FORM 2A – LISTING STATEMENT
(the "Listing Statement")

Dated as at October 19, 2017

PACIFIC RIM COBALT CORP. (formerly Rhys Resources Ltd.)

("Pac Rim" or the "Company")

Suite 912-1112 West Pender Street
Vancouver, BC, Canada V6E 2S1
Tel: (604) 558-3920
Fax: (604) 667-6726
Email: steve@vanrycap.com

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ITEM 1: GENERAL

1.1 Effective Date of Information

All information in this Listing Statement is as of October 19, 2017 unless otherwise indicated.

1.2 Forward Looking Statements

Cautionary Statement Regarding Forward-Looking Statements

This Listing Statement contains "forward-looking statements" concerning anticipated developments and events that may occur in the future.

All statements, other than statements of historical fact, made by the Issuer that address activities, events or developments that the Issuer expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments.

These statements speak only as of the date they are made and are based on information currently available and on the then current expectations of the Issuer, the Target and the Resulting Issuer and assumptions concerning future events. Forward-looking statements are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements.

In particular, this Listing Statement contains forward-looking statements pertaining to the following:

- the terms, conditions and completion of the Acquisition and Financing;
- the Closing Date;
- use of proceeds from the Financing;
- the obtaining of all required regulatory approvals in connection with the Acquisition;
- the estimates of the Resulting Issuer's mineral resources and reserves;
- the success of the Resulting Issuer's exploration activities and programs;
- the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits;
- the estimates of expected or anticipated economic returns from a mining project, as reflected in feasibility studies or other reports prepared in relation to development of projects;
- projections of market prices and costs for the Resulting Issuer's products and the future market for cobalt and conditions affecting same;
- treatment under government regulatory and taxation regimes, including statements pertaining to changes or proposed changes under Indonesian mining regulations;
- permitting time lines;
- currency fluctuations;
- requirements for additional capital and the Resulting Issuer's expectations regarding its ability to raise capital;
- the Resulting Issuer's plans and expectations for its properties;

- the Resulting Issuer's assessment of potential environmental liabilities on its properties, including the TNM Project;
- the timing for the implementation of the Acquisition and the potential benefits of the Acquisition;
- the likelihood of the Acquisition being completed;
- the principal steps of the Acquisition;
- statements relating to the business and future activities of, and developments related to the Resulting Issuer after the date of this Listing Statement and thereafter;
- the likelihood of the Issuer receiving Shareholder approval of the Acquisition;
- timing and costs associated with completing exploration work on the Resulting Issuer's principal properties; and
- the Resulting Issuer's plan to pursue exploration activities on the TNM Project; including statements of the Resulting Issuer's intent to develop the TNM Project or put the TNM Project into commercial production.

With respect to forward-looking statements listed above and contained in this Listing Statement, management of the Issuer has made assumptions regarding, among other things:

- the Issuer's and the Target's ability to satisfy the conditions to the Acquisition;
- the legislative and regulatory environment in which the Target operates;
- the timing and receipt of governmental approvals;
- the accuracy of the interpretation of drilling and other results;
- foreign currency and exchange rates;
- predictable changes to market prices for cobalt and other predicted trends regarding factors underlying the market for such products;
- anticipated results of exploration activities;
- that tax regimes will remain largely unaltered;
- The Resulting Issuer's ability to obtain additional financing on satisfactory terms; and
- the global economic environment.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Resulting Issuer to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others:

- inherent uncertainties and risks associated with mineral exploration;
- uncertainties related to the availability of future financing necessary to undertake activities on the Resulting Issuer's properties;
- the possibility that future exploration, development or mining results will not be consistent with the Resulting Issuer's expectations
- volatility in the market prices for cobalt and other natural resources;
- risks associated with the Issuer and the Target having no history of earnings or production revenue;
- the risk that the Resulting Issuer's title to its properties could be challenged;
- risks related to the Resulting Issuer's ability to attract and retain qualified personnel;
- uncertainties related to global financial and economic conditions;
- risks related to the integration of businesses and assets acquired by the Resulting Issuer, including the Acquisition;

- risks associated with the Resulting Issuer being subject to government regulation, including changes in regulation, including changes in environmental laws and regulations;
- risks associated with the Resulting issuer's need for governmental licenses, permits and approvals;
- competition for, among other things, capital acquisitions of resources, undeveloped lands and skilled personnel;
- uninsured risks and hazards;
- risks associated with fluctuations in foreign exchange rates and interest rates;
- risks associated with doing business in Indonesia;
- risks relating to environmental regulation and liabilities;
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- risks associated with potential conflicts of interest;
- uncertainties related to fluctuations in the Resulting Issuer's share price; and
- other factors discussed under *"Risk Factors"* below.

Consequently, all forward-looking statements made in this Listing Statement are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Issuer.

Although the Issuer has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this Listing Statement and, other than as required by applicable securities laws, the Issuer assumes no obligation to update or revise them to reflect new events or circumstances.

Notice Regarding Presentation of Mineral Resource Estimates

In accordance with applicable Canadian securities regulatory requirements, all mineral resource estimates of the Resulting Issuer in this Listing Statement have been prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**"), classified in accordance with the Canadian Institute of Mining Metallurgy and Petroleum's "*CIM Standards on Mineral Resources and Reserves Definitions and Guidelines*" (the "**CIM Guidelines**").

The Resulting Issuer uses the terms "mineral resources", "measured mineral resources", "indicated mineral resources" and "inferred mineral resources". While those terms are recognized by Canadian securities regulatory authorities under the CIM Guidelines, they are not recognized by the U.S. Securities and Exchange Commission ("**SEC**"). Pursuant to the CIM Guidelines, mineral resources have a higher degree of uncertainty than mineral reserves as to their existence as well as their economic and legal feasibility. Inferred mineral resources, when compared with measured or indicated mineral resources, have the least certainty as to their existence, and it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration. Pursuant to NI 43-101, inferred mineral resources may not form the basis of any economic analysis, including any feasibility study. Accordingly, investors are cautioned not to assume that all or any part of a mineral resource exists, will ever be converted into a mineral reserve, or is or will ever be economically or legally mineable or recovered.

1.3 Currency

Unless otherwise indicated herein, references to "$", "CDN$" or "Canadian dollars" are to Canadian dollars, and references to "US$" or "U.S. dollars" are to United States dollars. References to "Rp" or "Indonesian Rp" refer to Indonesian rupiah. The Issuer's accounts are maintained in Canadian dollars.

In this Listing Statement, unless otherwise indicated, conversions of (1) United States dollars to Canadian dollars have been made using the Bank of Canada noon spot rate of exchange on October 18, 2017 of USD$1.00 = $1.2486 and (2). Indonesian Rp to Canadian dollars have been made using the Bank of Canada noon spot rate of exchange on October 18, 2017 of Rp 1.00 = $0.000093.

1.4 Accounting Principles

All financial information in this Listing Statement is prepared in accordance with International Financial Reporting Standards.

1.5 Information Concerning the Target

The information contained or referred to in this Listing Statement relating to the Target has been furnished by the Target. In preparing this Listing Statement, the Issuer has relied upon the Target to ensure that the Listing Statement contains full, true and plain disclosure of all material facts relating to the Target. Although the Issuer has no knowledge that would indicate that any statements contained herein concerning the Target are untrue or incomplete, neither the Issuer nor any of its principals assumes any responsibility for the accuracy or completeness of such information or for any failure by the Target to ensure disclosure of events or facts that may have occurred which may affect the significance or accuracy of any such information.

1.6 Market and Industry Data

The industry data contained in this Listing Statement is based upon information from independent industry and other publications and the Issuer's management's knowledge of, and experience in, the industry in which the Resulting Issuer will operate. None of the sources of industry data have provided any form of consultation, advice or counsel regarding any aspect of, or is in any way whatsoever associated with, the Acquisition. Industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data at any particular point in time, the voluntary nature of the data gathering process or other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy and completeness of this data are not guaranteed. The Issuer has not independently verified any of the data from third party sources referred to in this Listing Statement or ascertained the underlying assumptions relied upon by such sources.

1.7 Note Regarding Pro Forma Capitalization

Unless otherwise indicated, all disclosure herein with respect to the pro forma share capitalization and financial disclosure of the Resulting Issuer following the completion of the Acquisition and Financing assumes that the Financing is fully subscribed.

1.8 Glossary of Terms

For the assistance of Shareholders, the following is a glossary of terms used frequently throughout this Listing Statement. Terms and abbreviations used in the financial statements of the Issuer and the Target are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. Certain additional terms are defined within the body of this Listing Statement and in such cases, will have the meanings ascribed thereto.

Acquisition	The acquisition of all of the issued and outstanding securities of the Target by the Issuer pursuant to the Share Exchange Agreement.
Affiliate	Unless specified otherwise, has the meaning ascribed to such term in NI 45-106.
Asset Option Agreement	The property option agreement dated September 5, 2017 between the Issuer and Drifter pursuant to which Drifter will be granted the sole and exclusive option to acquire a 100% interest in and to the Dina Pool and Doe Creek oil and gas properties held by the Issuer
Associate	Unless specified otherwise, has the meaning ascribed to such term in the *Securities Act* (British Columbia), as amended, including the regulations promulgated thereunder.
Audit Committee	The audit committee of the Board.
Author	Glenn S. Griesbach, B.Sc., P. Geo, the author of the Technical Report.
BCBCA	The *Business Corporations Act* (British Columbia), S.B.C. 2002, c.57, as amended from time to time, including the regulations promulgated thereunder.
Board of Directors or Board	The board of directors of the Issuer or the Resulting Issuer, as the context requires.
CEO	Each individual who served as Chief Executive Officer of the Issuer or acted in a similar capacity during the most recently completed financial year.
CFO	Each individual who served as Chief Financial Officer of the Issuer or acted in a similar capacity during the most recently completed financial year.
Closing	The closing of the Acquisition
Closing Date	The date on which the Closing occurs, as agreed by the Issuer, the Target Shareholders and the Target
Common Shares	The common shares without par value in the capital of the Issuer
company	unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

Consolidation	The consolidation of the Common Shares on a four (4) old for one new basis to be effected immediately prior to the Acquisition
Control Persons	Any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.
CSE	Canadian Securities Exchange
Deposit	The non-refundable deposit of $25,000 paid by the Issuer to the Target on the date of the execution of the Letter Agreement.
Disposition	The disposition of the Dina Pool and Doe Creek oil and gas properties by the Issuer to Drifter pursuant to the Asset Option Agreement.
Drifter Way	Drifter Way Holding Co. Ltd., a private company incorporated pursuant to the laws of the Province of British Columbia, which is controlled indirectly by Mark Vanry and Steve Vanry, who are current directors and officers of the Issuer.
Escrow Agreement	The escrow agreement pursuant to which certain securities held by principals of the Resulting Issuer, as well as all of the remaining Target Shareholders, will be deposited with the Transfer Agent, in accordance with the policies of the CSE.
executive officer	(i) the chair, (ii) the vice-chair, (iii) a vice-president in charge of a principal business unit, division or function, including sales, finance or production; (iv) an officer, including of a subsidiary, who performs a policy making functions; (v) or any other individual performing policy making functions of a company, including the Issuer, the Targets or the Resulting Issuer.
Financing	The financing to be completed by the Issuer raising gross proceeds of $4,473,281 through the sale of 12,780,804 Units at a price of $0.35 per Unit on a non-brokered basis.
Finder	Caamo Capital Corp.
Finder's Fee Agreement	The finder's fee agreement entered into between the Issuer and the Finder dated August 31, 2017 in relation to a finder's fee payable in connection with the Acquisition.
IFRS	International Financial Reporting Standards.
Insider	if used in relation to a company, means:

	(a) a director or senior officer of a company; (b) a director or senior officer of a company that is an Insider or subsidiary of a company; (c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of a company; or (d) a company itself if it holds any of its own securities.
Issuer	Rhys Resources Ltd., a corporation incorporated under the BCBCA listed on the NEX under the trading symbol RYS.H.
IUP	Izin Usaha Pertambangan, a mining license in Indonesia.
Letter Agreement	The binding letter agreement dated June 28, 2017 entered into between the Issuer and the Target, which has been superseded by the Share Exchange Agreement.
Listing Statement	This listing statement dated October 19, 2017
MD&A	Management's discussion and analysis, as such term is defined in National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators.
MEMR	The Indonesia Minister of Energy and Mineral Resources
MI 61-101	Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* as adopted by the securities regulatory authorities in the provinces of Ontario, Quebec, Alberta, Manitoba and Saskatchewan, and the companion policies and forms thereto, as amended from time to time.
Mining Law	Indonesia's Law No. 4 of 2009 on Minerals and Coal Mining as approved by the President on January 12, 2009 and the prevailing law of Indonesia in respect of mining.
Named Executive Officer or NEO	One of the (i) the CEO, (ii) the CFO, (iii) each of the Issuer's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than $150,000, or (iv) any additional individuals for whom disclosure would have been provided under paragraph (i) above except that the individual was not serving as an executive officer of the Issuer, nor in a similar capacity, as at the end of the most recently completed financial year end.

NEX	The NEX board of the TSX Venture Exchange.
NI 43-101	National Instrument 43-101 *Standards of Disclosure for Mineral Projects* as adopted the Canadian Securities Administrators and the companion policies and forms thereto, as amended from time to time
NI 45-106	National Instrument 45-106 *Prospectus Exemptions* as adopted the Canadian Securities Administrators and the companion policies and forms thereto, as amended from time to time
NI 52-110	National Instrument 52-110 *Audit Committees* as adopted the Canadian Securities Administrators and the companion policies and forms thereto, as amended from time to time
NP 46-201	National Policy 46-201 *Escrow for Initial Public Offerings* as adopted the Canadian Securities Administrators and the companion policies and forms thereto, as amended from time to time
Option Agreement	The conditional sale and purchase of shares agreement dated June 15, 2017 entered into between the Target Subsidiary and TNM regarding the grant of an option to the Target Subsidiary to acquire all of the issued and outstanding shares of TNM.
Options	Stock options outstanding in the Issuer
Party	A party to the Share Exchange Agreement, being the Issuer, the Target, the Target Shareholders and the Target Subsidiary and **"Parties"** means all of them.
Payment Shares	An aggregate of 11,000,000 post-Consolidation Common Shares having a deemed price of $0.35 per share to be issued to the Target Shareholders as the total consideration payable for the acquisition of the Target Shares by the Issuer pursuant to the Share Exchange Agreement.
person	Broadly interpreted and includes any natural person, partnership, limited partnership, joint venture, syndicate, sole proprietorship, body corporate with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative.
Placement Warrant	Share purchase warrants issued as part of the Financing, each whole Placement Warrant entitling the holder to acquire one Resulting Issuer Share at a price of $0.50 per Resulting Issuer Share for a period of 24 months, subject to certain accelerated expiry provisions.
Resulting Issuer	The Issuer, which is currently an oil and gas issuer listed on NEX, following the completion of the Transactions.
Resulting Issuer Options	Stock options to acquire Resulting Issuer Shares granted by the Issuer

	pursuant to the Resulting Issuer Stock Option Plan
Resulting Issuer Shares	Post Consolidation Common Shares, following completion of the Transactions, in the capital of the Resulting Issuer.
Resulting Issuer Stock Option Plan	The stock option plan of the Resulting Issuer
Resulting Issuer Warrants	Share purchase warrants to acquire Resulting Issuer Shares, including the Placement Warrants, issued by the Issuer
Rp	Indonesian rupiahs
Schedules	The schedules to this Circular which are incorporated herein and form an integral part of this Circular.
SEC	The United States Securities and Exchange Commission.
Secured Advance	A refundable secured advance of US$50,000 paid by the Issuer to the Target for the sole purpose of making required payments pursuant to the Option Agreement.
Securities Laws	The *Securities Act* (British Columbia) or equivalent legislation in those provinces, states, and countries which have or assume jurisdiction over the affairs of the Issuer, the Target, the Resulting Issuer and any party to the Acquisition, and the applicable rules, regulations, rulings, orders, instruments and forms made or promulgated under such laws, as well as the rules, regulations, by-laws and policies of the CSE or TSX-V, as applicable.
SEDAR	The System for Electronic Document Analysis and Retrieval being the official website that provides access to most public securities documents and information filed by Issuers and investment funds with the Canadian Securities Administrators (CSA) in the SEDAR filing system at the website address of www.sedar.com.
Share Exchange Agreement	The share exchange agreement made as of September 7, 2017 between the Issuer, the Target Shareholders and the Target, a copy of which is available on the Issuer's profile on SEDAR at www.sedar.com, and any amendments made thereto
Shareholders	Holders of one or more Common Shares.
Stock Option Plan	The current incentive stock option plan of the Issuer.
Target	1121844 B.C. Ltd., a company incorporated pursuant to the laws of the Province of British Columbia.
Target Shareholders	The holders of the Target Shares.

Target Shares	The common shares in the capital of the Target together with the preferred shares in the capital of the Target.
Target Subsidiary	Cobalt Power (Asia) Ltd., a company incorporated pursuant to the laws of the Hong Kong Special Administrative Region.
Technical Report	Technical report prepared in accordance with NI 43-101 dated July 11, 2017 as prepared by the Author and titled “NI 43-101 Technical Report TNM Cobalt Project” in respect of TNM Project, a copy of which is available on SEDAR at www.sedar.com.
TNM	PT Tablasufa Nickel Mining, a PMA company incorporated pursuant to the laws of Indonesia.
TNM Project	The exploration license (IUP) held by TNM located in Depare District, Jayapura Regency, Papua Province, Indonesia, known as the TNM cobalt project.
Transactions	Collectively, the Consolidation, Acquisition and Financing.
Transfer Agent	Computershare Trust Company of Canada, the Issuer’s transfer agent and registrar.
Units	Units offering in the Financing at a price of $0.35 per Unit, each Unit comprising one Resulting Issuer Share and one half of one Placement Warrant.
Warrants	Previously issued share purchase warrants to acquire Common Shares issued by the Issuer.

1.9 Frequently Used Acronyms and Abbreviations

“Ag”	Silver
“As”	Arsenic
“Au”	Gold
“Bi”	Bismuth
“Co”	Cobalt
“Cu”	Copper
“EV”	Electric vehicles
“ft”	Feet
“g”	Grams
“g/t”	Grams per tonne

"km"	Kilometer
"lb"	Pound
"kwh"	Kilowatt hour

ITEM 2: CORPORATE STRUCTURE

2.1 Names, Address and Incorporation

The Issuer was incorporated on May 13, 1996 pursuant to the predecessor act to the BCBCA under the name of "Bice Ventures Corp." On August 17, 1999, the Issuer amended its memorandum to consolidate the common shares on the basis of three (3) old shares for one (1) new share and increased its authorized capital to 100,000,000 common shares without par value. On September 24, 1999, the Issuer's name was changed to "Pol-Invest Holdings Ltd." On March 13, 2003, the Issuer changed its name to "Net Soft Systems Inc." On June 2, 2004, the Issuer transitioned to the BCBCA. On February 9, 2011, the Issuer adopted a special resolution to remove the 'pre-existing company provisions', amend its authorized capital to an unlimited number of common shares without par value and to replace the Issuer's articles. On March 3, 2011, the Issuer changed its name to "Rhys Resources Ltd.". On October 10, 2017, the Issuer changed its name to "Pacific Rim Cobalt Corp.

In connection with the Acquisition, the Issuer will consolidate its share capital on a four old for one new basis (the "**Consolidation**") and change its name to "Pacific Rim Cobalt Corp."

The head office of the Issuer is located at Suite 912-1112 West Pender Street, Vancouver, British Columbia, V6E 2S1 and the registered and records offices of the Issuer is located at Suite 2080-777 Hornby Street, Vancouver, British Columbia, V6Z 1S4.

The Issuer is a reporting issuer in British Columbia and Alberta, and is listed on the NEX under the symbol "RHY.H". Following the completion of the Transactions, the Issuer will be a reporting issuer in British Columbia, Alberta and Ontario and is listed on the CSE under the symbol "BOLT".

The Target was incorporated pursuant to the BCBCA on June 6, 2017. Since the date of its incorporation, the Target has not materially amended its constating documents.

The Target maintains a head office at Suite 300 - Bellevue Centre, 235 - 15th Street, West Vancouver, British Columbia, V7T 2X1 and the registered and records offices of the Target is located at Suite 2080-777 Hornby Street, Vancouver, British Columbia, V6Z 1S4. Upon completion of the Acquisition, the Target will become a wholly owned subsidiary of the Issuer.

2.2 Intercorporate Relationships

The Issuer currently has no subsidiaries.

The Target currently has one wholly owned subsidiary, being the Target Subsidiary, which was incorporated on April 3, 2017 pursuant to the laws of the Hong Kong Special Administrative Region. Pursuant to the Option Agreement, the Target Subsidiary has the right to acquire 100% of the issued and outstanding securities of TNM.

Hong Kong's legal system is a common law based system which has experienced general political and economic stability for many years. Hong Kong is a special administrative region of China. Hong Kong has banking system and standards for professional services are comparable to or exceed the standards of North American countries. The separation of the Hong Kong legal system from the People's Republic of China is guaranteed constitutionally until 2047. The sole purpose of the Target Subsidiary is to facilitate the acquisition of TNM through the Option Agreement. The Target Subsidiary will also be useful to the Resulting Issuer following the acquisition of TNM in the event that the Resulting Issuer determines to dispose of the TNM Project as IUPs may not be transferred under Indonesian law and the transfers of shares of Indonesian companies can be complex and subject to MEMR approval.

Upon completion of the Acquisition, the Issuer will have two wholly-owned subsidiaries, being the Target and the Target Subsidiary, which holds the exclusive right and option to acquire TNM.

