Company issued a total of 3,400,000 Units for a non-brokered private placement raising gross proceeds of $308,534 (CAD $408,000) at a price of $0.09 (CAD $0.12) per Unit. Each Unit will consist of one common share (the "Common Share") and one share purchase warrant (the "Warrant"), and each Warrant will entitle the holder thereof to purchase one additional Common Share of the Company at a price of $0.11 (CAD $0.15) per share for a period of 5 years from the closing date. No finder's fees were paid.

d) On November 25, 2016, the Company issued 6,933,673 common shares to the shareholders of Zhongwan to acquire all of the issued and outstanding securities of Zhongwan, which resulted in Zhongwan becoming a wholly-owned subsidiary of Jinsili HK. The Consideration Shares were issued at a deemed price of $0.36 (CAD $0.49), equivalent to the market price of the acquisition date, per share for an aggregate purchase price of $2,519,246 (CAD $3,397,500).

e) On September 19, 2016, Qubo International Trading Company Limited (QT finder) exercised 500,000 warrants at an exercise price at $0.14 (CAD $0.19) into 500,000 common shares.

f) On July 18, 2016, the Company issued a total of 413,500 shares for a non-brokered private placement raising gross proceeds of $158,929 (CAD $206,750) at a price of $0.38 (CAD $0.50) per share. No finder's fees were paid.

g) On March 3, 2016, a former director exercised 40,000 options at an exercise price at $0.26 (CAD $0.35) into 40,000 common shares.

h) On December 30, 2015, the Company issued a total of 4,437,240 shares for a non-brokered private placement raising gross proceeds of $1,600,069 (CAD $2,218,620) at a price of $0.36 (CAD $0.50) per share. No finder's fees were paid.

i) On September 21, 2015, Leede Jones Gable Inc (IPO sponsor) exercised 25,000 warrants at an exercise price at $0.08 (CAD $0.10) into 25,000 common shares.

j) On September 18, 2015, Leede Jones Gable Inc (IPO sponsor) exercised 375,000 warrants at an exercise price at $0.08 (CAD $0.10) into 375,000 common shares.

k) In connection with the reverse take-over, the Company issues 500,000 common shares as finder's fee to Qu Bo International Trading Company Limited.

l) On September 11, 2015, the Company completed a business transaction where the Company acquired all issued and outstanding equity interest of Jinsili for exchange of issuance of 22,000,000 common shares of the Company. As a result of this transaction, Xizhou Tong, the sole shareholder of Jinsili has ownership or exercises control or direction over an aggregate of 22,000,000 Common Shares in the capital of the Company, representing approximately 46.68% of the issued and outstanding Common Shares of the Company as of June 30, 2017, on fully diluted basis.

(Expressed in US Dollars, unless stated otherwise)

12. OPTIONS AND WARRANTS

a) Warrants:

The warrants that are issued and outstanding as at September 30, 2017 are as follows:

	Number of warrant	Exercise price (USD)	Exercise price (CAD)
		$	$
Balance, June 30, 2016 (i)	500,000	0.14	0.19
Issued	-	-	-
Exercised	(500,000)	0.14	0.19
Balance, September 30, 2016	-	-	-
Balance, June 30, 2017 (ii)	3,400,000	0.11	0.15
Issued	-	-	-
Exercised	-	-	-
Balance, September 30, 2017	3,400,000	0.11	0.15

The following table summarizes the warrants outstanding and exercisable as at September 30, 2017 and 2016:

	Number of Warrants	Exercise Price (USD)	Exercise Price (CAD)	Expiration Date
At September 30, 2016	-	-	-	-
At September 30, 2017	3,400,000	0.11	0.15	February 21, 2022

(i) Upon closing of the reverse take-over transaction, the fair value of the Finder's Warrants is $44,289 (CAD $58,676) and is determined using the Black-Scholes option pricing model assuming a risk free interest rate of 0.52%, a dividend yield of 0%, an expected volatility of 112.50% and an expected life of two years.

On September 19, 2016, a total of 500,000 Finder's Warrants were exercised.

(ii) On February 22, 2017, the Company issued a total of 3,400,000 shares for a non-brokered private placement raising gross proceeds of $308,534 (CAD $408,000) at a price of $0.09 (CAD $0.12) per Unit. Each Unit consists of one common share (the "Common Share") and one share purchase warrant (the "Warrant"), and each Warrant will entitle the holder thereof to purchase one additional Common Share of the Company at a price of $0.11 (CAD $0.15) per share for a period of 5 years from the closing date. No value is assigned to these warrants since the price of one Unit was less than the share price on the issuance date.

b) Stock option plan:

On November 25, 2013, the Company adopted an incentive share option plan for granting options to directors, employees and consultants, under which the total outstanding options are limited to 10% of the outstanding common shares at the date of grant. The exercise price of the options granted will be no less than the discounted market price of the Company's shares and the maximum term of the options will be 10 years or such longer term as permitted by the TSX-V.