TNM was incorporated on January 26, 2007 pursuant to the laws of Indonesia. TNM's permitted purpose and objective under its deed and articles of incorporation is nickel mining which includes the following permitted activities: (a) exploration, development / exploitation / production and sales of nickel ore / ore nickel or smelter, (b) Establish and or build a smelter for ore nickel processing; and (c) other activities which support nickel mining which is permitted or required by regulations in the field of mineral mining in general and nickel mining in particular. The Issuer anticipates that it may determine to incorporate a further subsidiary in Indonesia to facilitate its operations on the TNM Project pending the acquisition of TNM, assuming option granted to the Target Subsidiary pursuant to the Option Agreement is exercised. This will assist the Issuer with compliance with the laws of Indonesia, particularly in relation to operations on IUPs and is conducive to maintaining positive relationships with local entities and government officials upon whom the Resulting Issuer's operations will be substantively reliant.

Indonesia's legal system is a civil law based system. Many laws and regulations in Indonesia conflict with one another and the system often does not operate effectively to resolve such conflicts. Additionally, Indonesia rates fairly high on the Corruption Perceptions Index of Transparency International (placing 90 out of 176). There are risks associated with the Resulting Issuer's proposed operations in Indonesia, as more particularly described below at "*Risk Factors*" and at "*General Development of the Business – Doing Business in Indonesia*".

All references within this Listing Statement to the Resulting Issuer, refer to the Resulting Issuer immediately following the completion of the Transactions and include the Target, unless otherwise indicated.

2.3 Fundamental Change

The Issuer is seeking to qualify for listing on the CSE following completion of the Transactions, but is currently listed on NEX as an oil and gas issuer. Following the Transactions, the Resulting Issuer will re-classify itself from being an oil and gas issuer to a resource issuer.

Summary of the Acquisition

The Issuer has entered into the Share Exchange Agreement with the Target, whereby the Issuer will acquire all of the issued and outstanding securities of the Target in consideration of the issuance of the Payment Shares. The Share Exchange Agreement is available on SEDAR at www.sedar.com. The completion of the Acquisition is conditional upon the completion of the Consolidation, the Financing, the receipt of the approval of the CSE and certain other closing conditions as more particularly described in the Share Exchange Agreement. The Acquisition is an arm's length transaction.

Finder's Fee Agreement

Pursuant to the Finder's Fee Agreement, the Finder is entitled to receive from the Issuer upon the successful completion of the Acquisition a fee of $154,000 payable in cash.

Concurrent Financing

The completion of the Acquisition is subject to the completion of the Financing, pursuant to which the Issuer intends to raise, on a non-brokered basis, $4,473,281 through the sale of 12,780,804 Units at a price of $0.35 per Unit. The Financing will close concurrently with the completion of the Acquisition.

Post-Closing

Following the completion of the Transactions, the Resulting Issuer will conduct the principal business of the Target, being the exploration and acquisition of the TNM Project (indirectly through the proposed acquisition of TNM). No further fundamental changes are proposed. The Issuer is not proposing any further acquisition, merger, re-organization or arrangements at this time.

2.4 Non-Corporate Issuers and Issuers incorporated outside of Canada

This section is not applicable.

ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS

3.1 Three Year History

Business of the Issuer

Prior to the date of entering into the Share Exchange Agreement, the Issuer has been focused on the acquisition and development of conventional oil and gas projects with low risk drilling opportunities in western Canada. The Issuer currently holds (i) 128 hectares of land in the Provost area of Alberta known as the Dina Pool property, acquired in June 2016; and (ii) 128 hectares of land in the Grand Prairie area of Alberta known as the Doe Creek property, acquired in September 2016, both of which properties were acquired through Province of Alberta land sales for nominal cash consideration.

Recent Financings

The Issuer has completed one financing in the last three years, being a non-brokered financing completed on May 25, 2017, raising aggregate gross proceeds of $250,000 through the issuance of 5,000,000 units at a price of $0.05 per unit. Each unit comprised one Common Share and one half of one share purchase warrant, each whole warrant entitling the holder to acquire a further Common Share for $0.10 per share until May 25, 2018. Aggregate cash finder's fees of $9,300 were paid in connection with the placement.

Proposed Acquisition of the Target

As described above, the Issuer has entered into the Share Exchange Agreement with the Target and the Target Shareholders, whereby the Issuer will acquire all of the issued and outstanding securities of the Target in consideration of the issuance of an aggregate of 11,000,000 Payment Shares at a deemed price of $0.35 per Payment Shares. The Payment Shares will be distributed to the Target Shareholders pro rata in accordance with their holdings of Target Shares, such that a Target Shareholder will receive one Payment Share for each Target Share held. The Acquisition is an arm's length transaction as neither the Target nor the Target Shareholders have a relationship with the Issuer or its Affiliates and Associates. The Target was incorporated by the Target Shareholders in order to facilitate the completion of the Acquisition as well as certain other objectives of the Issuer and the Target Shareholders.

In furtherance of the Acquisition, the Issuer advanced to the Target the Deposit and the Secured Advance. The Secured Advance was secured with a promissory note issued by the Target and the execution of a general security agreement by the Target granting to the Issuer a general security interest in all of the Target's present and after acquired personal property, including the Option Agreement. The sole purpose for which the Target may utilize the funds forming the Secured Advance is to make required payments pursuant to the Option Agreement.

Option Agreement

The material asset of the Target is its wholly owned subsidiary the Target Subsidiary which in turn holds the sole and exclusive right and option to acquire 100% of the TNM Shares pursuant to the Option Agreement. The Target currently anticipates that the acquisition of the TNM Shares will be completed directly through the acquisition of the private foreign entities holding the TNM Shares, following further discussion with the owners of TNM.

Under the terms of the Option Agreement, to earn a 100% interest in the TNM, and thereby indirectly the TNM Project, the Target Subsidiary must pay to the owner of TNM aggregate cash payments of US$1,500,000 over a three-year period as follows:

(a) US$50,000 payable within 30 days of the execution of the Option Agreement (which payment was made by the Target following receipt of the Secured Advance from the Issuer);

(b) US$150,000 on or before the date which is six months following the date of the Option Agreement;

(c) US$150,000 on or before the date which is 12 months following the date of the Option Agreement;

(d) US$250,000 on or before the date which is two years following the date of the Option Agreement; and

(e) US$900,000 on or before the date which is three years following the date of the Option Agreement.

Target Subsidiary has been appointed as the operator of the TNM Project and has the exclusive and sole responsibility of administering and carrying out the exploration programs on and for maintaining the TNM Project. The Option Agreement includes standard representations, warranties and termination provisions.

In addition, the Target Subsidiary has agreed, pursuant to a letter agreement dated July 1, 2017, to grant to a private individual a 2% net smelter royalty on the TNM Project.

Share Exchange Agreement

The Acquisition will be effected in accordance with the Share Exchange Agreement, which has been filed by the Issuer on SEDAR at www.sedar.com as a material document.

The Share Exchange Agreement contains certain representations and warranties made by (i) the Issuer in respect of the consideration and other matters, (ii) by the Target in respect of its business, operations and financial condition, as well as that of the Target Subsidiary and the validity and enforceability of the Option Agreement, and (iii) the Target Shareholders relating to their Target Shares. The Share Exchange Agreement contains a number of conditions precedent to the obligations of the Parties thereunder. Unless all of such conditions are satisfied or waived by the Party or Parties for whose benefit such conditions exist, to the extent they may be capable of waiver, the transaction may not proceed. There is no assurance that the conditions will be satisfied or waived on a timely basis, or at all. The Share Exchange Agreement contains representations and warranties made by each of the parties thereto. The assertions embodied in those representations and warranties are solely for the purposes of the Share Exchange Agreement. Certain representations and warranties may not be accurate or complete as of any specified date because they are subject to a standard of materiality or are qualified by a reference to the concept of an "adverse event" or "adverse change". Therefore, the representations and warranties in the Share Exchange Agreement should not be relied on as statements of factual information. The representations and warranties of the Parties in the Share Exchange Agreement will survive the Closing and a Party may make a claim for a breach thereof for a period of twenty-four (24) months following the Closing, subject to the provisions of the Share Exchange Agreement.

The respective obligations of the Parties to complete the transactions contemplated by the Share Exchange Agreement are subject to a number of conditions which must be satisfied or waived in order for the Transaction to be completed. There is no assurance that these conditions will be satisfied or waived on a timely basis or at all. The following significant conditions, in addition to other conditions, are contained in the Share Exchange Agreement:

(a) No action has been instituted and continuing on the Closing Date for an injunction to restrain, a declaratory judgment in respect of, or damages on account of or relating to the Acquisition, and no legal proceedings against the Target, the Target Subsidiary, TNM, the TNM Project or the Target Shares shall be in effect, pending or threatened.

(b) All material regulatory requirements will have been complied with and all other materials consents, waivers, orders and approvals, including regulatory approvals and orders necessary for the completion of the Acquisition, have been obtained or received.

(c) The Financing shall have been completed to raise aggregate gross proceeds of not less than such amount as might be required by the CSE to obtain their approval for the Acquisition and the listing of the Common Shares.

(d) The Issuer shall have received a favourable legal opinion regarding the TNM Project and TNM and any other such matters as the Issuer might request and shall have completed a due diligence review of the Target, the Target Subsidiary, TNM and the TNM Project to its satisfaction and the Target Shareholders shall have completed a due diligence review of the Issuer to their satisfaction.

Management of the Issuer believes that all consents, orders, regulations, approvals or assurances required for the completion of the Acquisition will be obtained prior to the Closing Date in the ordinary course and upon application therefor. Upon fulfillment of the foregoing conditions, the Board of Directors intends to take such steps and make such filings as may be necessary for the Acquisition to be implemented.

The Share Exchange Agreement may be terminated (i) by mutual written agreement of the Parties: (ii) by either Party providing written notice to the other Party in the event that the Closing does not occur on or before November 30, 2017, provided that the right to exercise such termination right shall not be available to any Party where the failure to complete the Acquisition has been caused by such Party's failure to fulfill any obligation; (iii) by either Party providing written notice to the other Party in the event any governmental entity have notified the Parties that it will not permit the Transaction, Financing or transactions contemplated by the Share Exchange Agreement to proceed; or (iii) by either Party providing written notice to the other Party in the event such that there has been a material misrepresentation, breach or non-performance by such other Party and the breaching Party fails to cure such misrepresentation, breach or non-performance within 14 days after receiving written notice of same from any other Party.

Pursuant to the Share Exchange Agreement, each of the Parties have agreed to not, directly or indirectly, solicit, initiate, assist, facilitate, promote or encourage proposals or offers from, entertain or enter into discussions or negotiations with, or provide information relating to the securities, business, operations, affairs or financial condition of the Target or the Issuer to any persons in connection with the acquisition or distribution of any securities of the Target, the Target Subsidiary or the Issuer, or any amalgamation, merger, consolidation, arrangement, restructuring, refinancing, sale of any material assets of the Target, the Target Subsidiary or the Issuer, unless such action, matter or transaction is part of the transactions contemplated in the Shares Exchange Agreement (including without limitation the Financing) or is satisfactory to, and is approved in writing in advance by the Target and the Issuer or is necessary to carry on the normal course of business.

Escrow Restrictions

Pursuant to the Share Exchange Agreement, all of the Payment Shares will be subject to escrow restrictions pursuant to the terms of the Escrow Agreement, and will be released from escrow based upon the passage of time in accordance with the Escrow Agreement, such that 10% of the securities will be released on the Closing Date and the remaining escrowed securities will be released in six tranches of 15% every six months thereafter.

Finder's Fee

In connection with the Acquisition and pursuant to the Finder's Fee Agreements, the Resulting Issuer will pay an aggregate finder's fee of $154,000 to the Finder in cash on the Closing Date.

Concurrent Financing

The completion of the Acquisition is subject to the completion of the Financing, pursuant to which the Issuer intends to raise, on a non-brokered basis $4,473,281 through the sale of 12,780,804 Units at a price of $0.35 per Unit. Each Unit will comprise one Resulting Issuer Share and one half of one transferable Placement Warrant. Each whole Placement Warrant will entitle the holder to acquire one further Resulting Issuer Common Share at an exercise price of $0.50 per share for a period of twenty-four (24) months, subject to accelerated expiry provisions whereby in the event the closing price of the Resulting Issuer Shares exceeds $0.70 per share for a period of 20 consecutive trading days, at the Issuer's election, the 24 month period within which the Placement Warrants are exercisable will be reduced and the holders of the Placement Warrants will be entitled to exercise their Placement

Warrants for a period of 30 days commencing on the day the Issuer provides notice of same. The Financing will close concurrently with the completion of the Acquisition.

The Issuer intends to pay cash commission of up to 7.0% of gross proceeds and broker warrants equal in number to up to 7.0% the number of Units sold, payable to registrants. Each broker warrant shall have the same terms as the Placement Warrants, provided however that they will be non-transferable. An aggregate of $262,621.27 is expected to be paid in cash, 367,621 broker warrants are expected to be issued and a further 380,500 Units are expected to be issued to finders.

The Issuer intends to complete a portion of the Financing pursuant to Multilateral CSA Notice 45-318 Prospectus Exemption for Certain Distributions through an Investment Dealer ("CSA 45-318") and the corresponding instruments, orders and rules implementing CSA 45-318 in the participating jurisdictions.

The securities issued in the Financing will be legended with a "hold period" of four months and one day from the date of closing in accordance with applicable Securities Laws and, if required, the policies of the CSE.

The Resulting Issuer intends to use the proceeds from the financing to carry out its business objectives and for general and working capital requirements during the twelve-month period following the Closing Date. See "*Narrative Description of the Business – Stated Business Objectives* and *Available Funds and Principal Purpose*".

Proposed Disposition of Oil and Gas Assets

The Issuer proposes to dispose of the Dina Pool property and the Doe Creek property by granting to Drifter the sole and exclusive option to acquire a 100% interest in such properties by making aggregate cash payments of $30,000 over an eight-year period pursuant to the Asset Option Agreement. The Disposition is a related party transaction pursuant to MI 61-101, as Drifter is substantially controlled by two directors of the Issuer, being Steve and Mark Vanry, with each of them indirectly owning 40% of Drifter and the remaining 20% interest being held by an arm's length third party. The book value of the Dina Pool and Doe Creek properties on the Issuer's financial statements as at June 30, 2017 is $28,932. The Issuer estimates that the fair market value of the properties is $30,000, but has not obtained a formal valuation for such assets. The Issuer wishes to complete the Disposition in conjunction with the Acquisition as it is changing its focus to the resource industry.

The review and approval process that was adopted by the Board for the Disposition was as follows:

(a) The independent members of the board of directors approved the Disposition, with each of Steve Vanry and Mark Vanry abstaining and disclosure their interest in the O&G Purchaser;

(b) The Issuer determined that exemptions were available from the requirements to obtain a formal valuation of the Disposition or seek minority shareholder approval for the Disposition under MI 61-101 (including TSX Venture Exchange policy 5.9 which incorporates such policy by reference) because:

    (i) as the Issuer is listed on NEX and proposing to be listed on the CSE, it falls within the exemption to the valuation requirement as described in section 5.5(b) of MI 61-101;

    (ii) as the value of the assets being disposed of, in so far as it involved interested parties, did not exceed 25% of the Issuer's market capitalization at the time it was agreed to, it falls within an exemption to the minority approval requirement as described in section 5.7(1)(a) of MI 61-101 and the valuation requirement as described in section 5.5(a) of MI 61-101. As of the date of the Asset Option Agreement, the Issuer had 21,925,534 Common Shares issued and outstanding and the Common Shares were halted for trading in connection with the Acquisition. At the time of the last date the Common Shares traded, being June 27, 2017, the Common Shares closed at $0.115 per Common Shares for an aggregate market capitalization of $2,521,436. The value of the assets is attributed at $30,000, representing 1.19% of the Issuer's market capitalization.

There are no prior valuations in respect of Issuer or the assets being disposed of and neither the Board nor the Issuer's officers are aware of the existence of any such valuation.

Business of the Target

On the Closing Date, the Issuer will acquire 100% of the outstanding securities of the Target. The Target is a company incorporated in British Columbia with no active operations other than its holding of the Target Subsidiary and is not listed on any stock exchange. The Target Subsidiary is a Hong Kong company with no active operations or assets other than the Option Agreement. TNM is an Indonesia company holding the IUP representing the TNM Project and has had no active operations in the last three years.

Operating Revenue

Neither the Issuer nor the Target has generated any material operating revenue since inception other than interest income from time to time. Management anticipates that the Resulting Issuer will continue to experience net losses as a result of ongoing research and development costs and general corporate and administrative costs and expenses until such time as revenue generating activities are commenced. The Resulting Issuer's future financial performance is dependent on many external factors. Circumstances and events that could materially affect the Resulting Issuer's future financial performance are set out in "*Risk Factors* below.

Doing Business in Indonesia

The Resulting Issuer is proposing to conduct its business in Indonesia, though it will continue to search for additional mineral properties worldwide. Accordingly, operations are exposed to various regulations pertaining to its business and to various levels of political, economic, legal and other uncertainties associated with doing business in Indonesia.

After a long period of autocratic government, Indonesia is now a constitutional democracy with an executive presidency. Its government has made concerted efforts to modernize Indonesia's regulatory environment in the last few years to assist in its economic recovery. Mining, intellectual property, competition, anti-corruption, banking and capital market laws have all been modernized as part of this ongoing reformed effort.

Oil and gas are the country's largest exports, followed by coal and other mining products. Its major export partners are Japan, the United States, Singapore, China, Malaysia and Korea and its main import partners are Singapore, China and Japan.

The following summary of Indonesian laws and regulations has been prepared by the Issuer using third party data and has not been specifically prepared by Indonesian counsel. This section contains general information and may not reflect current legal developments. Indonesian laws change frequently. The content below is designed only to give general information. It is not intended to be a comprehensive summary of all Indonesian laws, treat exhaustively the subjects covered, provide legal advice or render a legal opinion. Since law is constantly changing and since law will vary based on different facts and circumstances, the statements below may not be current or applicable.

Mining Title

On January 12, 2009, the President of the Republic of Indonesia passed the Mining Law, which came into effect on February 1, 2010. The Mining Law introduced a new licensing structure and no longer differentiates between domestic and foreign investors. The Mining Law provides general provisions regarding mineral activities in Indonesia. A number of implementing regulations have been subsequently enacted in the form of, among others, Government regulations, MEMR regulations and Director General of Mineral and Coal regulations.

Mining can only be conducted in areas designated by the Indonesian Central Government. In making such determinations, the Indonesian Central Government has carried out detailed mapping exercises and is preparing a map of areas that will be permitted for mining. That process is still ongoing and once completed will require the approval of Indonesian Parliament.

Tenure

All investors must have either a mining business permit (Izin Usaha Pertambangan - "IUP"), a people's mining permit (Izin Pertambangan Rakyat - "IPR") or a special mining business permit (Izin Usaha Pertambangan Khusus - "IUPK") to engage in mining activities. IPRs will only be issued to individuals (for up to 1 Ha), groups of people (for up to 5 Ha) and cooperatives (for up to 10 Ha). IUPs and IUPKs can be issued to private companies with certain size limitations. The size of an exploration IUP must be reduced over the term of the IUP, varying as to the type of IUP granted.

An IUP is granted for small and medium size mining projects, while a larger scale mining project with national strategic importance will require a special mining business license (Izin Usaha Pertambangan Khusus – “IUPK”). IUPs may be issued for (i) coal, (ii) metal minerals, (ii) non-metal minerals, and (iv) rock minerals to a business entity, a cooperative or an individual, whilst an IUPK may be issued for coal and metal minerals to (i) a state owned enterprise (“Badan Usaha Milik Negara”, “BUMN”), or (ii) a Regional Government owned enterprise (“Badan Usaha Milik Daerah”, “BUMD”), in the first instance, by way of priority rights, or (iii) subsequently, to a privately owned enterprise (“Badan Usaha MilikSwasta”, “BUMS”) by way of tender.

An IUP is issued by a regent if the license lies wholly within a regency, or by a provincial governor if the license straddles two regencies and by the MEMR if the license covers two provinces or if license is to be issued to a foreign owned Indonesian company. Pursuant to later laws issued in 2014 and 2015, the authority of a regent to issue IUPs was removed and given to the governors and MEMR.

An IUP or IUPK may not be transferred except to legal entities where 51% or more of the shares are owned by the IUP/IUPK holder. An approval from the government agency that issued an IUP prior to any transfer of shares in the company holding such IUP is required. Security interests cannot be granted in IUPs, but can be created in the assets of the IUP holder, such as land, building, equipment, stocks, receivables, as well as other contractual security rights, to secure finance.

Two types of IUP, namely exploration and production operation, can be applied for by Indonesian companies, Indonesian-foreign joint venture companies or foreign companies registered in Indonesia.

New IUPs for coal and metallic minerals are issued through a competitive tender process rather than a direct application (which may only be used for non-metal and rock mineral IUPs), with the intention of creating transparency and fairness to all potential investors. The Mining Law provides that a private-held company may only hold one IUP or IUPK. Only companies listed on the Indonesian Stock Exchange are permitted to hold more than one IUP. Under transitional procedures enacted with the Mining Law, an entity which held multiple tenures under the prior mining law can continue to hold those titles, under the Mining Law as converted to IUPs, in one company, but any new IUP applications would, however, need to be made through a separate company.

The duration of an exploration IUP depends on the type of mineral being explored, varying from three years for non-metallic mineral mining to eight years for metallic mineral mining. Extensions are available for certain exploration IUPs.

Upon completion of the exploration stage IUP, the holder of the IUP must convert the exploration IUP to a production operation IUP. In order to convert an exploration IUP to a production IUP, the holder of an IUP must meet the terms and deliverables set out in the exploration IUP which includes delivering a feasibility study. The maximum area for the production phase is again reduced once a production IUP is issued to 25,000 Ha.

A production IUP is valid for an initial period of 20 years and extendable twice for extensions of 10 years each time.

An IUP is issued for only one type of mineral. In the event other minerals are discovered, the relevant government body for the IUP may issue a further IUP for the different minerals and the initial exploration IUP holder will be given priority to acquire the license to mine the additional minerals before a third party, but must utilize a separate legal entity to acquire such additional IUP.

An IUP holder may apply for an extension of an exploration or production operation IUP, which extension will generally be granted provided the IUP holder is in compliance with the terms and conditions of the IUP.

MEMR provides a ‘clean and clear’ list of mining license areas that are verified and declared to be valid and free of competing claims. As at March 2017, approximately 30% of IUPs had been provided with ‘clean and clear status’. TNM’s clean and clear status is in progress, and TNM does not anticipate not being issued ‘clean and clear status’. To date TNM has been included in a list of licenses clear of overlap based on a MEMR decisions and has received recommendation for a forestry permit.

TNM currently holds one production operation IUP license covering 5,000 hectares which is valid until December 20, 2021. This IUP may be extended twice.

Processing

The Mining Law and Government Regulation No. 23 of 2010 (as amended) (“GR 23/2010”) provides that mining companies are obligated to conduct processing and refining activities of their (ore) mining products domestically. In other words, mining companies can only export mining products which have been processed and/or refined in Indonesia. The purpose of these regulations was to develop Indonesia’s mining processing and refining infrastructure and capabilities, to augment its domestic revenues and to increase the availability of refined mining products for domestic use. However, since currently Indonesia does not have sufficient smelting or processing facilities to process or refine most mineral products in Indonesia, the export of certain mineral products is still permitted (for a period of five years from January 11, 2017), provided that the exporter pays progressive export tax and can meet certain requirements stated in varying regulations.

A summary of the material regulations is as follows:

1. It is not permitted to export raw materials/ores or unprocessed minerals.
2. Ferrous mining companies (holders of Production Operation IUPs) which have conducted ferrous mining activities can export in certain quantities upon fulfillment of minimum processing and refining/smelting specifications.
3. Certain minerals (i.e. nickel, bauxite, ore, gold, silver, and chromium) may only be exported after they have been purified with the minimum content, which are high (95 per cent or above).
4. Certain other minerals (e.g. copper, iron sand, iron ore, zinc, lead, and manganese) can only be exported after they have been processed or purified with the minimum content, which are lower thresholds. The concentrates of these minerals are permitted to be exported.
5. Exporters must use a Letter of Credit ("**L/C**") as a mandatory payment instrument when exporting certain commodities (i.e. mining products), for which the price stated on the L/C must at least be equivalent to the global market price for the relevant exported commodities and payments must be made to a domestic foreign exchange bank.
6. Mining companies which export minerals are subject to a progressive export duty tariff.

Pursuant to new Government Regulation No. 1 of 2017 issued on January 11, 2017 (as an amendment to GR 23/2010), local miners may, for a period of five years from January 11, 2017, apply for permission to export unrefined mineral concentrates (copper), washed ore (bauxite) and low grade ore (nickel) provided several conditions are met, including a requirement to seek approval from the Minister of Trade on a yearly basis which will only be given following receipt of a recommendation from MEMR. The pre-requisites for obtaining such a recommendation include submitting plans for construction or processing and refining facilities. MEMR has indicated that MEMR will only grant a recommendation for such permission to be granted to miners with IUP and IUPK status provided that they have shown progress in the development and construction of local processing facilities, with permits being reviewed every six months by MEMR, which has indicated that such permits will be revoked if there is insufficient progress with construction.

Divestiture Requirement

Foreign shareholders of Indonesian mining companies that hold a production IUP are required to divest 51% of their shares starting five years after commencement of production and ending ten years thereafter. Under the applicable regulation, production is counted from the date of issuance of a production operation IUP. A later regulation of MEMR clarified that the initial production date for the purposes of divestment is the date of the commencement of actual production activities, but based on the hierarchy of regulations, the first interpretation ranks above the subsequent, though it is expected in practice the later provisions apply.

The divestiture share dispositions are to be made in the following stages:

- At least 20% by the sixth year after commencement of production;
- At least 30% by the seventh year after commencement of production;

- At least 37% by the eighth year after commencement of production;
- At least 44% by the ninth year after commencement of production; and
- At least 51% by the tenth year after commencement of production

Divested shares are to be offered within 90 days of the divestment obligation becoming due. Additionally:

- Holders of IUPS for which shares must be divested, are prohibited from providing loans to the Indonesian party for the purposes of acquiring the divestment shares, which is intended to prevent the foreign shareholder from maintaining control through nominee arrangements.
- Holders of IUPs are prohibited from pledging the shares which are obliged to be divested.
- Divested shares held by Indonesian participants shall not be diluted in the event of an increase of share capital in the mining company, ensuring Indonesian ownership is maintained

The divestment of the requisite number of shares is to be made to the following parties, in order of priority: 1. the Indonesian Central Government; 2. Indonesian Provincial/Regional Governments; 3. State-owned enterprises; 4. Regionally owned enterprises; and 5. Indonesian owned companies.

Previously, the offer of shares to the Central Government and Regional Government could be made simultaneously. Now, the Central Government has first priority, adding an additional layer to a divestment process. Assuming the offer is not taken-up by any government, state-owned or regionally-owned entities, the shares may then be offered to private entities by way of auction.

If no shares are divested through this process, divestment may be carried out through an IPO on the Indonesian stock exchange.

The pricing of divested shares shall be based on their "fair market value", without taking into account the coal or mineral reserve at the time the shares are divested. This pricing mechanism is likely to result in a price lower than the true 'fair market value', which would generally be understood to include the net present value of the cash flows generated through exploitation of the reserves over the life-of-mine. The resulting price is the highest price that can be offered to the Indonesian Central Government and is the base tender price for the remaining categories of parties who may be offered the divested shares. Independent appraisers may be used to calculate the pricing.

The divesting company must then submit a divestment report to the MEMR (via the Director General for Minerals and Coal).

Divestment obligations also apply where a local Indonesian company (a PDMN) with local shareholders seeks to be converted into a PMA company to allow for foreign shareholders or if foreign shareholders of an existing PMA company seeks to transfer their share ownership, such that in the case of a company holding an exploration IUP, foreign ownership in the converted PMA must not exceed 75%, and in the case of a production operation IUP, foreign ownership must not exceed 49%.

Pursuant to the Option Agreement, the Resulting Issuer will acquire, indirectly through the Target Subsidiary, 100% of TNM so will have meet the initial divestiture requirement for year six will be required to divest up to 51% of TNM starting in the tenth year of commercial production, if it gets there.

In the event that Indonesian parties already holds the required number of divested shares prior to the divestment obligation becoming due, then the divestment obligation and associated procedures and pricing would not apply, provided however that any such transfers would still be subject to the approval of MEMR.

Mining Services

The terms of an IUP require that the holder must conduct the activities of mining itself, though it may engage a mining services company (holding a special Production Operation IUP) for the purposes of consultant, planning, testing, overburden stripping and transportation. Mining services must be provided by an Indonesian entity, with a clear priority for the use of local and/or national companies, and may engage a foreign services provider, which may only be in the form of an Indonesian incorporated company, only in certain defined circumstances. Additional restrictions limit an IUP holder’s ability to utilize its subsidiaries or affiliates to provide mining services and require the prior approval of the Directorate General of Minerals and Coals.

IUP and IUPK holders are prohibited from receiving fees from the mining services company, which appears to have been introduced to eliminate practices whereby the mining license holder assigns mining operations to a third party and receives compensation based on a share of profits of the quantity of mineral produced.

Processing and refining can be done in cooperation with other IUP and IUPK holders as well as holders of specific IUPs for Processing and Refining (stand-alone facilities). This can be done by way of buying and selling ore or on a tolling basis. The plans for doing so must be submitted to MEMR for approval.

Land Use Rights and Permitting

In addition to holding a valid exploration IUP, the holder of an exploration IUP must obtain certain permits from various central and local government authorities prior to conducting any exploration activities.

IUPs grant the holder only the right to extract minerals from the ground, but the usage of the surface rights above must be negotiated with the landowners (if privately held) or other concession rights holders, including forestry rights holders. Overlapping area issues are common in the mining sector, particularly as IUPs may be issued for different minerals to different parties in the same concession area. Additionally, numerous forms of unregistered land title exist, the most common being native title land. Disputes relating to transfers of community-held land are particularly common.

If there are inhabitants living on the affected land, the holder of an exploration IUP is also responsible for obtaining a non-objection letter to carry out exploration from the owner of such land.

If the affected land is located within a designated forestry area as determined by the Ministry of Forestry (“MoF”), the holder of an exploration IUP must also obtain an exploration forestry borrow-use permit from the MoF (“Borrow-Use Permit”) prior to conducting mining activities. Exploration forestry Borrow-Use Permits are valid for a period of two years, after which a new application must be submitted. In practice, Borrow-Use Permits can take considerable time to obtain and no exploration activities may be conducted until such Borrow-Use Permit is obtained. Compensation, either in the form of replacement land or monetary payments must be provided for the borrowed use of the forest area. The holder of the Borrow Use Permit will also be required undertake re-forestation activities upon ceasing its use of the land. There can be considerable uncertainty concerning if an IUP area is covered in forest.

TNM has received government recommendation for a forestry permit. The surface rights to the land covered by TNM's IUP are held by three traditional land owner communities. TNM has engaged with the local owners under a community responsibility program outlined in the Technical Report.

Environmental Regulations

Government Regulation 78 of 2010 ("GR 78/2010") requires that an IUP or IUPK holder must restore their relevant mining areas following a planned and sustainable programme upon completion of the entire mining operation. An exploration IUP holder must include a reclamation plan in its exploration work plan and budget and provide a reclamation guarantee in the form of a time deposit placed at a state-owned bank. The reclamation plan for the exploration phase is required to be placed before undertaking any exploration activities. Upon submission an application for a production operation IUP, the reclamation plan for the production phase and the post-mining plan must be prepared by the IUP holder and cover a five-year period (or the remainder of the mine life, if shorter).

Under GR 78/2010, every business activity having a significant impact on the environment is required to carry out an environmental impact planning document (an AMDAL), which forms the basis for the issuance of an environmental license by applicable regulatory authorities. The AMDAL consists of an environmental impact assessment, an environmental management plan and an environmental monitoring plan.

Sanctions applied in respect of breaches of the environmental law in Indonesia (Law No. 32 of 2009) range from three to 15 years of imprisonment and/or a fine of Rp 100 million to 750 million.

TNM has submitted an agreement of AMDAL for nickel ore mining as at December 19, 2011.

Royalties

All IUP holders are required to pay production royalties to applicable regulatory authorities, the rates of which vary depending on the mining scale, production level and applicable commodity. The current production royalty rate on cobalt is 4%.

Holders of IUPKs are required to be additional royalties of 10% of net profit. TNM holds an IUP only.

Production royalties are to be calculated using the greater of the actual sale price or the benchmark price as set by MEMR.

In addition to the production royalty due to regulatory authorities, the Target Subsidiary has agreed to grant a 2% net smelter royalty on the TNM Project to a private individual.

Taxation

The principal taxes applicable to companies doing business in Indonesia are the corporate income tax, branch profits tax, resource royalty tax, withholding tax, value added tax (VAT), export tax and various other indirect levies such as tax on land and stamp duty. Indonesian companies pay tax on taxable profits at a flat rate of 25%. A 5% income tax reduction is applicable for companies listed on the Indonesian Stock Exchange, subject to meeting certain requirements. VAT is levied on the supply of goods and the provision of services at a rate of 10%. Other important taxes include employee income tax and raw mineral export tax. Employee income tax is paid by Indonesian companies as withheld from employees' gross salaries at various rates ranging from 5% to 30%, depending on the amount of the employee's salary.

To the knowledge of the Target, TNM has not been subject to the payment of Indonesia corporate taxes due to losses.

Companies Law

The Indonesian company law system is derived from the European civil law system and Indonesian companies consequently have some of the characteristics of companies in European jurisdictions. Indonesian companies have (i) a board of directors responsible for the day-to-day management of the company; and (ii) a board of commissioners who supervise the governance of the company and the policies of the directors in the interests of the company. At least two shareholders are required at all times, which may be two individuals, two companies or a combination thereof in certain sectors.

Acquisitions of Domestic Enterprises by Foreign Investors

Generally, new direct foreign investment in Indonesia is conducted either by acquiring an existing company or by establishing a new PMA company (a foreign investment company).

Under the Company Law No. 40 of 2007 (the "Company Law"), if the acquisition of shares in an Indonesian company results in a change of control over the company, the proposed transaction may need to observe the direct acquisition rules prevailing under the Company Law. Commonly, a 'change of control' is deemed to have occurred if more than 50% of the shares of the company are acquired by other parties. Therefore, if foreign investors wish to acquire more than 50% of the shares of an Indonesian company holding an IUP/IUPK (the "target company"), this rule will apply.

Under the rules, certain procedures must be completed by the target company and the purchaser, before the purchaser can acquire the company's shares from the existing shareholders, such as to announce it in the newspaper(s) and to notify the creditors and employees of the target company of the proposed acquisition (no later than 30 days prior to the summons of a general meeting of shareholders of the target company to approve the acquisition), as well as to obtain approval from shareholders of the target company and the Capital Investment Coordinating Board (Badan Koordinasi Penanaman Modal ' "BKPM"). If the target company is currently a local company, approval from the BKPM for the conversion of the target company's status to a PMA company will be required before the acquisition process can be finalized.

Employment issues need to be considered in such an acquisition as well. In the event of employment termination (whether initiated by the employer or the employee), the company must provide the payments (severance package) required under the Indonesia manpower law, taking into account any specific contractual matters that may be governed by the company regulations, collective labour agreement or employment agreement.

In general, the conversion of the status of a mining company to a PMA mining company will require, in addition to the approval of the BKPM, a recommendation from MEMR or the governor or regent/mayor (as applicable) issuing the IUP held by the target company and an approval from the Ministry of Law and Human Rights for changes to the target company's articles of association to reflect its PMA status.

Under the Mining Law, an IUP/IUPK cannot be transferred except to legal entities where 51% or more of the shares are owned by the IUP/IUPK holder. Ownership or shares in a company holding an IUP/IUPK can be transferred, provided that prior approval from the government (depending on its authority to issue the IUP) is obtained.

Any change of shareholding in a foreign investment company may only be conducted if:

(a) The foreign share ownership is not more than 75% for a company holding an exploration IUP;

(b) The foreign share ownership is not more than 49% for a company holding a production operation IUP, but processing and/or refining activities are conducted by third parties;

(c) The foreign share ownership is not more than 60% for a company holding a production operation IUP and conducting processing and/or refining activities itself; and

(d) The foreign share ownership is not more than 70% for a company holding a production operation IUP and conducting either underground mining or underground and open pit mining.

The effect of these requirements is to introduce a faster divestment requirement than previously existed under the divestiture obligations outlined above. TNM is already a PMA IUP company and in the event that Target Subsidiary exercises the option to acquire 100% of the TNM Shares granted to it pursuant to the Option Agreement, it anticipates that it would do so indirectly through the acquisition of existing foreign shareholders of TNM.

Repatriation of Profit and Currency Conversion

Any revenues earned by the Resulting Issuer will be in Indonesia rupiah. The rupiah is freely convertible into foreign currency, although approval of the Bank of Indonesia must be obtained before more than Rp 100 million is taken out of Indonesian. Indonesia does not restrict the transfer of foreign currency funds to or from foreign countries, but inbound investment capital requires approval. Offshore loans must be registered with the Bank of Indonesia, with subsequent movements reported monthly to enable the bank to monitor the country's foreign exchange exposure. Additionally, Investment Law No. 25 of 2007 guarantees foreign investors the right to transfer, in the currency of the original investment, all after-tax profits, certain costs and, in the event of nationalization, compensation.

On July 1, 2015, Bank Indonesia Regulation No. 17 became effective with the aim of stabilizing the Rupiah exchange rate. MEMR issued a release seeking to clarify the agreement between MEMR and the Bank of Indonesia regarding how the regulation would apply to the mining industry and setting forth categories of transactions which would be required to be made directly in Rupiah and other transactions which would require time to implement and which would be fundamentally difficult to fulfill the provisions of the regulation. Further procedures for the implementation of the regulation are expected to be issued in due course.

3.2 Significant Acquisitions and Dispositions

Other than as described in Sections 2.3 and 3.1 above, no significant acquisitions or significant dispositions have been completed by the Issuer during the last three financial years or are contemplated.

3.3 Trends, Commitments, Events or Uncertainties

The Issuer is not currently aware of any trends, events or uncertainty that reasonably can be expected to have material adverse effect on the Issuer's business, financial condition or results of operations, other than as described elsewhere in this Listing Statement. There are significant risks associated with the Issuer and the Resulting Issuer's business, as applicable, as described in "Item 17 – *Risk Factors*"

ITEM 4: NARRATIVE DESCRIPTION OF THE BUSINESS

4.1 General

On the Closing Date, the Target will become a wholly owned subsidiary of the Resulting Issuer and the Resulting Issuer will be an exploration issuer focused on the development of the TNM Project in Indonesia. The Target currently has no active operations, no income cash flow or revenues. There is no assurance that a commercially viable mineral deposit exists on any of the Target's mineral properties. None of its current properties have any known or identified mineral reserves or mineral resources.

Stated Business Objectives

The Resulting Issuer intends to operate as a junior resource company engaged in the identification, acquisition, exploration and, if warranted, development of mineral properties, starting with the TNM Project. The Resulting Issuer expects to focus on the advancement of the TNM Project and the eventual acquisition of TNM pursuant to Option Agreement.

The Target's short-term objectives for the next 12 months are to continue its development of the TNM Project and will pursue the recommendations set forth in the Technical Report, at an approximate cost of $1,000,000. The exploration work program recommended by the Technical Report consists of a topographic and low-level aerial photographic survey, a geophysical survey with ground magnetometer, a drilling program with a first phase assessment of laterite zones by auger drilling with follow up by diamond core holes, a test pitting over the locations of completed favorable diamond drill holes and metallurgical test work. The Target anticipates such program would be commenced by November 1, 2017 and would be completed by May 2018.

Other than as described in this Listing Statement, to the knowledge of management, there are no other particular significant events or milestones that must occur for the Resulting Issuer's initial business objectives to be accomplished. However, there is no guarantee that the Resulting Issuer will meet its business objectives or milestones described above within the specific time periods, within the estimated costs or at all. The Resulting Issuer may, for sound business reasons, reallocate its time or capital resources, or both, differently than as described above.

Available Funds

Upon completion of the Transactions, the Resulting Issuer anticipates it will have an estimated $3,859,500 in funds available, comprised of:

Description	Amount
(a) approximate working capital of the Issuer as at June 30, 2017	$80,000
(b) approximate working capital deficit of the Target as at June 30, 2017	($12,000)
(c) net proceeds of the Financing (less estimated commission and fees, which assumes commissions are payable on the entirety of the Financing)	$4,210,660
(d) less payment of the finder's fee to the Finder pursuant to the Finder's Fee Agreement	($154,000)
(e) less estimated remaining transaction costs of the Issuer and the Target associated with the Acquisition (including legal fees, audit fees, fees of the CSE and other expenses)	($100,000)
TOTAL	**$4,024,660**

A pro forma consolidated balance sheet of the Resulting Issuer as at June 30, 2017, giving effect to the Transactions, is attached to this Listing Statement as Schedule "G".

Principal Purpose of Funds

It is the Resulting Issuer's intention to use these funds for a period of twelve months after the closing of the Transactions as follows:

Principal Purpose	Budgeted Expenditures if Minimum Financing Completed
Exploration activities in the next 12 months (1)	$1,000,000
Payments pursuant to the Option Agreement due in the next 12 months (2)	$374,580
General and Administrative Expenses for the next 12 months (3)	$1,293,900
Unallocated (4)	$1,356,180
Total	**$4,003,660**

Notes:

(1) The exploration program to be conducted will be that as recommended in the Technical Report as described as *"Item 4.3 – Companies with Mineral Properties – Recommendations"* below.

(2) Pursuant to the Option Agreement, the Target Subsidiary must pay US$150,000 on or before December 15, 2017 and a further US$150,000 on or before June 15, 2018. These payments have been converted to Canadian dollars as a rate of US$1.00 = CDN$1.2486.

(3) General and administrative costs for the next 12 months are expected to be comprised of: executive compensation of $258,000, consulting fees of $132,000, travel expenditures of $240,000, investor relations, marketing and shareholder communication of $240,000, exploration consulting and employment fees of $199,500, professional expenses of $144,000 and office, insurance, transfer agent and other miscellaneous expenses of $80,400.

(4) Unallocated funds will be added to the working capital of the Resulting Issuer and invested in short-term interesting bearing obligations.

The Resulting Issuer intends to spend the funds available to it upon completion of the Acquisition to further the Resulting Issuer's stated business objectives. There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Resulting Issuer to achieve its stated business objectives.

The Issuer has had negative operating cash flow and incurred losses. The Issuer's negative operating cash flow and losses are expected to continue for the foreseeable future. The Issuer cannot predict when it will reach positive operating cash flow, if ever. Due to the expected continuation of negative operating cash flow, the Issuer anticipates its initial funds will be used to fund future negative operating cash flow.