(Expressed in US Dollars, unless stated otherwise)

12. OPTIONS AND WARRANTS (CONTINUED)

c) Options:

On October 9, 2015, the Company granted 2,370,000 stock options to directors, officers, employees and consultants. Each option can be exercisable into one common share of the Company at a price of $0.27 (CAD $0.35) per share for five years from the date of grant. Options granted to certain consultants, directors, officers and employees are exercisable with one-third of stock options vesting on the date of grant, and another one-third vesting on the first and second anniversary of the date of grant respectively. Options granted to certain consultants and employees are exercisable with 10% of such stock options vesting on the date of grant, 20% on the first anniversary, 30% on the second anniversary and 40% on the third anniversary of the date of grant. The average grant date fair value of the option was $0.21 (CAD $0.27).

As of September 30, 2017, a total of USD 24,164 (CAD 30,156) stock-based compensation expense has been recognized on these options. The decrease in the stock-based compensation expense is due to was mainly a result of the changed fair value derived from the Black Scholes model influenced by the decreased market price of the Company's common shares as well as the change in volatility and forfeiture rate used. The fair value of the options was based on an application of the Black Scholes option pricing model using the following weighted average assumptions: volatility of 91% to 113%, a weighted average annual risk free interest rate of 0.54% - 1.23%, no dividends, expected remaining lives of 4-5 years and forfeiture rate of 15%.

On May 23, 2014, the Company granted 280,000 stock options to former officers at the closing of its IPO. Each option can be exercisable into one common share of the Company at a price of $0.08 (CAD $0.10) per share for five years from the date of grant. The options vested on the grant date. The average grant date fair value of the options was $0.08 (CAD $0.10).

Upon closing of the reverse take-over transaction, options granted to former officers were revalued at $34,242 (CAD $45,366). The fair value of the options and warrants was based on an application of the Black Scholes option pricing model using the following weighted average assumptions: volatility of 113%, a weighted average annual risk free interest rate of 0.52%, no dividends, and expected remaining expected lives of 3.7 years.

The options outstanding and exercisable at September 30, 2017 and 2016 are as follows:

	Number of options	Exercise Price	Exercise Price (CAD)
		$	$
Balance, June 30, 2016	2,470,000	0.27	0.35
Granted	-	-	-
Exercised	-	-	-
Forfeited	(45,000)	0.27	0.35
Balance, September 30, 2016	2,425,000	0.27	0.32
Balance, June 30, 2017	1,995,000	0.27	0.35
Granted	-	-	-
Exercised	-	-	-
Forfeited	(150,000)	0.27	0.35
Balance, September 30, 2017	1,845,000	0.27	0.35

(Expressed in US Dollars, unless stated otherwise)

12. OPTIONS AND WARRANTS (CONTINUED)

The following table summarizes the options outstanding and exercisable as at September 30, 2017:

Number of Options	Exercise Price	Exercise Price (CAD)	Expiration Date	Number of Options Exercisable	Remaining contractual life
280,000	$0.08	$0.10	May 23, 2019	280,000	1.64
1,565,000	$0.27	$0.35	October 9, 2020	1,009,000	3.03

As at September 30, 2017, 1,845,000 options with a weighted average remaining contractual life of 2.82 years were outstanding and 1,289,000 options were exercisable with a weighted average remaining contractual life of 2.73 years, entitling the holders thereof the right to purchase one common share for each option held.

13. CAPITAL MANAGEMENT

The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Management defines capital as the Company's shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth. The Company is not subject to externally imposed capital requirements.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Classification of Financial Instruments:

(a) Fair Values

Financial instruments recorded at fair value are measured using a three-level fair value hierarchy:

- Level 1 — Fair value is determined by reference to quoted prices in active markets for identical assets and liabilities
- Level 2 — Fair value is determined based on inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly
- Level 3 — Fair value is determined based on inputs that are unobservable and significant to the overall fair value measurement

As at September 30, 2017 and June 30, 2017, cash and cash equivalents is assessed to be level 1 instrument.