Products and Operations

The principal product under exploration at the TNM Project is cobalt. The TNM Project remains in the exploration stage and does not produce, develop or sell mineral products at this time.

Cobalt (Co) is a metal used in numerous diverse commercial, industrial, and military applications, many of which are strategic and critical. On a global basis, the leading use of cobalt is in rechargeable battery electrodes. Cobalt is an essential element utilized in the production of rechargeable batteries required for portable electronic devices and electric and hybrid electric vehicles. Cobalt's usage in batteries now accounts for 49% of world refined cobalt consumption. Cobalt's second largest use is for critical applications in the aerospace sector which includes the production of both air and land based jet turbine engines,

Cobalt is also used to make airbags in automobiles; catalysts for the petroleum and chemical industries; cemented carbides (also called hard metals) and diamond tools; corrosion- and wear-resistant alloys; drying agents for paints, varnishes, and inks; dyes and pigments; ground coats for porcelain enamels; high-speed steels; magnetic recording media; magnets; and steel-belted radial tires

An unusual feature of the global cobalt market is that half of global production comes from the Democratic Republic of the Congo in central Africa. Cobalt is usually produced as a by-product of mining copper or nickel, so countries that produce these metals in large quantities generally produce a lot of cobalt as well.

At Closing, the Resulting Issuer will be an exploration stage companies with no producing properties and consequently have no current operating income, cash flow or revenues. The Target has not undertaken any current resource estimate on the TNM Project. There is no assurance that a commercially viable mineral deposit exists on the TNM Project. The Target does not expect to receive income from the TNM Project within the foreseeable future. The Target intends to continue to evaluate, explore and develop the TNM Project through additional equity or debt financing. The Target's primary objectives are to complete exploration on the TNM Project with a view to development. Toward this end, the Target intends to undertake the exploration programs on the TNM Project recommended by the Author in the Technical Report. If the results of such programs merit further exploration, the Target may commence further exploration programs.

Specialized Skills and Knowledge

Various aspects of the Resulting Issuer's business require specialized skills and knowledge. Such skills and knowledge include the areas of exploration and development, geology, drilling, permitting, metallurgy, logistical planning, and accommodation and implementation of exploration programs, as well as legal compliance, finance and accounting. The Resulting Issuer expects to rely upon, consultants and others for exploration and development expertise.

Market and Marketing

The Resulting Issuer's principal product under its exploration programs will be cobalt, but the Resulting Issuer will not produce, develop or sell any products at this time, nor do any of its properties have any known or identified mineral reserves. As the Resulting Issuer will not yet be producing, it will not be conducting any marketing activities and does not require a marketing plan or strategy.

Market Demand

Per the CRU Cobalt Market Outlook reports for 2016, refined cobalt consumption has been steadily increasing over the past couple of years with 83,000 tonnes in 2013, 89,000 tonnes in 2014, 90,150 tonnes in 2015 and 98,000 tonnes in 2016. Global cobalt demand is expected to exceed 100,000 tonnes for the first time in 2017 as the market begins to face supply deficit. Demand for cobalt used in metallurgical applications is forecasted to grow steadily from 36,690 tonnes in 2016 to 50,000 tonnes in 2025, driven by the aerospace industry. Non-metallurgical demand is expected to reach over 100,000 tonnes by 2015, driven by the rechargeable battery sector. End user consumption of cobalt is also expected to change rapidly with the most significant change in demand for lithium ion batteries used in EVs.

The main three types of batteries in the rechargeable lithium ion batteries market is comprised of the lithium cobalt oxide ("LCO"), nickel manganese cobalt ("NMC") and lithium nickel cobalt aluminum ("NCA") cells. These three types of batteries made up 75% of the rechargeable batteries market share in 2015. LCO cathode contains the highest cobalt by weight in the form of cobalt oxide followed by NMC and NCA batteries which contains cobalt in the form of cobalt sulfate. LCO batteries are the largest consumer of cobalt and accounts for 28% of global consumption. NMC and NCA batteries, used in EVs, is expected to have the highest demand growth in the mid and long-term range forecast. The growth in the EVs market will increase consumption of cobalt sulfate, accounting for roughly 40% of chemical cobalt consumption in 2025. Battery supply is one of the key hurdles to EV growth, especially for to meet demand requirements beyond 2019 and 2020. To produce this energy requirement, the battery sector is forecasted to consume 75% to 78% of total cobalt production. In addition to Tesla Motors, Inc. and LG Chem proposed investments in battery plants, most of the larger automobile manufacturers have announced plans to invest in EV production.

Market Supply

Cobalt is produced primarily as a by-product of nickel and copper mining, with 60% of cobalt coming from copper mining, 38% from nickel production, and 2% from primary cobalt mines in Morocco and Uganda. Weak nickel and copper prices have negatively impacted cobalt supply due to the suspension and closure of a number of large nickel and copper projects including Glencore/Katanga Mining (representing 10% of global cobalt metal supply).

China is the largest importer of cobalt raw materials estimated at 65% of world supply in 2015. In turn, China is also the largest producer of refined cobalt representing 78% of world production.

Competitive Conditions

The mineral exploration and mining industry is very competitive and the Resulting Issuer will be required to compete for the acquisition of mineral permits, claims, leases and other mineral interests for exploration and development projects. The cobalt market is quite limited in size as well. As a result of this competition, the majority of which is with companies with greater financial resources than the Resulting Issuer, the Resulting Issuer may not be able to acquire or retain attractive properties in the future on terms it considers acceptable. The ability of the Resulting Issuer to acquire and retain mineral properties in the future will depend on its ability to operate and develop its existing properties and also on its ability to obtain additional financing to fund further exploration activities. The Resulting Issuer will compete with other mining companies for investment capital with which to fund such projects and for the recruitment and retention of qualified employees.

Components

All of the raw materials the Resulting Issuer will require to carry on its business are available through normal procurement and/or business contracting channels in Indonesia. The Resulting Issuer has secured personnel to conduct its currently contemplated programs. Over the past several years, increased mineral exploration activity on a global scale has made some services difficult to procure, particularly skilled and experienced contract drilling personnel. It is possible that delays or increased costs may be experienced in order to proceed with drilling activities during the current period.

Cycles

The Resulting Issuer's mineral exploration activities may be subject to seasonality due to adverse weather conditions including, without limitation, inclement weather, snow covering the ground, frozen ground and restricted access due to snow, ice or other weather-related factors.

In addition, the mining business is subject to global economic cycles which affect the marketability of products derived from mining. At the present time, there is significant demand for cobalt with limited supply driven by increases in demand in the rechargeable lithium-ion battery market, particularly in the EV sector. It is difficult to predict how long these trends will continue.

Proprietary Protections

Neither the Issuer nor the Target is not dependent on any intellectual property.

Economic Dependence

The Resulting Issuer's business is expected to be dependent on the Option Agreement. In the event the Option Agreement were terminated, the Resulting Issuer would lose all of its right and interest in and to TNM and thereby the TNM Project, and would be left with no mineral properties.

The Resulting Issuer will not be dependent on a contract to sell the major part of its products or services, to purchase the major part of its requirements for goods, services or raw materials, or on any franchise or license or other agreement to use a patent, formula, trade secret, process or trade name upon which its business depends.

It is not expected that the Resulting Issuer's business will otherwise be affected in the current financial year by the re-negotiation or termination of contracts or sub-contracts.

Environmental Conditions

All aspects of the Resulting Issuer's exploration operations will subject to environmental regulations and generally will require approval by appropriate regulatory authorities prior to commencement. Any failure to comply could result in fines and penalties. The Resulting Issuer's operations will initially be solely in Indonesia and are subject to national and local laws and regulation. Environmental legislation in Indonesia involves strict standards and may entail increased scrutiny, fines and penalties for noncompliance, stringent environmental assessments of proposed projects and a high degree of responsibility for companies and their officers, directors and employees.

Changes in any applicable governmental regulations to which the Resulting Issuer is subject may adversely affect its operations. Failure to comply with any condition set out in any required permit or failure to comply with applicable regulatory requirements may result in the Resulting Issuer being unable to continue to carry out its activities. The impact of these requirements cannot accurately be predicted.

The Resulting Issuer may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest.

Neither the Target not the Issuer is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Resulting Issuer. Before production can commence on any properties, the Resulting Issuer must obtain regulatory and environmental approvals. There is no assurance that all required approvals can be obtained on a timely basis or at all.

Employees

As of June 30, 2017, the Issuer had nil employees and the Target and the Target Subsidiary had nil employees.

The Resulting Issuer expects to primarily utilize consultants and contractors to carry on many of its activities.

Foreign Operations

The Resulting Issuer will not initially operate in any country other than Indonesia and Canada. As a developing economy, operating in Indonesia has certain risks, including changes to or invalidation of government mining regulations; expropriation or revocation of land or property rights; changes in foreign ownership rights; changes in foreign taxation rates; corruption; uncertain political climate; terrorist actions or war; and lack of a stable economic climate. See "*Doing Business in Indonesia*" above.

Lending

Neither the Issuer nor the Target currently hold any investments or owe any material long term liabilities. Neither the Issuer nor the Target has adopted any specific policies or restrictions regarding investments or lending, but will ensure any investment or debt activities incurred are in the best interests of the Resulting Issuer and its shareholders. The Resulting Issuer expects that in the immediate future in order to maintain and develop its mineral properties, it will need to raise additional capital through a combination of debt and equity. If the Resulting Issuer unable to raise the necessary capital to meet its obligations as they become due, the Resulting Issuer may have to curtail its operations, including potentially failing to exercise the Option Agreement, or obtaining financing at unfavourable terms.

Bankruptcy and Similar Procedures

There are no bankruptcies, receivership or similar proceedings against either of the Issuer or the Target, nor are the Issuer or the Target aware of any such pending or threatened proceedings. There has not been any voluntary bankruptcy, receivership or similar proceedings by either the Issuer or the Target during the last three financial years.

Reorganization

Neither the Issuer nor the Target has completed any reorganizations in its last three financial years.

Social and Environmental Policies

The Resulting Issuer is not expected to adopt any specific social or environmental policies that are fundamental to its operations (such as policies regarding its relationship with the environment, with the communities in the vicinity of its facilities or human rights policies). However, the Resulting Issuer's management, with the assistance of its contractors and advisors, will ensure its ongoing compliance with local environmental laws in the jurisdictions in which it does business.

4.2 Emerging Market Disclosures

The following section is prepared with regard for *OSC Staff Notice 51-720 - Issuer Guide for Companies Operating in Emerging Markets.*

Business and operating environment

• *What role does the foreign government and regulatory authorities have in the foreign operations?*

The Target Subsidiary is incorporated pursuant to the law of the Hong Kong special administrative region and is subject to the corporate laws of Hong Kong. TNM operates in Indonesia and is subject to the legal framework pertaining to the mining and exploration industry in Indonesia as described above at *"Doing Business in Indonesia"*.

• *Have restrictions or conditions been imposed, or can they be imposed, by the foreign government and regulatory authorities on the company's ability to operate in the foreign jurisdiction?*

To the knowledge of management of the Issuer and the Target, no restrictions or conditions have been imposed by the foreign government and regulatory authorities on the ability of TNM or the Target Subsidiary, indirectly through a subsidiary, to operate in Indonesia. Foreign investment is restricted in certain industries, none of which TNM operates in or proposes to operate in.

• *Who in the company manages the relationship with the foreign government and regulatory authorities?*

Ranjeet Sundher, the President, a director and major shareholder of the Target, will be primarily responsible for managing the Target's relationship with the Indonesian government and regulatory authorities. Following the Acquisition, Mr. Sundher will become a director and the Chief Executive Officer of the Resulting Issuer.

• *What is the legal environment of the foreign jurisdiction? How does the legal system operate and how may it impact the company?*

Indonesia's legal system is a civil law based system. Many laws and regulations in Indonesia conflict with one another and the system often does not operate effectively to resolve such conflicts. Additionally, Indonesia rates fairly high on the Corruption Perceptions Index of Transparency International (placing 90 out of 176). There are risks associated with the Resulting Issuer's proposed operations in Indonesia, as more particularly described below at *"Item 17 - Risk Factors"* and at "*Item 3.1 General Development of the Business – Three Year History – Doing Business in Indonesia*".

• *What regulatory requirements is the company or its business or operations subject to in the foreign jurisdiction?*

The Indonesian company law system is derived from the European civil law system and Indonesian companies consequently have some of the characteristics of companies in European jurisdictions. Indonesian companies have (i) a board of directors responsible for the day-to-day management of the company; and (ii) a board of commissioners who supervise the governance of the company and the policies of the directors in the interests of the company. At least two shareholders are required at all times which may be two individuals, two companies or a combination thereof in certain sectors.

Generally, new direct foreign investment in Indonesia is conducted either by acquiring an existing company or by establishing a new PMA company (a foreign investment company).

For additional descriptions of the regulatory requirements relating to foreign investment in the Indonesian mining industry, please see *"Item 3.1 General Development of the Business – Three Year History – Doing Business in Indonesia"* above.

• *Does the board have access to relevant expertise to ascertain the political, legal and cultural realities of the jurisdiction where the company's principal business operations are located, and the impact they may have on the company's business or operations?*

The board of the Target has engaged professional advisors (legal, financial, and technical) with the relevant expertise to provide assistance in the political, legal and cultural realities of Indonesia. The board of the Resulting Issuer will continue to have access to those professional advisors and may seek additional advisors in any new jurisdiction in which the Target may determine to operate in the future.

• *What are the banking customs in the foreign jurisdiction? How do they differ from Canadian customs?*

As at June 2017, Moody's Investors Service has changed its outlook on the Indonesian banking system to positive from stable, reflecting their view that banks will see improvements in their operating environment, asset quality, as well as the capacity by the government to extend support when necessary.

Moody's conclusions are contained in its just-released Banking System Outlook for Indonesia, "Improving Operating Environment Drives Positive Outlook".

Moody's assessment of Indonesia's banking system is based on five factors: operating environment (improving); asset quality and capital (improving/stable); funding and liquidity (stable); profitability and efficiency (improving); and systemic support (improving).

The operating environment for the banks is, as indicated, improving on supporting macroeconomic policies and a stronger market for the country's key commodities. Asset quality will improve, driven by a recovery in corporate revenues that should constrain further rises in loan delinquency. Furthermore, this trend is accompanied by falling debt levels, which should result in stronger debt servicing capacity. Funding and liquidity for the banking system will be stable. The pressure from faster loan growth will be modest overall as bank deposits will also be growing at a similar pace.

Moody's further notes that system support is improving as the government's capacity to support banks benefits from the country's declining vulnerability to external shocks and lengthening track record of macroeconomic stability and fiscal discipline. Moody's considers Indonesia a high support system, because of the importance of the banking system to the overall economy, as well as the government's demonstrated past records of systemic support.

• *Are there any restrictions on the company's ability to transfer and/or verify the existence of funds in bank accounts located in foreign countries?*

The rupiah is freely convertible into foreign currency, although approval of the Bank of Indonesia must be obtained before more than Rp 100 million is taken out of Indonesian. Indonesia does not restrict the transfer of foreign currency funds to or from foreign countries, but inbound investment capital requires approval. Offshore loans must be registered with the Bank of Indonesia, with subsequent movements reported monthly to enable the bank to monitor the country's foreign exchange exposure. Additionally, Investment Law No. 25 of 2007 guarantees foreign investors the right to transfer, in the currency of the original investment, all after-tax profits, certain costs and, in the event of nationalization, compensation.

On July 1, 2015, Bank Indonesia Regulation No. 17 became effective with the aim of stabilizing the Rupiah exchange rate. MEMR issued a release seeking to clarify the agreement between MEMR and the Bank of Indonesia regarding how the regulation would apply to the mining industry and setting forth categories of transactions which would be required to be made directly in Rupiah and other transactions which would require time to implement and which would be fundamentally difficult to fulfill the provisions of the regulation. Further procedures for the implementation of the regulation are expected to be issued in due course.

To the knowledge of management of the Resulting Issuer, there are no restrictions on its ability to verify the existence of funds in bank accounts located in Indonesia.

• *What are the impacts of local laws and customs on ownership and rights to property?*

The Target currently owns no real property. In the event that the Target Subsidiary exercises its option, pursuant to the Option Agreement, to acquire TNM, it will be subject to the divestiture requirements relating to PMA companies holding IUPs as described above at *"Item 3.1 General Development of the Business – Three Year History – Doing Business in Indonesia – Divestiture Requirements"*. TNM, as a holder of the IUP forming the TNM Project is subject to the laws concerning mining tenure and surface rights as described at *"Item 3.1 General Development of the Business – Three Year History – Doing Business in Indonesia"* above.

• *Who are the major suppliers and customers? How did the company establish relationship with them? Are these entities, or their executive officers or directors, related to the company or its officers?*

The Resulting Issuer will be an exploration company not yet generating significant revenues and without materials customers or suppliers yet. The Resulting Issuer anticipates establishing relationships with its customers through the work of its internal team or with the assistance of Affiliates. The Resulting Issuer plans to utilize consultants to conduct most of the exploration services it requires, none of which are expected to be related parties to the Resulting Issuer, the Target or the Target Subsidiary.

• *How frequently do Canadian board members and management visit operations in the foreign jurisdiction?*

It is anticipated that the Resulting Issuer's Canadian board members and management will visit the Target's operations at least once per year. The Resulting Issuer will not initially have any non-Canadian resident board members or management members.

• *Where are the company's books and records located and are there any access restrictions?*

The Target maintains a registered and head office at in Canada. The Target's books and records are located at its current addresses. The Target Subsidiary maintains a registered office in Hong Kong and a head office in Canada. The Target Subsidiary's books and records will be located in both its address in Canada and its registered office in Hong Kong.

TNM maintains a registered and head office address in Indonesia and its books and records will be maintained in Indonesia.

Shareholders of the Target may access its financial statements, corporate records and audit reports at any time during business hours. Target's external auditors have full and free access to books and records of the Target and the Target Subsidiary.

As the Target will not initially be a shareholder of TNM, its sole right of access to TNM's books and records are contractual per the Option Agreement.

• *Will an investor's ability to exercise and enforce statutory rights and remedies under Canadian securities law be impacted by the fact that all or substantially all of the issuer's assets are primarily located in a foreign jurisdiction?*

The Target and indirectly, the Target Subsidiary, will become a wholly-owned subsidiary of the Resulting Issuer. Since all of the proposed directors of the Resulting Issuer will be resident Canadians, the majority of the board has a vested interest in ensuring that their fiduciary duties are carried out in full compliance with Canadian corporate law.

In Hong Kong, there is a statutory registration scheme for foreign judgments under the Foreign Judgments (Reciprocal Enforcement) Ordinance, Chapter 319 ("Cap 319") to facilitate reciprocal recognition and enforcement of judgments on the basis of reciprocity. A judgment creditor, with a judgment from a jurisdiction designated under Cap 319 may apply to the Court of First Instance, ex parte, for registration of the judgment provided that the relevant requirements as set out in Cap 319 are met. The judgment would then be registered and the judgment debtor would only be informed of the registration at this stage. The judgment debtor may apply to the court to set aside the registration on a number of grounds within a period of time in accordance with the relevant provisions of Cap 319.

With respect to foreign judgments that may not be registered under Cap 319, they may be enforced by common law. The common law permits an action to be brought upon a foreign judgment. That is to say, a foreign judgment itself may form the basis of a cause of action since the judgment may be regarded as creating a debt between the parties to it. In a common law action for enforcement of a foreign judgment, the judgment creditor has to prove that the foreign judgment is a final judgment conclusive upon the merits of the claim. Such a judgment must be for a fixed sum and must also come from a "competent" court (as determined by the private international law rules applied by the Hong Kong SAR courts). The defenses that are available to a defendant in a common law action brought on the basis of a foreign judgment include lack of jurisdiction, breach of natural justice, fraud and contrary to public policy.

It should be noted that a foreign judgment does not have to originate from a common law jurisdiction in order to benefit from the common law rules. Neither is reciprocity a requirement under the common law. Hence, a judgment originating from a jurisdiction which does not recognize a Hong Kong SAR judgment may still be recognized and enforced by the Hong Kong SAR courts provided that all the relevant requirements at common law are met.

Judgments rendered by a foreign court cannot be enforced by Indonesian courts within the territory of Indonesia (Article 436, Indonesian Civil Procedural Law). Foreign cases must therefore be re-claimed or re-litigated in the competent Indonesian courts. In such a case, the foreign court judgment may serve as evidence. However, this will be subject to certain exceptions as regulated by other Indonesian regulations. Indonesia is not a party to any multilateral or bilateral treaty with other countries for the reciprocal enforcement of foreign court judgments.

Language and cultural differences

• *Does the composition of the board provide the appropriate level of knowledge and expertise in the language and cultural practices of the emerging market?*

Ranjeet Sundher has experience with mining in Indonesia and has worked closely with locals on various mining projects. Mr. Sundher has the appropriate level of knowledge and expertise of cultural practices of Indonesia.

• *Is any board member fluent in the foreign language or does the board have access to an independent translator to overcome any language differences?*

Mr. Sundher, the CEO and a member of the Board of the Resulting Issuer is fluent in Indonesian and fully knowledgeable of its cultural practices. The remainder of the Board of the Resulting Issuer will have access to independent translation services to overcome any language differences. English is widely spoken in Indonesia with approximately 24 million practicing speakers out of a population of 240 million.

• *How frequently should the board members visit the operations in the emerging market and meet with local management?*

The Board intends to hold quarterly board meetings to review and approve the interim and annual financial statements. At the meeting to approve the annual financial statements, the Board has the option of holding the meeting in Indonesia. As directors of a public company, the board intends to hold a board meeting in Indonesia at least once per year. In addition, Mr. Sundher expects to make frequent visits to the TNM Project.

• *Has the board engaged with local management to understand the manner in which business is conducted in the foreign jurisdiction?*

The Board will engage with and supervise local management of the Target and the Target Subsidiary, but will have no right to manage TNM until the Option Agreement is exercised. The Resulting Issuer will, through the Target Subsidiary, have the right to conduct and operate all exploration programs on the TNM Project. The business of the Resulting Issuer will be geological exploration and most services to the Resulting Issuer will, like the majority of junior mining issuers, be conducted by a contracted geological service team. The major local business will be the administration of the Company's affairs which local team will operate under the supervision of management of the Resulting Issuer. All major exploration, development, capital expenditure and other significant decisions will be approved by the Board.

• *Have the books and records, including key documents such as material contracts or bank documents, been prepared in English or French or appropriately translated?*

Some forms, applications and banking documents in Indonesia are prepared in both Indonesian and English. Any accounting or other key documentation which is prepared solely in Indonesian will be translated into English for provision to the Resulting Issuer's board and CFO. Mr. Sundher is fluent in Indonesian and will be able to review the records and key contracts.

All the other documents, such as contracts, will be translated into English, and Mr. Sundher will report to the board of directors in English.

• *Does the board have access to resources, beyond local management or local directors who are not independent, that can help overcome language and cultural issues?*

The Resulting Issuer will retain a local law firm in both Hong Kong and Indonesia to provide legal consulting services, to perform due diligence as needed, and to provide full legal verification of the Target Subsidiary's and TNM's status and property rights. The auditor of the Issuer will also engage a local affiliate to assist in the preparation of the Resulting Issuer's audit. Additionally, the Issuer engaged the Author to prepare the Technical Report in compliance with the form requirements of NI 43-101 to help the Board gain a better understanding of the full geological operations of the Resulting Issuer and its subsidiaries.

Corporate structure

• *Has the need for a complex structure been carefully assessed by management, including whether the company's objectives could be achieved through a simpler structure?*

The Issuer's board, in reviewing the terms of the Acquisition, has considered its options with respect to the corporate structure of the Resulting Issuer and its subsidiaries, and concluded that ownership of the TNM Project by TNM (and of TNM by the Target Subsidiary), is the most practical structure for the operation of the business of the Target. It is noted that IUPs are not permitted to be held by foreign entities and that it is generally advisable for foreign ownership of a PMA company be held by a subsidiary to facilitate transfers of the PMA company without triggering change of foreign ownership approval requirements.

• Is the company's corporate structure consistent with its business model and the political, legal and cultural realities of the jurisdiction where its principal business operations are located?

The Resulting Issuer's corporate structure is consistent with its business model and the realities of the jurisdiction in which primary operations will occur, being Indonesia.

The directors and management of the Target and the Target Subsidiary will fulfill their duties as directors and management under the oversight of the board of directors of the Resulting Issuer within the Canadian corporate governance framework and with the guidance of Canadian legal counsel, as well as Hong Kong legal counsel.

• Where the company uses a structure that involves one or more SPEs, does it have effective control and ownership over the foreign operating entities and is the SPE structure compliant with relevant foreign investment restrictions?

The Resulting Issuer will exercise effective control and ownership over the Target and the Target Subsidiary. Until the Option Agreement is exercised and TNM acquired by the Target Subsidiary, the Resulting Issuer will not have effective control and ownership of TNM, but will have the sole right to operate exploration programs on the TNM Project.

• Does the board have the means to monitor legal and regulatory developments in the foreign jurisdiction relative to SPE structures?

The Board will have the means to monitor legal and regulatory developments in Hong Kong and Indonesia through its professional legal and other advisors and through the active oversight of Mr. Sundher.

• Does the corporate structure limit or inhibit the ability of the board to oversee and monitor management of the foreign operations?

The Resulting Issuer's corporate structure will not limit or inhibit the ability of the Board to oversee and monitor management of the foreign operations. The Resulting Issuer's CEO and significant shareholder will continue to be the President and a director of the Target and the Target Subsidiary overseeing their operations.

• How does the board ensure that information from the local jurisdiction is communicated to the board in a timely manner?

There will be a routine report from the Target Subsidiary to the CFO and CEO of the Resulting Issuer every month which will be disclosed in the form of Monthly Progress Report on the CSE website. Mr. Sundher, who is orientated with Canadian corporate governance requirements, will inform and discuss with the Board should any material events occur.

• Can the Canadian parent company effectively change the board and management of the foreign operating entities?

The Resulting Issuer will have the ability to change the board and management of the foreign operating entities as the sole shareholder of the Target and the Target Subsidiary. Any changes to the foreign ownership of TNM, should the Option Agreement be exercised in full, will be subject to the approval requirement of MEMR as discussed above at *"Item 3.1 General Development of the Business – Three Year History – Doing Business in Indonesia"*.

• Have the risks associated with the company's corporate structure been identified and evaluated? Does management have appropriate controls in place to address those risks?

Risks associated with the Resulting Issuer’s proposed corporate structure have been identified and evaluated. It is management’s opinion that the risk is minimal given the requirements of the Indonesia mining laws and the proposed operations of the Target Subsidiary and that the CEO of the Resulting Issuer will continue to serve as President of the Target and Target Subsidiary.

Related parties

• Has management implemented effective policies and procedures to identify related parties and any transactions with such parties, evaluate the merits of such transactions, and require that the transactions be reported to the board and be subject to prior board approval?

The Resulting Issuer has not developed a formal policy regarding related party transactions, but each of its proposed board members have been made aware of their fiduciary duties and the requirements of the *Business Corporations Act* (British Columbia) and MI 61-101.

• Are directors and senior management required to obtain board approval or the approval of independent or disinterested directors before entering into transactions in which they have an interest?

Each director of the Resulting Issuer will attempt not only to avoid dealing with such other companies in situations where conflicts might arise but will also disclose all such conflicts in accordance with the *Business Corporations Act* (British Columbia) and will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. In addition, the Resulting Issuer will require that no director shall participate in the evaluation or approval of any related party transaction for which he or she is a related party and will abstain from voting on the approval of the related party transaction, except that the director shall provide all material information concerning the related party transaction to the board.

• Are RPTs evaluated by disinterested directors (i.e., as opposed to evaluation by directors who may be definitionally “independent” for purposes of securities regulation but would not be considered disinterested by a reasonable person)?

Yes, in accordance with the provisions of the *Business Corporations Act* (British Columbia) and MI 61-101.

• Is the transaction subject to the minority shareholder approval and formal valuation requirements under MI 61-101?

The Resulting Issuer will consult with Canadian legal counsel to determine whether transactions, on a case-by-case basis, trigger the minority shareholder approval and formal valuation requirements under MI 61-101.

• Are transactions that fall outside the normal course of business scrutinized to determine whether related parties have a direct or indirect interest in those transactions?

The Resulting Issuer will scrutinize such transactions, in accordance with the provisions of the Business Corporations Act (British Columbia) and MI 61-101.

• *Could the same or similar benefits derived by a company through an RPT be obtained at a lower cost or with less risk on an arm's length basis (including, for example, public tender)?*

On a going forward basis, the Board will review and consider whether a related party transaction can be obtained at a lower cost or with less risk on an arm’s length basis. The Acquisition is not a related party transaction. Neither the Target nor the Issuer are currently subject to any material transactions with related parties, other than the Disposition as described above at *Item 3.1 General Development of the Business – Three Year History – Proposed Disposition of Oil and Gas Assets”*.

• *What would the impact be on the company in the event the related party no longer supplied certain goods or its services?*

On a going forward basis, the Board will review and consider the impact on the company in the event any related party no longer supplied certain goods or services. To date, neither the Target nor the Target Subsidiary has entered into any transactions with any related parties in the normal course of business.

• *What is the track record of the related party in supplying the goods or services?*

On a going forward basis, the Board will review and consider the track record of the related party supplying any goods or services to the company. To date, neither the Target nor the Target Subsidiary has entered into any transactions with any related parties in the normal course of business.

• *Does the related party have the requisite skills, experience and/or financial capability to supply the good or service?*

On a going forward basis, the Board will review and consider whether the related party has the requisite skills, experience and/or financial capability to supply the good or service. To date, neither the Target nor the Target Subsidiary has entered into any transactions with any related parties in the normal course of business.

• *Are balances due from related parties collectible?*

The Resulting Issuer considers that any balance due to the company, whether from related parties or arm’s length parties, are collectible. To date, neither the Target nor the Target Subsidiary has entered into any transactions with any related parties in the normal course of business.

• *Are there tax risks that arise from RPTs?*

The Resulting Issuer will seek professional tax advice with respect to any related party transactions as they arise from time to time. The general taxation framework of Indonesia is set forth above at “*Doing Business in Indonesia*. To date, neither the Target nor the Target Subsidiary has entered into any transactions with any related parties in the normal course of business.

• *Can the business effectively continue to operate without the approval or participation of the related party or significant shareholder?*

No business of the Target or the Target Subsidiary is operated with any related party or significant shareholder.

Risk management and disclosure

• Does the board have a full understanding of the risks facing the company and how those relate to the overall risk appetite of the company?

The Board has a full understanding of the risks facing the Resulting Issuer. The Resulting Issuer shares similar risks of other junior research and development stage issuers.

• Is there a strategy in place to ensure that significant risks related to operations in the emerging market are identified and managed by the board and management?

The Board will actively communicate with its legal counsel in Hong Kong and Indonesia regularly to monitor the political and the legal environment in which the Target and Target Subsidiary operate.

• Does the board regularly engage with management to review and update the risk identification and management strategy?

The Board will have direct access to management of the Target and Target Subsidiary as the CEO of the Resulting Issuer will continue to act as President of the Target and Target Subsidiary. Going forward, the Board intends to review and update its risk identification and management strategy on an as-needed basis.

• Does the board ask probing questions and seek confirmations that decisions made by management are consistent with board-approved strategies and the company's overall risk appetite?

The proposed Board of the Resulting Issuer will ask probing questions and seek confirmations that decisions made by management are consistent with board-approved strategies and the Resulting Issuer's overall risk appetite.

• Does the board obtain confirmation from management that risk exposures are in compliance with established limits?

The Board will obtain confirmation from management that risk exposures are in compliance with established limits.

• Do board members take appropriate steps to stay informed of key developments that could increase the company's risk exposure in the emerging market?

The Board will take appropriate steps to stay informed of key developments, including the legal, political and regulatory climate of both Hong Kong and Indonesia, that could increase the Resulting Issuer's risk exposure in the emerging market.

• Has the board established contacts in the foreign jurisdiction that may assist the board in staying abreast of developments that could impact the company's risk exposure and does the board regularly engage with these contacts?

The Board will have direct access to legal counsel in Hong Kong and Indonesia. The Board intends to communicate with its legal counsel in Hong Kong and Indonesia regularly to stay abreast of developments that could impact the Resulting Issuer's risk exposure.

• Does the board have a clear understanding of the internal controls and processes in place to respond to risk?

The Board will ensure that all members have a clear understanding of the internal controls and processes in place to respond to risk.

• Does the board review how disruptions to business operations caused by political, legal and cultural factors in the emerging market were dealt with by management?

The Board will review carefully how disruptions to business operations that may be caused by political, legal and cultural factors in the emerging market were dealt with by management.

Internal controls

• What has management done to determine if the company has the proper internal controls in place to address each of the identified risks, in particular the risks associated with operating in an emerging market?

Management of the Resulting Issuer will ensure the accounting cycle, payroll administration, operational activities, and financial reporting controls to assess internal control risks and to ensure proper internal control is in place.

• What are the deficiencies and weaknesses in internal controls that have been identified? How material are these deficiencies or weaknesses?

One of the deficiencies in internal control is the lack of segregation of accounting duties due to the limited size of the Target and Target Subsidiary. However, the threat of this deficiency is considered immaterial as management has taken effective measures to mitigate this weakness.

• What potential risks flow from the identified deficiencies and weaknesses?

The potential risk that flows from the identified deficiencies and weaknesses is the risk of potential fraud. However, the risk of fraud is considered low as management has taken measures as stated above to mitigate the potential risk of fraud.

• What are the ways that such deficiencies and weaknesses can be remediated?

Management anticipates taking the following measures to mitigate this weakness:

- All purchase and payment, including payroll, must be authorized by management;
- All capital expenditures must be preapproved by the Board;
- All source documents in Indonesian or any other language other than English must be translated and scanned for accounting entries and recordkeeping purposes;
- Almost all of the Resulting Issuer's cash will be deposited with a Canadian bank in Vancouver, Canada. Operating funding for the Target Subsidiary will be provided by the Resulting Issuer with two directors' approval. Bank statements of the Target and Target Subsidiary will be reviewed by the CFO of the Resulting Issuer regularly.

• Does management have a plan and timeframe for the remediation? Does the plan include immediate/ interim steps to manage the risks that have been identified? Is the timeframe proposed by management reasonable?

The Board expects to schedule a board meeting in Indonesia following the closing date to allow for meetings with local staff and management and review of the Target's proposed operations.

• What is the status of on-going remediation plans?

The Board and management of the Resulting Issuer expect in the near future to establish a whistleblowing policy.

• Are there any interim measures that should be adopted before the remediation is complete?

The Board will continue to monitor the operations of the Target and Target Subsidiary, evaluate the internal controls, and develop measures in the future to mitigate any potential risks and weaknesses.

• What are the auditor's views on the company's internal controls?

Audits include a review and evaluation of the system of internal controls of the Target and the Resulting Issuer, respectively, to assist in determining the level of reliance that may or could be placed on the system of the Target and the Resulting Issuer in assessing the nature and extent of the audit procedures undertaken. Based on the review and evaluation of the internal controls, given the relative size of the Target and the Resulting Issuer, management structure and the nature and volume of the transactions processed, financial and transaction controls are insufficient to allow the auditor to place a high degree of reliance hereon in the conduct of the audit.

Use of and reliance on experts

• Has the company considered the significance of expert's work on the company's operations and the potential impact on the company of an error or inaccuracy in the expert's work?

The Resulting Issuer expects to regularly rely on the expertise of its professional advisors and consultants, including the Author and its Indonesian and Hong Kong legal counsel, and the Board and management of the Resulting Issuer are cognizant of the significance of any expert report or opinion rendered on behalf of the Resulting Issuer and the potential impact on the company of an error or inaccuracy in the expert's work.

• What are the expert's credentials? Have background checks on the expert been conducted, including whether the expert is in good standing with its relevant industry organization in the foreign jurisdiction?

The Author is a graduate of Concordia University in Montreal, Quebec with a Bachelor of Science Degree in Geological Sciences (1981) and is a Professional Geoscientist in good standing with the Association of Professional Engineers and Geoscientists of Saskatchewan. The Author has worked as a geologist for 36 years since obtaining his B.Sc. degree and has worked in mineral exploration for companies in Canada, Indonesia, Mongolia and China, among others. While the Author has focused on the junior exploration sector, he has been employed by major mining companies such as Barrick, Kinross and Cominco. The Author is a resident of Indonesia and familiar with its mining laws and cultural practices.

• Does the board have systems in place to identify whether the expert is independent of the company, its management, directors, officers, significant shareholders, and other related parties?

The Author is independent of each of the Issuer, the Target and TNM having no material relationship to any of them, as the Author confirms in the Technical Report.

Management of the Resulting Issuer, together with its Canadian legal counsel, will regularly review the independence of its experts through a review of NI 52-110 and National Instrument 58-201 *Corporate Governance Guidelines*.

• Has the company considered differences between local customs and practices in the emerging market compared to Canada, and the adequacy of the rules of professional conduct developed by the professional organization of the expert in the emerging market?

The Resulting Issuer has considered differences between local customs and practices in the emerging market compared to Canada, and the adequacy of the rules of professional conduct developed by the professional organization of the expert in the emerging market. The Author is in good standing with a professional organization in Canada, but a resident of Indonesia.

• Has the company evaluated the level of due diligence exercised by the expert? Was the expert's opinion fully substantiated by accurate facts and thorough analysis?

The Issuer has evaluated the level of due diligence exercised by the experts and has worked to substantiate their opinions with further independent analysis.

• Is a corroborating opinion (provided by Canadian experts, for example) necessary or desirable?

At this time, the Issuer has not felt it necessary to obtain a corroborating opinion from Canadian counsel. Management of the Issuer determined that the Technical Report should be prepared by a Canadian professional geologist, being the Author, in accordance with the standards of NI 43-101 in order to ensure it could meet its disclosure obligations in Canada.

Oversight of the external auditor

• Does the auditor have a presence or affiliation in the jurisdiction in which the company's overseas operations are located?

The Resulting Issuer's external auditor, Davidson & Company LLP ("Davidson") is a part of Nexia International Ltd. ("Nexia"), a global accountancy and consultancy network with affiliates in Hong Kong and Indonesia.

Should the Resulting Issuer acquire TNM, Davidson may determine to utilize its Nexia affiliate in Jakarta, Indonesia to conduct audit procedures where the overseas operations are located.

• Do any members of the audit team have the language, skills relevant to, and cultural knowledge of, the local jurisdiction?

Davidson & Company LLP consulted with a local Hong Kong CPA firm regarding the cultural knowledge as well as the laws and regulations of the local jurisdiction. The local firm was proficient in English and Cantonese assisted in translation (if any) and obtaining understanding of cultural knowledge and business environment of the local jurisdiction. Given the assistance from the local

CPA firm and interpreter, the audit team have the language, skills relevant to, and cultural knowledge of, the local jurisdiction. In addition, Davidson employs staff fluent in Cantonese.

• *Does the auditor have sufficient experience in the accounting and tax rules of the foreign jurisdiction?*

To the knowledge of the Resulting Issuer, the auditor has sufficient experience.

• *Does the auditor understand the risks and challenges facing the emerging market issuer, and does it have sufficient appropriate audit procedures to address them?*

To the knowledge of the Resulting Issuer, the auditor adequately understands such risk and challenges and has appropriate procedures to address same.

• *What are the responsibilities of the domestic auditor versus the component auditor?*

Davidson is responsible for performing risk assessments, developing audit plans, designing audit procedures (including materiality determination and samples selection), and evaluating audit results in accordance to their methodology. Davidson is responsible for the assessment of reasonability of the significant accounting estimates and significant items. Davidson engagement members obtained and reviewed copies of all supporting documents as well as preformed all testing audit procedures. No component audit is engaged in the audit.

• *How does the domestic audit team oversee the component audit team?*

Not applicable as a component auditor is not engaged in the audit.

• *How can the audit committee ensure that it has sufficient access, directly or indirectly, to the component audit team to discharge its external auditor oversight responsibility?*

Not applicable as a component auditor is not engaged in the audit.

4.3 Asset Backed Securities

The Resulting Issuer will not have any asset-backed securities.

4.4 Companies with Mineral Properties

The Resulting Issuer will not hold any resource properties directly but will through the Option Agreement hold the sole and exclusive right to acquire, indirectly through TNM, the TNM Project, which shall be the sole material property of the Resulting Issuer.

The TNM Project consists of one production operation IUP located in the Depare District, Jayapura Regency, Papua Province in Indonesia.

The Issuer commissioned the Author to complete the Technical Report on the TNM Project. The Technical Report, a report prepared in accordance with NI 43-101, is dated July 11, 2017 and has been filed on SEDAR at www.sedar.com. The following information concerning the TNM Project is derived from the Technical Report and is qualified in its entirety by the full Technical Report. Readers are encouraged to review the Technical Report in full in conjunction with this Listing Statement.

The Author is an independent qualified person under NI 43-101 and visited, on May 16, 2017, the TNM Project, gathering background information and assessing the exploration potential. The Author also reviewed historical data in Jakarta, Indonesia both prior to and after the field visit. The Author of the Technical Report had no previous exploration experience on the TNM Project.

Property Description and Location

Location

The TNM Project is located in the Sentani district of Papua province, Indonesia, approximately 40 km west of the provincial capital, Jayapura. Jayapura is approximately 3,900 km east of Jakarta, the capital of Indonesia. (Figures 4.1 and 4.2 below).

More precisely, the TNM Project is located at the western end of the Cyclops (mountain) Range and is either close to or encompasses the villages of Tablasufa, Yepase, Maribu, Dosay and Sabron Yaru in Depapre and West Sentani districts of Jayapura Regency. The project covers an area of 5,000 hectares. The general project area lies between 140° 20’ 34.58” and 140° 26’ 53.85” east longitude and 2° 23’ 41.36” and 2° 32’ 24.28” south latitude. (Figure 4.3 of the Technical Report).