The fair values of other financial instruments, which include accounts receivable, other receivables excluding taxes, loan receivable, accounts payable and accrued liabilities and short term loans approximate their carrying values due to the relatively short-term maturity of these instruments.

For related party payable, it is initially measured at fair value, which is determined by discounting future payments of principal and interests under long-term payable at the market interest rate at reporting dates.

(b) 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 a concentration of credit risk consist primarily of cash, accounts receivable, other receivables excluding taxes and loan receivable.

The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(Expressed in US Dollars, unless stated otherwise)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

100% of the Company's revenue for the three months ended September 30, 2017 and 2016 were derived from export sales. One of the Company's major customers represents 100% of accounts receivable as at September 30, 2017 (June 30, 2017 – 100%). This major customer also represents 100% of total revenue for the three months ended September 30, 2017 (the three months ended September 30, 2017 – 45%). The collectability of accounts receivable from this major customer could significantly impact the operation of the Company.

The aging of accounts receivable as at the reporting date is:

	As at September 30, 2017	As at June 30, 2017
	$	$
Past due within 30 days	22,607	-
Past due 30 - 90 days	-	856,651
Past due 91 - 120 days	-	-
Past due 121 - 365 days	1,310,735	818,155
Over 1 year	1,036,393	673,887
	2,369,735	2,348,693

(c) Currency Risk

Currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign currency risk, which arises primarily on fluctuations between the US Dollar and the Canadian Dollars, the US Dollar and the HK Dollar, and the US Dollar and the RMB, is considered within a range between minimum to medium depending on the volumes of foreign transactions. The Company does not use derivatives instruments to reduce its exposure to foreign currency translation risk.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At September 30, 2017 and June 30, 2017, the Company had a working capital of $3,069,906 and $3,244,846 respectively. The Company is focused on generating sales revenue and is actively pursuing additional sources of financing to ensure that it can meet its ongoing operating requirements and planned capital expenditures.

The following tables detail the remaining contractual maturities at the respective reporting dates of the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Company can be required to pay:

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	One to three years
	$	$	$	$
Accounts payable and other payable	267,859	267,859	267,859	-
Related party payable	276,209	276,209	276,209	-
As of September 30, 2017	544,068	544,068	544,068	-

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(e) Price Risk

The Company is exposed to price risk with respect to fluctuations in the market price or availability of special steels could impact the Company's cash flow and purchase.

The Company's profitability depends on the selling price and purchase price of its products to customers. These prices are subject to various legislation, regional supply and demand and general economic conditions.

(f) Interest Rate Risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have interest bearing assets in relation to cash at banks carried at floating interest rates with reference to the market. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Company is considered minimal.

15. ECONOMIC DEPENDENCE

The Company cooperated with one major supplier for the three months ended September 30, 2017 to purchase speciality steel and accounted for 100% of the total purchase. During the year ended June 30, 2017, the Company acquired Zhongwan (Note 4) and its subsidiary, New Material, which allowed for vertical integration of the Company's operation as New Material used to be one of the major suppliers for the year ended June 30, 2016. The major supplier for New Material for the three months ended September 30, 2017 accounted for 100% of total purchases. As the majority of the Company's income is derived from the sale of specialty steel products, its ability to continue operations is dependent upon the relationship with and the sustainability of these suppliers. Any significant disruption in the supply chain could result in a material adverse effect on the operations of the Company.

Furthermore, the Company had one major customer for the three months ended September 30, 2017 (two major customers for the three months ended September 30, 2016). Sales from the major customers represent 100% during the three months ended September 30, 2017 (97% for the three months ended September 30, 2016). The loss of this significant customer will adversely impact the operations of the Company.

16. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Company's directors. The Company's principal activity is importing and exporting specialty steels. The directors regard it as the single business segment and no segment information is presented.

(Expressed in US Dollars, unless stated otherwise)

16. SEGMENT INFORMATION (CONTINUED)

Geographical information of the Company's sales, and intangible assets is as follows:

	For the three months ended September 30	
	2017	2016
	$	**$**
	Total	Total
Revenue		
British Virgin Island	-	903,625
Hong Kong	22,604	-
China	17,768	-
	40,372	903,625

	As at	
	September 30, 2017	June 30, 2017
Intangible assets		
British Virgin Island	-	8,922
Hong Kong	-	-
China	-	-
	-	8,922

17. COMMITMENTS

The Company has commitment of $227,703 under an operating lease for office premise as follows:

2018	$ 81,389
2019	82,049
2020	64,265
Total	$ 227,703