Figure 4.1 Project location in Indonesia

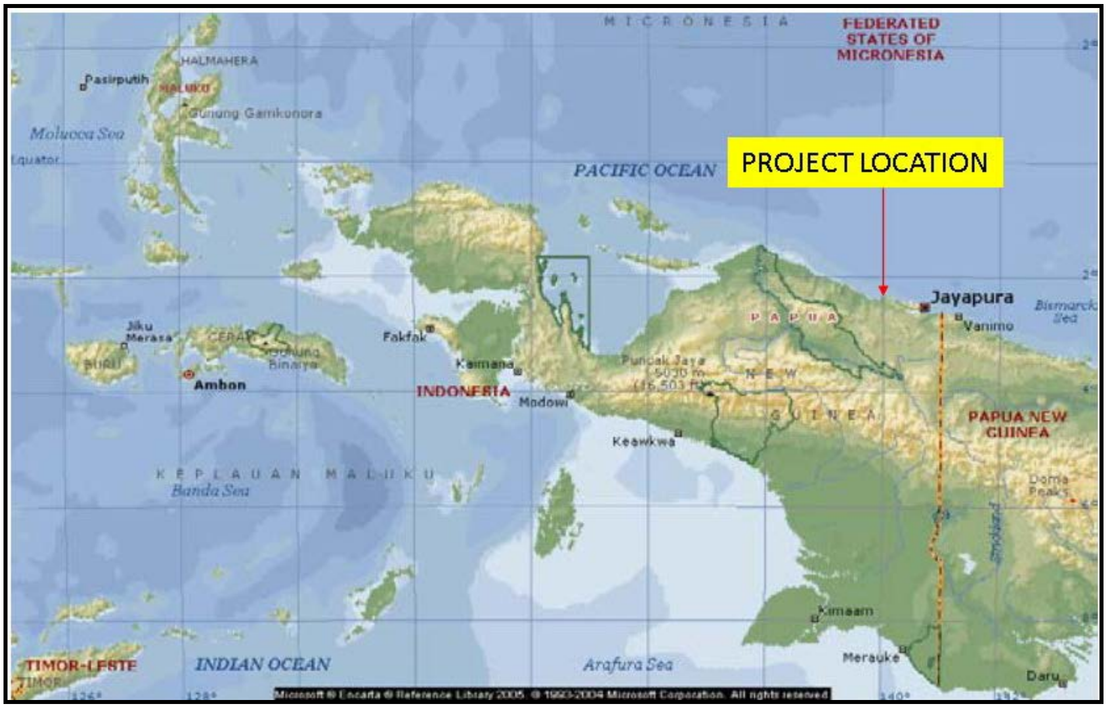

Figure 4.2 Project location in Papua Province, Indonesia

Interest of the Resulting Issuer

Under the terms of a binding Letter Agreement, the Issuer will acquire all of the issued and outstanding securities of the Target. The Target is the sole shareholder of Target Subsidiary, a Hong Kong company, which has entered into the Option Agreement with TNM to acquire all of the issued and outstanding securities of TNM. TNM is a private Indonesia company holding an IUP Operation Production Mining Permit for the TNM Project.

Mineral Titles

TNM has been granted in stages the following mining and exploration titles in compliance with the prevailing Indonesian mining law: (Figure 4.4 of the Technical Report)

1. Exploration Mining Authority (KP) No. 222 year 2007, covers 9,629 hectares. Start from November 6, 2007 and valid for three (3) years. (Now expired.)
2. Exploration Mining Authority (IUP Exploration) No. 269 year 2009, covers 9,629 hectares. Start from October 21, 2009 and valid for three (3) years. (Now expired.)
3. Operation Production Mining Authority (IUP Operation Production) No. 245 year 2011, covers 5,000 hectares. Start from December 20, 2011 and valid for ten (10) years.

Based on the Government Regulation No. 23 of 2010 with Amendment No. 24 of 2012 on Mineral and Coal Mining Business in Indonesia the IUP –Operation Production can be extended twice.

Mining Concession Obligations

The owner of a mining concession must file annual work assessment reports to the Mines Department, (MINERBA). The report discloses information on exploration and mining activities conducted on the mining concession.

Land Rent applicable is US $4.00/Ha and is payable annually as per Government Regulation No. 9 2012.

TNM has completed and filed the following documents and permits in order to fulfill conditions required prior to the granting of an IUP Operation Production Mining permit:

1. Managing and Monitoring of the Environment report: **UPL UKL Report**
2. Feasibility Study Report: **Laporan Studi Kelayakan**
3. Environmental impact analysis report: **AMDAL Report**
4. Bathymetry Survey Report: **Laporan survey Hidrografi dan Rekomendasi Jetty**
5. Site visit report as a requirement for Forestry permit for IUP operation Production: **Laporan Hasil peninjauan areal lokasi pertambangan PT. TNM terkait IPPKH Operasi Produksi (Izin Pinjam Pakai Kawasan Hutan)**

The list of supporting permits completed for IUP Operation Production license include:

1. Recommendation of TNM for Managing and Monitoring of the Environment (UKL UPL) No. 660/124, November 4, 2011
2. Mining Block Test permit (MBT), No. 540/1359/2011, December 8, 2011
3. Request of Approval Feasibility Study Document, No. 540/158, November 25, 2011
4. Approval of Feasibility Study Document, No. 540/165, December 8, 2011
5. Agreement of AMDAL Framework of Nickel ore mining, No. 240 year 2011, December 19, 2011

Environmental feasibility of TNM ore mining, No. 242 year 2011, December 19, TNM has completed several stages of the requirement for port construction including:

1. Port Benchmarks by Head of Regional Mines Department (Titik BM Pelabuhan dari Kadis), No. 552.3/374/2011, September 28, 2011
2. Preparation of supporting data recommendation from the Head of Regional Mine Department, No. 552.3/375/2011, September 28, 2011
3. Recommendation of mining port construction survey from Jayapura Regent, No. 050/1111/SET, October 5, 2011
4. Optional Mining Port from the Head of Regional Mine Department No. 552.3/450/2011, November 21, 2011

IUP Clean and Clear (CNC) status is a precondition for an export license and specifically requires that the IUP does not overlap other licenses or protected forest areas.

The IUP Clean and Clear permit is in progress and the following has been completed:

1. TNM has been included in the list of licenses clear of overlap based on the decision of the Regent of Jayapura and the Ministry of Mining and Energy of Jayapura Regency: Letter from Head for Regency of Jayapura (Bupati) No. 540/1559 / SET and letter from Department of Mining and Energy of Regency of Jayapura No. 540/182.

2. TNM has received Bupati recommendation for forestry permit (IPPKH exploration) with letter number 522.1/19/Rekom/SET, 22 September 2011 and recommendation from the Bupati for forestry permit (IPPKH Operation Production) with number 522/23/Rekom/SET, 21 December 2011.

<u>Surface Rights</u>

TNM holds the right to carry out exploration and operation production activities in a total area of 5,000 hectares. The traditional land rights to the area is held by three (3) traditional land owner communities who live in the area. A CSR program has been completed in four (4) stages which includes the following:

Stage 1: December 2009 through 1st half of 2010

- Initial socialization campaign to establish links and communication with various community leaders and elders in the region.
- TNM directors meeting with the village elders ("Para-Para Adat") and TNM representatives (Team XVI) to commence the exploration activities.

Stage 2: March 2011-May 2011

- Cooperation agreement between various community leaders, facilitated by TNM.
- Ceremony to mark cooperation agreement and re-establishment of the community traditional structure and authority.

Stage 3: June 2011

- MoU signing between community leaders/representatives and TNM.
- Socialization with community elders ("Para-Para Adat") at the traditional community council.
- Ceremony to welcome TNM, (Ketuk Pintu).

Stage 4: November 2011

- AMDAL socialization in the Waiya, Yapase and Tablasufa villages.

All exploration activities on the TNM Project ceased in 2011.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Accessibility

The TNM Project area is located 40 km west of the city of Jayapura and only 8km west of Sentani International Airport. Jayapura is the provincial capital city of Papua Province which is the easternmost of Indonesia's provinces. Jayapura is approximately 3900 km east of Jakarta, the capital of Indonesia, and can be reached by daily commercial flights with approximately 5.5 hours non-stop flight time.

Access to the TNM Project area is gained via a network of sealed roads that link the coastal village of Depapre in the western part of the property with Sentani airport (approximately 30 minutes drive) and with Jayapura (approximately 90 minutes drive). Numerous unsealed roads and tracks provide secondary access within the project area.

There are several daily flights between Sentani International Airport and a number of other Indonesian cities. Non-stop flight time between Sentani and Indonesia's national capital, Jakarta, is approximately 5 hours 30 minutes.

Climate

The climate is classified as tropical rainforest (Koppen and Geiger climate classification) (Figure 5.2) Due to its position close to the equator, the temperature fluctuates very little, with an average annual temperature of 26.9 °C. Rainfall averages 2,425 mm per year. The driest month is July (126 mm) with the heaviest rainfall in March (315mm).

The climate poses no significant impediments to exploration work or future operations and activities can be conducted year-round.

The vegetation is tropical rainforest with plants dominated by species of the *Dipterocarpaceae* family. (Photo 5.1 and 5.2 of the Technical Report)

Local Resources and Infrastructure

The area has well developed infrastructure being in close proximity to the provincial capital with all the associated services including daily flights from Jakarta to Jayapura's Sentani airport, Jayapura seaport, quality accommodation, medical facilities, sealed roads and excellent communications.

Sealed roads enable year-round access to the project area. The project area is adjacent to the seacoast with excellent potential to develop port facilities.

The excellent logistics and infrastructure in the project area will allow the effective transport of materials and personnel for all current and planned activities.

Physiography

The most prominent regional physiographic feature which dominates the general project area is the 40km long and 10-15km wide rugged Cyclops Mountain Range which extends from Cape Tanahmerah in the east to Yos Sudarso Bay (Humbolt Bay) Jayapura in the east. The mountain range is bounded by steep slopes on all sides, both inland and coastal. In the north and east the range rises abruptly from sea level to elevations of over 2000 m. In the south and west, the slopes are equally as steep but gravels and coarse sediments have accumulated along the flanks, giving that part of the profile a gentler slope. These outwash fans extend southwards into an irregularly shaped basin occupied by the 25km long Lake Sentani, the surface of which is at an elevation of 70m above sea level. The south slopes of the Cyclops range have remnants of wave-cut cliffs and terraces from 10 to 50 metres above the present lake surface, indicating former and higher lake levels. Sentani International Airport is situated on part of the former lake bed. (Figure 5.3 of the Technical Report).

The Cyclops Range is blanketed with a heavy forest cover down to sea level on the north slopes and almost down to the level of Lake Sentani to the south. All of the Tanahmerah and part of the Tablasufa areas are covered with a light growth of bush and grass. The eastern portion of the Tablasufa and the neighbouring Amaybu and Kirpon areas are partly covered by forest.

Drainage from the south slopes of the Cyclops Mountain Range flows into Lake Sentani and thence to the ocean at Yos Sudarso bay (Humboldt Bay) via the overall east-flowing Jafoeri River. Drainage in the (coastal) Tablasufa area, via local streams, is directly into the sea.

The project area is marked by rolling hills and long sharp strike ridges with elevations between 120m and 450m above sea level. A laterite plateau is well developed in the Tanahmerah and Tablasufa areas and is characterised by a hard ferricrete capping, generally 1-2 m in thickness overlaying a clay zone several meters thick. The drainage system is deeply incised into the plateau surface with exposures of the weathered bedrock common in steep breakaways.

History

The Tanahmerah Bay cobalt-nickel laterite deposits have been recognized for well over a hundred years. The first recorded field investigations were in the middle of the nineteenth century with accounts by the Dutch Colonial Government and continued by various prospectors well into the early twentieth century. The Dutch Geological Expedition (DGE) commission by the Dutch Colonial Government conducted detail investigations from the early 1950's until 1960.

PT. Pacific Nikkel then carried out intensive exploration work in the early 1970's and since then no major exploration activities have been conducted. The PT. Pacific Nikkel Contract of Work (CoW, Mining License) with the Government of Indonesia was terminated in 1982.

The CoW then taken over by PT. Sentani Maju Minerals. The original CoW covered an area of 146,090.793 hectares. In March 6, 1989 91,220.851 hectares was relinquished and the retained area was divided into 3 blocks covering 54,869.942 hectares. (Figure 6.1 of the Technical Report)

1. Block I = 10,631.259 Ha
2. Block II = 30,178.326 Ha
3. Block III = 14,060.357 Ha

The Sentani Maju Minerals CoW was terminated in 1994.

PT. Iriana Sentani subsequently took over the prospect areas under a CoW issued in 1998, and terminated in 2006.

TNM acquired a KP Eksplorasi (Mining Exploration License) covering 9,629 Ha (nine thousand six hundred and twenty-nine hectares) in 2007. In 2009 this was converted to an IUP exploration license. In 2011 this was upgraded (with a mandated reduction in size) to an IUP Operation Production covering 5,000Ha.

Figure 6.1 of the Technical Report shows the areas covers by PT Iriana Sentani's Contract of Work (CoW) and TNM's IUP Operation-Production and TNM's KP/IUP Exploration. No data is available on exact location of PT Pacific's Nikkel CoW, but it covered approximately the same area as the later Contracts of Work. A summary of the project area exploration activity from early 1950 to 2012 is provided below:

1. 1950's – 1960's, the Dutch Geological Expedition carried out systematic exploration.
2. 1970, PT. Pacific Nikkel Indonesia, a consortium consisting of United States Steel Corporation (43%), Koninklijke Nederlandsche Hoogovens NV (22%), Newmont Mining Corporation (15%), Wm H. Muller & Co N.V. (Holland) (10%) and Sheritt Gordon Mines Ltd (10%), carried out extensive exploration including drilling and test-pitting.
3. 1987, PT. Sentani Maju Minerals (90% Independent Resources Pte Ltd.) took over the concession under the 4th Generation of CoW (with limited exploration work carried out).
4. 1998, PT. Iriana Sentani (95% Iriana Resources Corporation, TSX listed) held the concession under a 7th Generation CoW (with limited exploration work conducted).

5. 2007, TNM granted KP Exploration, 2009 granted IUP Exploration and 2011 granted IUP Operation Production (limited exploration work completed).

Systematic exploration was carried out by the DGE and PT. Pacific Nickel involving grid-based auger and diamond drilling, test pitting and geological mapping. Tables 6.1 and 6.2 summarise the work carried out.

PT. Sentani Maju Minerals' and PT. Iriana Sentani's work was confined largely to a re-assessment of historical drill data and resources. PT TNM carried out geological mapping and limited hand auger and exploration diamond drilling to verify previous exploration (Table 6.3 below).

Table 6.1 Summary Results of Dutch Geological Expedition exploration (1952)

Deposit name	Number of Auger Holes	Number of bottom samples grading over 0.5% Ni.	Area of deposits (Ha)	Average Laterite Thickness (m)	Average Ore Thickness (m)
Tanahmerah	50	50	91	11.3	8.5
Tablasufa	99	96	408	6.7	5.2
Average/Totals	**149**	**146**	**499**		

Table 6.2 Summary of PT. Pacific Nikkel exploration work (1970)

Deposit	Number of hand auger holes	Number of Jacro auger holes	Number of truck mounted core drill holes	Number of test pits	Drilling Grid (meters)
Tanahmerah	39	14	12	8	Mostly 200x100
Tablasufa	434	68	29	18	Mostly 200x100
Kirpon	164				Mostly 200x100
Amaybu	96				200x100
Doyo	25				Mostly 100x100
Totals	**758**	**82**	**41**	**26**	

Table 6.3 Summary of TNM exploration work

No	Program	Quantity
1	Mapping	9,629 Ha
2	Hand Auger Drilling	9 Holes, 51m
3	Diamond Drilling	4 Holes, 77m

Geological Setting and Mineralization

Regional Geology

The Geology of the New Guinea region is very complex due to the interaction of two crustal plates, the Australian Plate and the Pacific Plate (Figure 7.1 of the Technical Report).

The TNM Project area is in the northern part of the New Guinea Orogen (Cox et al., 1986) within terranes of oceanic affinity and in the same tectonic setting as similar nickel-cobalt laterite deposits occurring along the northern parts of the New Guinea mainland at Ramu, Lake Trist and Wowo Gap and outer islands at Waigeo and Gag (Reynolds et al., 1973).

The New Guinea Orogen was possibly initiated as early as Late Mesozoic times (Davies et al.,1997) when the onset of an arc-continent collision resulting in the emplacement of the Irian Jaya ophiolite. Continuing earth-movements to this day in response to the long-continued oblique convergence of the Australian continental and the Pacific Ocean plates culminated in the spectacular uplift of the Central Ranges of the island of New Guinea.

North of the Central Ranges in the north-east of Irian Jaya (now politically known as Papua) is a structurally complex region comprising terrane fragments of mantle and crustal rocks of both plates within a matrix of variably disrupted Tertiary clastic and calcareous sediments. Collectively this mega breccia is known as the North Coast basin.

The structure in the North Coast basin is dominated by the Mamberamo Thrust Belt, which is up to 100km wide and extends south-eastwards from the Mamberamo river to the Papua New Guinea border. This thrust belt consists of a complex system of south-west dipping thrust faults that disrupt the Tertiary sediments and the underlying Pacific plate rocks. Arc-normal faults have resulted in the emplacement of prominent uplifted horsts containing basement ultramafic rocks forming isolated mountain massifs in the Cyclops and Siduarsi Ranges respectively. (Figure 7.3 of the Technical Report).

The Cyclops Mountain Range comprises a core of schist and gneiss bounded by highly serpentinised peridotite and gabbro. Unconformably overlying the basement complex of ultramafic, mafic and metamorphic rocks is the Hollandia Formation consisting of limestone and recent alluvium. (Figure 7.4 of the Technical Report)

A discontinuous band of highly serpentinised peridotite and gabbro occurs immediately to the south of the Cyclops Range, extending for some 40km from Tanahmerah Bay in the west to Jayapura in the east. This ultramafic suite which has been extensively lateritized provides the source for the nickel-cobalt laterite deposits in the area.

Local Geology and Mineralization

The nickel-cobalt laterite deposits developed over the ultramafic rocks near Jayapura occur along the south and west slopes of the Cyclops Mountain Range within an area 40km long (east-west) and 5km wide (north-south) from Tanahmerah bay on the west to Yos Sudarso Bay (Humboldt Bay) in the east (Figure 7.3 of the Technical Report). The main individual deposits discovered to date in this zone include Tanahmerah, Tablasufa, Amaybu, Kirpon, Rhynauwan, Ifar, Harapan and Doyo. (Figure 7.4 of the Technical Report)

The TNM Project covers the western segment of this band of nickel-cobalt deposits and includes the Tanahmerah, Tablasufa, Amaybu, Kirpon and Doyo prospects.

The ultramafic rocks within the concession area consist of moderately to highly serpentinized peridotite and dunite which have been extensively lateritized. Various petrological investigations from previous operators have confirmed harzburgite and dunite as the most widespread original ultramafic rock types. A bedrock sample from Tanahmerah was determined to be an intensely serpentinized harzburgite, originally carrying about 78% olivine, 21% enstatite with trace clinopyroxene.

This ultramafic suite of rocks serves as the source rocks for the nickel-cobalt laterite deposits which have been developed in the area. The laterite developed on nickel-bearing peridotite rocks containing elevated concentrations of nickel and cobalt. Compositional zoning characteristics of the laterite typical of tropical weathering processes and includes a high iron near surface limonite layer generally grading from 1.0 to 1.5% nickel with 0.1% cobalt underlain by a low iron saprolite layer often grading greater than 1.5% nickel. Laterites developed over the gabbros, which have a low initial content of nickel are nickel poor.

TNM mapping on the project area has defined the laterite distribution and delineated nine (9) prospective laterite zones underlain by ultramafic rocks covering approximately 1,996.7 hectares (Figure 7.5 of the Technical Report). The laterite zone names, and their areas are:

1. Tanahmerah, 124.2 Ha
2. Tablasufa, 826 Ha.
3. Kirpon, 114.7 Ha.
4. Amaybu, 140.5 Ha.
5. Depapre, 79 Ha.
6. Maribu, 256 Ha.
7. Wibrow, 243.7 Ha.
8. Kartosari, 143.7 Ha.
9. Doyo, 68.9 Ha.

The main focus of previous exploration has been the laterite in the Tablasufa, Tanahmerah, Kirpon and Amaybu zones which are located in the northern part of the IUP (Figure 7.5 of the Technical Report). Tablasufa and Tanahmerah contain the bulk of the resources delineated to date.

Tanahmerah Cobalt-Nickel Laterite Deposit

Geological mapping, auger drilling, and channel sampling has delineated a laterite zone at the Tanahmerah deposit with dimensions of approximately 1,000 meters (north-south) by 750 to 1,000 meters (east-west), covering 124 hectares. The laterite occurs in northwest-southeast trending ridges and the immediate surrounding areas. The laterite is typically composed of a hard ferricrete, red hematite, near-surface hard cap underlain by a yellowish goethite-limonite zone with low MgO content (<5%) and average cobalt values of 0.14% and nickel values of 1.46% in the limonite zone. Nickel saprolite mineralization is dominated by garnierite as seen in exposed outcrops on the breakway slope on the north side of the plateau. The saprolite zones contains average grades of 0.06% cobalt and 1.93 % nickel.

Tablasufa Cobalt-Nickel Laterite Target

Geological mapping, auger drilling, and channel sampling has delineated a zone with dimensions of approximately 4,500 meters (north-south) and 4,500-5,000 meters (east-west) covering 826 hectares.

The limonite zone contains an average of 0.14% cobalt and 1.47% nickel and the saprolite zone 0.05% cobalt and 1.74% nickel. Nickel saprolite mineralization is dominated by garnierite as seen in exposed outcrops on the breakway slopes. (Photos 7.1 and 7.2 of the Technical Report)

Exploration

A summary of historical exploration is provided in Section 6 of the Technical Report as reproduced at *History* above.

The exploration techniques by the Dutch Geological Expedition, PT Pacific Nikkel and TNM involved principally reconnaissance mapping to establish the approximate geographic limits of the laterite, the areas of outcrop and boulder (i.e., sub crop) fields. This reconnaissance geological mapping preceded the drilling, sampling and analysis which formed the largest component of the respective budgets and exploration effort. The areas of interest delineated were then gridded prior to detail mapping, test pitting and drilling. The survey methods were not detailed by the Dutch, however PT Pacific Nikkel used a theodolite controlled baseline and grid system. Cross-sections were then placed at 100m or 200m intervals, depending on the terrain. Topographic maps were constructed at 1:2000 scale. Photographic coverage of the Cyclops area was available from earlier surveys and during early 1970 was re-photographed in infrared from which were developed false color prints.

TNM survey control was all through hand held GPS instruments (WGS84 geodetic datum).

Dutch Geological Expedition

The nickel-cobalt laterites flanking the Cyclops mountains were first systematically explored and defined by Dutch authorities in 1952 (Vannes, 1954) with minor additional investigations continuing sporadically until 1960. The surface exploration program of mapping and trenching outlined areas of interest at Tanahmerah and Tablasufa on the TNM project area and at Ifar and Rhynauwen deposits to the east towards Jayapura (Figure 9.1 of the Technical Report).

PT. Pacific Nikkel

PT. Pacific Nikkel Indonesia conducted field work from April to August 1970 with no further exploration over the Sentani deposits after 1970, instead focussing their activities on Gag and Waigeo deposits in far western Irian Jaya until the COW was terminated in 1982.

The 1970 work included further detailed investigations over the Tanahmerah, Tablasufa and Rhynauwan laterite deposits, identified and delineated the Amaybu, Kirpon and Doyo laterite deposits immediately south of Tablasufa, and explored the Harapan area around the town of Sentani.

The geological mapping concentrated on the delineating the lateral limits of the laterites and the surface characteristics. The edge of the laterite blanket frequently was marked but not always by edge of the plateau and drilling indicated a thinning on the margins. The surface characteristics noted were the extent and development of the vegetation and the composition of the laterite surface. The laterite surfaces are found frequently to be covered by a mixed growth of small trees, bushes and grasses. The Tanahmerah area was found to covered by grass and scattered trees whilst the Amaybu, Kirpon and parts of Tablasufa were covered by thick forest. Practically all the laterite surfaces examined exhibited some form of crustal development. The most common are induration due to residual accumulations of the iron oxides, boxwork structures of chalcedony and areas of outcrops with partially weathered serpentinized peridotites.

Exploration by PT. Sentani Maju Minerals

PT. Sentani Maju Minerals, a joint venture between Independent Resources Pte. Ltd. (90%) and PT. Krueng Taungah (10%), held a 4th Generation CoW signed on December 21, 1987. Very little work has been recorded. The CoW was terminated in 1994.

The original CoW was reduced with the priority areas divided into 3 blocks (I, II and III) based on the potential for chromium, nickel and gold. Cobalt was not considered at the time, although cobalt potential was recognised. Block I which largely covers the TNM Project was retained for the nickel-cobalt laterite potential.

Exploration by PT. Iriana Sentani

PT. Iriana Sentani (95% Iriana Resources Corporation, TSX listed) held the concession under a 7th Generation CoW in 1998. Very little work was recorded and CoW was terminated in 2006.

Exploration by TNM

Field mapping was conducted by TNM from 2007 until 2012 and was designed to verify the previous Dutch Geological Expedition and PT Pacific Nikkel investigations.

Geological mapping has been completed over 9,629 hectares covering the IUP Exploration area. Based on the field mapping, the ultramafic rock suite includes medium to highly serpentinized peridotite and dunite. Various petrological investigation from previous workers has confirmed harzburgite and dunite as the most widespread original ultramafic rock types. A bedrock sample from Tanahmerah was determined to be an intensely serpentinized harzburgite, originally carrying about 78% olivine, 21% enstatite with trace clinopyroxene.

The distribution of laterite is shown in Figure 9.2 of the Technical Report. A total of nine (9) prospective areas of laterite, interpreted to be underlain by ultramafic has been delineated. The total area of laterite within the 5,000 hectares IUP Operation Production concession area totals 1,996.7 hectares. The laterite prospects are:

1. Tanahmerah, 124.2 hectares
2. Tablasufa, 826 hectares
3. Kirpon, 114.7 hectares
4. Amaybu, 140.5 hectares
5. Depapre, 79 hectares
6. Maribu, 256 hectares
7. Wibrow, 243.7 hectares
8. Kartosari, 143.7 hectares
9. Doyo, 68.9 hectares

Drilling

Dutch Geological Expedition

The cobalt laterites flanking the Cyclops mountains were first systematically explored and defined by Dutch authorities in 1952 (Vannes, 1954) with minor additional investigations continuing sporadically until 1960. The surface exploration program of mapping and trenching outlined areas of interest at Tanahmerah, Tablasufa on the TNM Project area and Ifar and Rhynauwen (East and West) deposits to the East towards Jayapura (Figure 10.1 of the Technical Report). These areas were then grid drilled by hand auger. A summary of holes drill is in table 10.2 below.

The auger drilling penetrated average depths of 11m and 7m at Tanahmerah and Tablasufa respectively. This drilling intersected grades of +0.5% (greater than 5%) nickel in the bottom parts of 146 out of 149 holes completed, and together with the elevated cobalt grades in these holes suggest that most of the auger holes were terminated in the limonite zone and did not test the full laterite profile (Reynolds et al 1973). All holes were sampled at 1m intervals and analysed on site with check assays performed at various university laboratories in Holland.

Table 10.1 Summary of Drilling completed by the Dutch Geological Expedition

Name of laterite deposit	Number of auger holes	Number of bottom samples with greater than 0.5% nickel	Area (Ha)	Laterite Thickness (m)	Ore Thickness (m)
Tanahmerah	50	50	91	11.3	8.5
Tablasufa	99	96	408	6.7	5.2
Average/Totals	**149**	**146**	**499**		

PT. Pacific Nikkel

PT. Pacific Nikkel Indonesia carried out exploration from April to August 1970, and conducted no further exploration over the Sentani deposits after 1970. The focus of subsequent exploration was on the Gag and Waigeo deposits in far western Irian Jaya until the COW was terminated in 1982.

The 1970 work was conducted over the Tanahmerah, Tablasufa and Rhynauwan nickel-cobalt laterite deposits and also identified and delineated the Amaybu and Kirpon deposits immediately south of Tablasufa and explored the Harapan and Doyo areas around Sentani town during 1970.

The exploration program over the Tanahmerah, Tablasufa, Kirpon, Amaybu and Doyo areas consisted of 758 hand auger holes (5cm core diameter), 82 Jacro gas-powered hydraulic auger holes (8cm core diameter) and 41 truck mounted (Failing 1250 – 10 cm single tube core barrel) drill holes. The holes were emplaced on grids varying from 100m x 100m to 100 x 400m centers, with most on 200 x 100m centers. Twenty-six (26) test pits were also completed.

Table 10.2 Summary of Drilling completed by PT. Pacific Nikkel

Deposit name	Number of hand auger holes	Number of Jacro auger holes	Number of truck mounted drill holes	Number of test pits	Drilling grid layout (meters)
Tanahmerah	39	14	12	8	Mostly 200x100
Tablasufa	434	68	29	18	Mostly 200x100
Kirpon	164	0	0	0	Mostly 200x100
Amaybu	96	0	0	0	200x100
Doyo	25	0	0	0	Mostly 100x100
Totals	**758**	**82**	**41**	**26**	

The exploration methodologies are described in detail by Reynolds et al., (1973). Drilling was the principal method of testing the extent, depth and grade of the laterite profile in the target areas and included hand Auger (HA), Jacro Power Auger (MA) and truck mounted Failing 1250 drill (FD).

The hand augers were light weight, portable and used to drill holes to an average depth of 7m. They were extensively used in the first stage for defining areas of interest. The ‘bits’ were 35cm long and had to be pulled 3 times for a representative 1m core sample.

The Jacro power augers was used for verifying the hand auger results and as an independent tool in new areas. The tool string was pulled for each meter for sampling.

The Failing 1250 truck mounted drilling rig cut relatively undisturbed 1-meter long core and provided the largest (greatest diameter) and most reliable sample.

The sample characteristic for each type of drill type are compared in Table 10.3 below.

Table 10.3 Drill core sample specifications/comparison

Type	Auger/Barrel diameter	Average weight of sample per meter of barrel/core
Hand Auger (HA)	5 cm	0.8 - 1.0 kg
Jacro (MA)	8 cm	3.0 kg
Failing (FD)	10 cm	12 - 14 kg

Information obtained from the drilling program was augmented by test pits which were used to obtain detailed (three dimensional) information concerning the geology of the profile, rock distribution and percentage, in situ densities, moisture contents, samples for analysis and detail of the laterite - bedrock contact zone. Where possible the test pits were located over the FD hole locations. The pits were 1-1.5m square at the surface and tapered to 1m square at 7m depth. The test pits were dug down 1m at a time and the volume carefully calculated. The in-situ densities ranged from 1.5 to 2.7 tonnes/m^3 and moisture contents from 35% to 50%.

Samples including those from test pits, were systematically collected at one-meter intervals and colormetrically analysed for Ni, Co and soluble Fe. (Thirnbeck, 2001, after Reynolds, 1973).

Drilling results from section 10,000mE (Figure 10.1 of the Technical Report) across the Tanahmerah deposit highlight the thickness of the limonite portion of the laterite and indicates that the 1970 drilling also did not penetrate the full laterite profile and did not intersect the bedrock (Figure 10.2 of the Technical Report).

Significant Cobalt results were also intersected on this cross-section line including:

Hole MA 35:	8m @ 0.18% Co and 1.53% Ni from 0 to 8 m depth
Hole HA 6:	13m @ 0.15% Co and 1.26% Ni from 2 to 15m depth
Hole HA 21:	10m @ 0.19% Co and 1.02%Ni from 4 to 14m depth

Table 10.4 Assays, drill hole MA35

Hole ID	Elevation	Ni%	Co%	Fe%
MA35	72	1.48	0.2	45
MA35	71	1.31	0.16	44
MA35	70	1.35	0.21	46

Hole ID	Elevation	Ni%	Co%	Fe%
MA35	69	1.36	0.22	46
MA35	68	1.62	0.18	48
MA35	67	1.69	0.15	47
MA35	66	1.67	0.16	47
MA35	65	1.83	0.14	47
MA35	64	1.77	0.07	35
MA35	63	1.8	0.07	36
MA35	62	1.99	0.05	29

Table 10.5 Assays, drill hole MA34

Hole ID	Elevation	Ni%	Co%	Fe%
MA34	59	0.55	0.03	49
MA34	58	0.76	0.04	49
MA34	57	0.7	0.03	50
MA34	56	0.71	0.03	49
MA34	55	0.71	0.02	48
MA34	54	0.7	0.02	48
MA34	53	0.66	0.02	48
MA34	52	0.61	0.05	49
MA34	51	0.58	0.03	50
MA34	50	0.75	0.03	47
MA34	49	0.91	0.05	47
MA34	48	0.88	0.04	50
MA34	47	0.94	0.04	49
MA34	46	0.95	0.1	46
MA34	45	0.69	0.08	37
MA34	44	0.84	0.07	45
MA34	43	1.03	0.08	45
MA34	42	0.92	0.08	44
MA34	41	1.16	0.17	unknown

Table 10.6 Assays, drill hole MA63

Hole ID	Elevation	Ni%	Co%	Fe%
MA63	46	0.99	0.11	44
MA63	45	0.62	0.05	49
MA63	44	0.6	0.03	45
MA63	43	0.6	0.02	48
MA63	42	0.89	0.02	49
MA63	41	0.93	0.05	46

Table 10.7 Assays, drill hole HA6

Hole ID	Elevation	Ni%	Co%	Fe%
HA6	70	0.47	0.02	48
HA6	69	0.73	0.04	49
HA6	68	0.73	0.15	46
HA6	67	0.97	0.24	41
HA6	66	1.09	0.26	44
HA6	65	0.8	0.09	47
HA6	64	1.04	0.13	39
HA6	63	0.99	0.11	41
HA6	62	1.18	0.14	45
HA6	61	1.46	0.15	42
HA6	60	1.39	0.16	44
HA6	59	1.48	0.13	43
HA6	58	1.58	0.1	44
HA6	57	1.83	0.1	44
HA6	56	1.93	0.19	37
HA6	55	1.95	0.08	29
HA6	54	2.29	0.07	31
HA6	53	2.11	0.07	28

Table 10.8 Assays, drill hole HA21

Hole ID	Elevation	Ni%	Co%	Fe%
HA21	75	0.61	0.02	49
HA21	74	0.76	0.01	52
HA21	73	0.8	0.01	48
HA21	72	0.81	0.01	50
HA21	71	0.99	0.08	47
HA21	70	0.91	0.18	45
HA21	69	0.88	0.17	43
HA21	68	0.82	0.21	41
HA21	67	0.9	0.31	41
HA21	66	0.93	0.24	42
HA21	65	0.95	0.3	34
HA21	64	1.06	0.19	42
HA21	63	1.19	0.14	41
HA21	62	1.55	0.1	35
HA21	61	1.39	0.07	34
HA21	60	1.73	0.07	30

PT. Tablasufa Nikkel Mining

The most recent exploration on the project area was conducted by TNM from 2007 until 2012. The exploration drill program was designed to verify the Dutch Geological Expedition and PT Pacific Nikkel investigations and the following was completed:

1. Hand auger drilling
2. Jacro-200 drilling

Nine (9) hand auger holes were completed for a total of 51 meters. The hand auger drilling was carried out on the Kirpon prospect. The nickel assay grade ranged from 0.3% to 2.31% and cobalt from 0.01 to 0.21%. The results confirmed enrichment of cobalt at the base of the limonite zone above the saprolite. Selected intersections from hand auger drilling are summarised below:

- Hole TAP 1624: 2m @ 0.13%Co, 1.28% Ni, and 29.21% Fe
- Hole TAP 1632: 1m @ 0.20%Co, 1.29% Ni, and 49.78% Fe
- Hole TAP 4024: 1m @ 0.14%Co, 0.70% Ni, and 55.45% Fe
- Hole TAP 4032: 2m @ 0.13%Co, 0.65% Ni, and 53.50% Fe
- Hole TAP 3208: 4m @ 0.15%Co, 0.83% Ni, and 52.91% Fe
- Hole TAP 2424: 2m @ 0.16%Co, 1.10% Ni, and 45.61% Fe
- Hole TAP 2423: 2m @ 0.19%Co, 1.45% Ni, and 44.38% Fe
- Hole TAP 3224: 3m @ 0.15%Co, 1.07% Ni, and 46.14% Fe

- Hole TAP 3232: 4m @ 0.13%Co, 1.02% Ni, and 46.95% Fe

Table 10.9 List of hand auger hole location coordinates and depth

Hole_ID	Easting (UTM)	Northing (UTM)	Elevation (meters above sea level)	Final Depth (m)
TAP2424	430600	9731800	128	6
TAP2432	430600	9732000	120	4
TAP3224	430800	9731800	133	7
TAP3232	430800	9732000	131	7
TAP1624	430400	9731800	105	4
TAP1632	430400	9732000	98	5
TAP4024	431000	9731800	161	6
TAP4032	431000	9732000	171	6
TAP3208	430800	9731400	103	6

Table 10.10 Assays of hand auger holes limonite and saprolite zones (see the colour legend below). (The drilling sequence is not known.)

Item	AH No.	Depth (m)	Ni%	Co%	Fe%	MgO%	SiO2%
1	TAP2424	1	0.77	0.06	54.07	0.39	1.59
		2	0.48	0.01	54.64	0.3	1.56
		3	0.97	0.1	53.65	0.43	1.76
		4	1.24	0.22	37.57	11.01	14.74
		5	1.3	0.06	18.89	25.31	31.27
		6	1.17	0.05	19.56	25.31	30.71
2	TAP2423	1	0.55	0.02	56.33	0.38	1.71
		2	0.83	0.05	54.71	0.59	1.86
		3	1.21	0.18	51.73	1.39	3.21
		4	1.62	0.2	37.03	11.27	16
3	TAP3224	1	0.6	0.03	53.95	0.7	1.71
		2	0.82	0.11	53.91	0.45	1.86
		3	0.99	0.21	51.34	1.65	3.21
		4	1.4	0.13	33.18	13.07	16
		5	1.46	0.07	21.01	23.11	28.77
		6	1.5	0.04	16.66	26.91	32.9
		7	1.29	0.04	16.78	26.57	32.53
4	TAP3232	1	0.44	0.02	55.62	0.48	1.32
		2	0.54	0.02	53.98	0.45	1.38

Item	AH No.	Depth (m)	Ni%	Co%	Fe%	MgO%	SiO2%
		3	0.7	0.11	53.43	0.63	1.4
		4	0.8	0.17	52.36	1.11	1.51
		5	1.21	0.14	42.52	8.32	11.49
		6	1.38	0.12	39.49	10.07	14.17
		7	1.62	0.06	25.87	19.21	25.27

LIMONITE ZONE
TRANSITION ZONE
SAPROLITE ZONE

Table 10.11 Assay result of hand auger holes (the drilling sequence is unknown)

No.	AH No.	Depth (m)	Ni%	Co%	Fe%	MgO%	SiO2%
5	TAP1624	1	0.59	0.02	52.66	0.38	1.59
		2	0.78	0.07	52.51	0.5	1.71
		3	1.41	0.17	33.66	13.65	17.84
		4	1.16	0.09	24.77	20.15	25.6
6	TAP1632	1	0.6	0.01	53.27	0.44	1.53
		2	0.81	0.03	52.69	0.47	1.71
		3	1.05	0.06	52.4	0.48	1.96
		4	1.29	0.2	49.78	2.01	3.58
		5	2.31	0.09	19.23	23.63	29.57
7	TAP4024	1	0.36	0.05	55.74	0.69	1.37
		2	0.36	0.02	53.54	0.65	1.59
		3	0.7	0.14	55.41	0.54	1.46
		4	0.73	0.06	27.29	20.5	24.44
		5	0.65	0.04	20.14	25.19	29.99
		6	0.64	0.04	19.02	26.29	31.19
8	TAP4032	1	0.51	0.05	53.7	0.61	1.33
		2	0.52	0.12	55.92	0.35	1.16
		3	0.79	0.14	51.08	1.99	3.43
		4	0.97	0.05	20.16	23.77	30.84
		5	1.24	0.05	12.38	26.63	38.65
		6	1.06	0.05	14.65	27.29	35.07
9	TAP3208	1	0.47	0.02	53.44	0.86	1.9
		2	0.65	0.06	54.81	0.55	1.61

No.	AH No.	Depth (m)	Ni%	Co%	Fe%	MgO%	SiO2%
		3	0.78	0.11	54.98	0.33	1.62
		4	0.82	0.19	54.06	0.49	1.6
		5	0.8	0.15	54.34	0.47	1.86
		6	0.93	0.17	48.26	4.12	6.02

Four (4) Jacro-200 drill holes were completed. The drilling was conducted to determine the full laterite profile (i.e., depth) and confirm previous grades reported in the Tablasufa prospect. Four (4) drill holes were assayed from the Tablasufa area. The best intersections reported are:

1. G4-1-DH-09:
   - 4 m @ 0.17% Co and 1.26% Ni from 1 to 5m depth – Limonite Zone
   - 11.37m @ 0.06% Co and 2.18% Ni from 7.63 to 19m depth – Saprolite Zone

2. C300454:
   - 4m @ 0.11% Co and 1.00% Ni from 1 to 5m depth - Limonite Zone
   - 3m @ 0.02% Co and 1.83% Ni from 10 to 13m depth - Saprolite Zone

3. G4-1-DH-01:
   - 6m @ 0.02% Co and 1.7% Ni from 1 to 7m depth - Saprolite Zone

4. G4-1-DH-17:
   - 7.68m @ 0.05% Co and 1.7% Ni from 3.32 to 11m depth – Saprolite Zone

Table 10.12 List of Drill hole location (UTM Zone 54 Southern)

No.	HOLE_ID	Easting	Northing
1	C300454	unknown	unknown
2	G4-1-DH-01	431000	9733000
3	G4-1-DH-09	431200	9733000
4	G4-1-DH-17	431400	9733000

Table 10.13 Assay results, hole ID G4-1-DH-01

G4-1-DH-01							
Depth		% core recovery	Lab Analysis				
From	To		% Ni	% Co	% Fe	% SiO2	% MgO
0.00	0.20	unknown	unknown	unknown	unknown	unknown	unknown
0.20	1.00	100	1.1	0.03	46.9	7.5	7.7
1.00	2.00	100	1.62	0.03	37.3	20	19.5
2.00	3.00	100	1.7	0.03	26.4	35.3	21
3.00	4.00	83	1.6	0.02	20.8	32.1	20.4
4.00	5.00	84	1.79	0.02	26.3	49.6	33.4

G4-1-DH-01							
Depth		% core recovery	Lab Analysis				
From	To		% Ni	% Co	% Fe	% SiO2	% MgO
5.00	6.00	63	1.87	0.02	22.9	46.1	47.9
6.00	7.00	72	1.64	0.02	12.6	49.6	40.7
7.00	8.00	36	1.25	0.02	9.5	49.3	48.2
8.00	9.00	61	1.23	0.02	11.8	44.3	47.6
9.00	10.00	51	0.99	0.02	10.7	42.8	42.6
10.00	10.50	unknown	unknown	unknown	unknown	unknown	unknown
10.50	11.00	100	1.03	0.02	10.1	51.6	43.1
11.00	11.35	unknown	unknown	unknown	unknown	unknown	unknown
11.35	12.00	61	0.95	0.02	9.7	44.4	47.2
12.00	13.00	14	0.69	0.02	8.3	45.2	46.1

Table 10.14 Assay results, hole ID G4-1-DH-17

G4-1-DH-17							
Depth		% Core recovery	Lab Analysis				
From	To		% Ni	% Co	% Fe	% SiO2	% MgO
0.00	1.00	100	1.1	0.07	35.8	6.9	4.6
1.00	2.00	100	1.17	0.04	32	7.5	15.2
2.00	3.00	100	1.2	0.05	33.3	7.9	14.9
3.00	3.32	unknown	unknown	unknown	unknown	unknown	unknown
3.32	4.00	100	1.57	0.05	26.8	20.3	10.7
4.00	5.00	100	1.6	0.04	23.2	29.8	15.3
5.00	6.00	100	1.58	0.05	23.7	18.9	11.9
6.00	7.00	100	1.56	0.05	25.1	19.2	10.7
7.00	8.00	100	1.68	0.06	24.9	29.8	9.8
8.00	9.00	100	1.88	0.04	21.2	33.5	15.7
9.00	10.00	100	1.87	0.04	20.2	35.8	16.3
10.00	11.00	67	1.9	0.04	20.6	35.8	15.5
11.00	12.00	10	1.14	0.02	9.7	42.6	27.8

Table 10.15 Assay results, hole ID G4-1-DH-09

G4-1-DH-09							
Depth		**% core rec**	**Lab Analysis**				
From	**To**		**% Ni**	**% Co**	**% Fe**	**% SiO2**	**% MgO**
0.00	0.20	unknown	unknown	unknown	unknown	unknown	unknown
0.20	1.00	100	1.12	0.08	48.6	2.8	0.4
1.00	2.00	100	1.16	0.11	48	3	0.5
2.00	3.00	100	1.22	0.16	45.3	8.2	1.1
3.00	4.00	100	1.32	0.26	45.2	5.3	0.9
4.00	5.00	100	1.33	0.15	41.9	9.9	12.8
5.00	6.00	100	1.44	0.05	32.9	19.7	11.7
6.00	7.00	100	1.6	0.05	37.1	17.8	13.1
7.00	7.40	100	1.68	0.04	35.1	19.8	14.5
7.40	7.63	unknown	unknown	unknown	unknown	unknown	unknown
7.63	8.00	100	1.8	0.06	14.2	36.4	27.2
8.00	9.00	100	2.16	0.07	19.8	41.2	32.6
9.00	10.00	100	2.19	0.06	20.5	41.5	34.2
10.00	11.00	100	1.88	0.06	18.8	36.5	32.9
11.00	11.60	100	2.48	0.05	16.1	40.7	37
11.60	12.00	unknown	unknown	unknown	unknown	unknown	unknown
12.00	13.00	100	2.27	0.05	19.3	38.1	41.9
13.00	13.70	100	2.34	0.07	14.4	41.5	36.8
13.70	14.00	unknown	unknown	unknown	unknown	unknown	unknown
14.00	15.00	100	2.45	0.06	17.7	46.5	46
15.00	15.59	100	2.19	0.07	18.7	45	36.3
15.59	16.00	unknown	unknown	unknown	unknown	unknown	unknown
16.00	17.00	unknown	unknown	unknown	unknown	unknown	unknown
17.00	17.25	unknown	unknown	unknown	unknown	unknown	unknown
17.25	17.80	72	2.25	0.03	17.8	46.9	38.8
17.80	18.00	unknown	unknown	unknown	unknown	unknown	unknown
18.00	18.35	unknown	unknown	unknown	unknown	unknown	unknown
18.35	19.00	100	1.95	0.04	20.7	52.1	32.7
19.00	20.00	100	1.54	0.03	17.3	55	45.6
20.00	20.30	unknown	unknown	unknown	unknown	unknown	unknown
20.30	20.60	100	1.34	0.03	13.4	56.1	48.5

G4-1-DH-09							
Depth		% core rec	Lab Analysis				
From	To		% Ni	% Co	% Fe	% SiO2	% MgO
20.60	21.00	40	1.39	0.03	13.3	59.2	49.1
21.00	22.00	100	1.43	0.03	15.5	59.2	44.9
22.00	22.65	unknown	unknown	unknown	unknown	unknown	unknown
22.65	23.00	100	1.17	0.02	12.4	55.5	47.2
23.00	24.00	100	1.71	0.02	13.1	43.3	42.1
24.00	24.50	100	1.56	0.02	12.4	43.6	43.7
24.50	25.00	40	1.7	0.02	10.2	40.7	40.8

Table 10.16 Assay results, hole ID C300454

C300454 (exact location not verified)							
Depth		% core recovery	Lab Analysis				
From	To		% Ni	% Co	% Fe	% SiO2	% MgO
0.00	0.40	unknown	unknown	unknown	unknown	unknown	unknown
0.40	1.00	100.00	0.78	0.07	45.9	6.1	0.9
1.00	2.00	100.00	0.84	0.11	45.9	6.4	0.6
2.00	3.00	100.00	0.95	0.1	43.6	5.2	0.8
3.00	4.00	100.00	1.21	0.14	41.3	6.6	1.3
4.00	5.00	100.00	1.02	0.09	44.5	6.9	3
5.00	6.00	unknown	unknown	unknown	unknown	unknown	unknown
6.00	6.32	100.00	1.32	0.03	34	23.1	16
6.32	7.00	15.00	1.34	0.03	33.5	22.9	14.9
7.00	7.36	100.00	1.45	0.04	38.7	18.8	16.5
7.36	8.00	21.00	0.85	0.02	44.8	19.9	14.9
8.00	9.00	unknown	unknown	unknown	unknown	unknown	unknown
9.00	10.00	unknown	unknown	unknown	unknown	unknown	unknown
10.00	11.00	72.00	1.75	0.02	14.6	43.2	24.1
11.00	12.00	100.00	1.82	0.02	22.8	42.6	24.4
12.00	13.00	100.00	1.93	0.03	18.7	41.5	16.6
13.00	14.00	100.00	1.4	0.02	13.6	44.2	25.3
14.00	14.46	100.00	1.4	0.03	12.9	45.2	23
14.46	15.00	unknown	unknown	unknown	unknown	unknown	unknown
15.00	16.00	16.00	1.19	0.02	12.3	42.8	26.4

C300454 (exact location not verified)							
Depth		**% core recovery**	**Lab Analysis**				
From	**To**		**% Ni**	**% Co**	**% Fe**	**% SiO2**	**% MgO**
16.00	17.00	unknown	unknown	unknown	unknown	unknown	unknown
17.00	18.00	9.00	0.58	0.02	7.4	42.1	36.2
18.00	19.00	unknown	unknown	unknown	unknown	unknown	unknown
19.00	19.54	unknown	unknown	unknown	unknown	unknown	unknown
19.54	20.00	59.00	0.82	0.02	9.9	44	28.5
20.00	21.00	20.00	1.1	0.02	9.3	5.5	28.9
21.00	22.00	12.00	1.05	0.02	9.1	46.6	26.4
22.00	23.00	10.00	0.87	0.02	10.5	47.4	25.3
23.00	24.00	78.00	0.8	0.02	11.4	53.8	28.3
24.00	25.00	unknown	unknown	unknown	unknown	unknown	unknown
25.00	26.00	unknown	unknown	unknown	unknown	unknown	unknown
26.00	27.00	18	0.94	0.02	9.5	52.6	25.5

Sample Preparation, Analyses and Security

There is very little historical information regarding sample analysis, preparation and security.

The Dutch carried out all analysis on site with check assays conducted at various university laboratories in Holland.

PT Pacific Nikkel samples were analysed by the PTPNI laboratory at Kabarei on Waigeo. All samples were analysed colormetrically for nickel, cobalt and iron, A continuous program of check samples was carried out by an independent laboratory. A total of 50,000 samples, which included samples from the Sentani area, were analysed.

TNM samples were analysed by PT. Intertek Utama Services, located in Jakarta, Indonesia. All samples were analysed for Ni, Co, Al_2O_3, CaO, Cr_2O_3, Fe_2O_3, Fe, K_2O, MgO, MnO, Na_2O, P_2O_5, P, SiO_2 and TiO_2. A total of 62 samples of hand auger drilling and 75 samples of Jacro drilling were analysed.

PT. Intertek Utama Services is accredited for chemical testing under ISO 17025:2005 (General requirements for the competence of testing and calibration laboratories).

Mineral Resource Estimates

Historically resource estimates were carried out by the Dutch Geological Expedition based on work largely completed in 1952 and by PT Pacific Nikkel based on exploration completed in 1970. These resource estimations were completed on the laterites deposits lying within the IUP area now controlled by PT TNM as well as other deposits in the Sentani area and lying within the PT. Pacific Nickel CoW. The Dutch Geological Expedition determined resources on the Tanahmerah and Tablasufa areas. PT

Pacific Nikkel carried out additional resource estimates based on the additional areas of Kirpon, Amaybu and Doyo as well as Tanahmerah and Tablasufa.

The cobalt and nickel grade and tonnage estimates outlined in this section are being treated as historical estimates. The historical estimates are relevant to future exploration programs because they identify significant mineralization that will be the target of such exploration programs. The Author has relied on the historical estimates contained in the Pacific Nikkel report because the authors were experts and used industry standard procedures at the time. No subsequent resource estimations have been attempted. Efforts to obtain any additional information regarding relevant historical work is ongoing, although there are no assurances that this original data will be found.

The historical estimates do not use categories that conform to current CIM Definition Standards on Mineral Resources and Mineral Reserves as outlined in INI 43-101 and have not been redefined to conform to current CIM Definition Standards. They were prepared in the 1970s prior to the adoption and implementation of NI 43-101. A qualified person has not done sufficient work to classify the historical estimates as current mineral resources and the historical estimates stated below are not being treated as current mineral resources. More work, including, but not limited to, drilling, will be required to conform the estimates to current CIM Definition Standards. Furthermore, the historical estimates do not mean or imply that economic deposits exist on the TNM Project. An independent investigation of the historical estimates (which would require drilling) or other information contained in the Technical Report has not been carried out, nor have the results of the previous exploration work been verified in order to determine the accuracy of the information. However, the Author is of the view that the historical estimates and other information contained in this report are relevant to continuing exploration on the TNM Project

Resource Estimation by Dutch Geological Expedition

The DGE estimations were based on 149 holes drilled over an area of 499 Ha. A total resource of 28.88 million tonnes grading 1.2% nickel and 0.15% cobalt was determined for the combined areas of Tanahmerah and Tablsufa. (Van Ness: 1954, after Thirnbeck 2001); Table 14.1 below.

No detailed resource estimation methodology is available other than the estimates were based on the drilling and on-site sample analysis described in this Report, with check assays completed at various university laboratories in Holland. No information on cut-off grades is known to exist. The full laterite profile was not intersected by the drilling for the resource estimations. The average drill depths were 11m and 7m for Tanahmerah and Tablasufa respectively and did not reach fresh bedrock.

Table 14.1 Resource Estimate by the Dutch Geological Expedition

Deposit name	**Number of auger holes**	**Number of bottom samples grading over 0.5% Ni**	**Drilled area (Ha)**	**Laterite thickness (m)**	**Ore zone thickness (m)**	**Resources in million metric tonnes**	**% Ni**	**% Co**
Tanahmerah	50	50	91	11.3	8.5	7.7	1.15	0.14
Tablasufa	99	96	408	6.7	5.2	21.18	1.22	0.15
Average/Totals	**149**	**146**	**499**			**28.88**	**1.2**	**0.15**

Resource Estimation by PT. Pacific Nikkel

Pacific Nikkel applied two nickel cut off grades of 1.1%, 0.8% in resource calculations for the four coastal deposits fringing Tanahmerah Bay, i.e. Tanahmerah, Tablasufa, Amaybu, Kirpon and Doyo.

Exploration by Pacific Nikkel delineated an indicated resource in five deposits including Tanahmerah, Tablasufa, Kirpon and Amaybu totalling 37.973 million tonnes grading 1.25% Nickel and 0.11% cobalt at 0.8% cut off grade and 22.238 million tonnage at 1.55% Ni and 0.11% Co at cut off 1.1% Ni. The full depth of the laterite profile was not penetrated and failed to reach bedrock (Pacific Nikkel, 1982, after Thirnbeck, 2001). (Tables 14. 2, 14.3, 14.4 below). Resources were also classified on ore type and divided into 2 categories of Limonite and Saprolite based on a broad definition of > 30% Fe (limonite zone) and < 30% Fe (saprolite zone). (Table 14.5 below).

Various data sources were used but the largest single source of data for the estimations of the laterite deposits was from drill holes. All data generated by the program was systematically recorded and included:

- Location of the deposit (Tablasufa, Tanahmerah, etc.)
- Type of sample (test, drill hole, drill technique identified HA (Hand auger), MA (Mechanical auger), FD (Failing drill)
- Drill Hole (or test pit) number, coordinate location and collar elevation
- Chemical analysis for each meter or other depth interval
- Moisture analysis for drill core and test pits material recovered

Computer software was used to calculate tonnages and grades for:

- Individual deposits or portions of deposits
- Different types of laterite based on geology
- Cumulative tonnages and grades based on various cut-off grades

Standard statistics were applied and included standard deviation, regression and frequency analysis and comparative studies were completed to investigate distribution of various constituents in the profile.

Table 14.2 PT Pacific Nikkel resource estimate, with cut-off grade 0.8% Ni.

Deposit name	Number of hand auger holes	Number of Jacro auger holes	Number of truck mounted drill holes	Number of test pits	Drill grid layout (meters)	0.8% Ni Cut Off Grade			
						Million metric tonnes (dry)	% Ni	% Co	% Fe
Tablasufa	39	14	12	8	Mostly 200x100	25.251	1.33	0.11	37.97
Tanahmerah	434	68	29	18	Mostly 200x100	7.576	1.32	0.13	39.55
Kirpon	164	0	0	0	Mostly 200x100	2.716	1.13	0.1	40.18
Amaybu	96	0	0	0	200x100	1.694	1.17	0.09	32.58
Doyo	25	0	0	0	Mostly 100x100	0.736	1.33	0.12	N/A
Totals	**733**	**82**	**41**	**26**		**37.973**	**1.25**	**0.11**	**37.57**

Table 14.3 Estimate Resource from PT Pacific Nikkel Cut-off grade 1.1% Ni

Deposit name	Number of hand auger holes	Number of Jacro auger holes	Number of truck mounted drill holes	Number of test pits	Drilling grid layout (meters)	1.1% Ni Cut-off Grade			
						Million metric tonnes (dry)	% Ni	% Co	% Fe
Tablasufa	39	14	12	8	Mostly 200x100	15.658	1.56	0.11	34.27
Tanahmerah	434	68	29	18	Mostly 200x100	4.628	1.58	0.14	36.17
Kirpon	164	0	0	0	Mostly 200x100	1.212	1.36	0.08	35.41
Amaybu	96	0	0	0	200x100	0.83	1.42	0.08	26.16
Totals	**733**	**82**	**41**	**26**		**22.328**	**1.48**	**0.10**	**33.00**

Table 14.4 Resource estimate based on cut-off grade 0.8% Ni

Limonite: Fe > 30% Saprolite: Fe < 30%		**0.8% Ni Cut-off Grade**			
		Million Tonnes (dry)	**Ni%**	**Co%**	**Fe%**
Tablasufa	Limonite	19.31	1.22	0.12	43.8
	Saprolite	5.94	1.65	0.05	19.2
	Total	**25.25**	**1.32**	**0.11**	**38**
Tanahmerah	Limonite	6.34	1.2	0.14	43.1
	Saprolite	1.24	1.9	0.06	21.3
	Total	**7.58**	**1.32**	**0.13**	**39.6**
Kirpon	Limonite	2.3	1.07	0.11	43.8
	Saprolite	0.41	1.42	0.05	22.3
	Total	**2.71**	**1.12**	**0.1**	**40.4**
Amaybu	Limonite	0.91	1.06	0.13	45.1
	Saprolite	0.78	1.31	0.05	17.9
	Total	**1.69**	**1.17**	**0.09**	**32.6**
Total	**Limonite**	**28.86**	**1.2**	**0.12**	**43.7**
	Saprolite	**8.37**	**1.64**	**0.05**	**19.5**
	Total	**37.23**	**1.3**	**0.11**	**38.3**

Table 14.5 Resource estimate based on cut-off grade 1.1% Ni

Limonite: Fe > 30% Saprolite: Fe < 30%		**1.1% Ni Cut-off Grade**			
		Million Tonnes (dry)	**Ni%**	**Co%**	**Fe%**
Tablasufa	Limonite	10.37	1.47	0.14	41.7
	Saprolite	5.29	1.74	0.05	19.8
	Total	**15.66**	**1.56**	**0.11**	**34.3**
Tanahmerah	Limonite	3.44	1.46	0.17	41.4
	Saprolite	1.19	1.93	0.06	21.1
	Total	**4.63**	**1.58**	**0.14**	**36.2**
Kirpon	Limonite	0.85	1.3	0.1	40.6
	Saprolite	0.36	1.49	0.05	23.2
	Total	**1.21**	**1.36**	**0.08**	**35.4**
Amaybu	Limonite	0.29	1.33	0.14	40.5

Limonite: Fe > 30% Saprolite: Fe < 30%		**1.1% Ni Cut-off Grade**			
		Million Tonnes (dry)	**Ni%**	**Co%**	**Fe%**
	Saprolite	0.54	1.48	0.05	18.3
	Total	**0.83**	**1.42**	**0.08**	**26.2**
Total	**Limonite**	**14.95**	**1.46**	**0.14**	**41.5**
	Saprolite	**7.38**	**1.74**	**0.05**	**20.1**
	Total	**22.33**	**1.55**	**0.11**	**34.3**

The resource estimation calculations of DGE and PT. Pacific Nikkel used different parameters. The Dutch Geological Expedition did not stipulate the cut-off grade for the resource estimations, however it is noted that they used thickness of ore defined by unknown parameters which was less than the average drill depths. PT. Pacific Nikkel used 0.8% Ni and 1.1% Ni as a cut-off grades. The DGE calculated the resource over an area of 91 hectares for Tanahmerah and 408 hectares for the Tablasufa area, which is much smaller than delineated mapping by TNM of Tanahmerah (124.2 Ha.) and Tablasufa (826 Ha). The available PT. Pacific Nikkel reports do not provide information on the size of the areas included in the resource estimation. The tonnes and grade estimated by DGE and Pacific Nikkel are similar and indicate that most of the drilled laterite profile was included in resource estimation at the lower cut off grade. The comparison of the two resources is shown in Table 14.6.

The PT. Pacific Nikkel tonnage and grade calculations for those deposits in which both HA and JA information was available, preference was normally given to the JA data. Calculations based upon FD information were made separately. All volume calculations were based upon the thickness of laterite as determined from drill hole data and the area of influence of each drill hole. The area of influence varies with the drill hole spacing and the lateral limits of the laterite areas. Generally, the areas of influence were from one to two hectares (10,000m^2 – 20,000m^2) each. In many instances, there was more than one drill hole at each location because:

1. If the first drill hole at a drill site did not go deeper than 4 meters and the geological setting suggested a greater depth of laterite, the hole was re-drilled;

2. If a second drilling program was undertaken from further investigations, the second drill hole was located as close as predictable to the original one.

The chemical grades were calculated on the basis of the chemistry of each meter (or sample interval) of drill hole depth and its corresponding volume. Each drill hole thus became the control for a block of laterite ore, the volume of which was determined by its area of influence and its thickness. Composite grades for larger units of ore were calculated by weighing several ore blocks together. Quantities of laterite with nickel grades less than a specific cut off level were tabulated separately. Quantities of laterite with high and low iron contents (+30% Fe) were also tabulated separately. Laterites which had nickel averages less than 0.8% Ni were recorded as “lean ore”.

Density factors for converting volume (as determined by drilling) into tonnages were best developed by test pitting where comparable volumes and weights could be measured directly. The natural in-place densities were calculated from measured weight and volume field data and then, subsequent to the determination of the moisture content, were recalculated to a dry density basis. Units were metric tons per cubic meter. Individual determinations do vary but an average of 1.0 metric ton per cubic meter has been calculated as the in-place average dry density for the nickel bearing laterite and this number has been used to convert volumes measured in cubic meters into metric tons. The presence of cobalt-nickel-bearing boulders in the low iron laterite will tend to increase the in-place bulk densities of those materials. Similarly, the exclusion of non-ore grade boulders will tend to reduce the tonnages calculated for low iron reserves.

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Table 14.6 Comparison resource estimations made by DGE and PT. Pacific Nikkel

Deposit	***Summary Result of Dutch Investigation in 1952***							***Summary of PT. Pacific Nikkel Investigation in 1970***							
								0.8% Ni Cut Off Grade				**1.1% Ni Cut Off Grade**			
	Auger Holes	**Area (Ha)**	**Laterite Thickness (m)**	**Ore Thickness (m)**	**Million Metric Tonnes**	**% Ni**	**% Co**	**Million Metric Tonnes (dry)**	**% Ni**	**% Co**	**% Fe**	**Million Metric Tonnes (dry)**	**% Ni**	**% Co**	**% Fe**
Tanahmerah	50	91	11.3	8.5	7.7	1.15	0.14	7.576	1.32	0.13	39.55	4.628	1.58	0.14	36.17
Tablasufa	99	408	6.7	5.2	21.18	1.22	0.15	25.251	1.33	0.11	37.97	15.658	1.56	0.11	34.27
Totals	**149**	**499**			**28.88**	**1.2**	**0.15**	**32.827**	**1.32**	**0.12**	**38.75**	**20.286**	**1.57**	**0.12**	**35.22**

Interpretation and Conclusions

The serpentinised peridotite-dunite suite of rocks on the project area cover the western segment of a regional band of ultramafic rocks that occur on the south and west slopes of the Cyclops Mountain Range and lie within an area 40km long (east-west) by 5km wide (north-south) from Tanahmerah bay on the west to Jayapura/Humboldt Bay. These ultramafic have been extensively lateritized.

These bedrock ultramafic with elevated nickel-cobalt contents are the source of the cobalt and nickel contained within the overlying laterite deposits in the area. The main individual deposits discovered to date in the region include Tanahmerah, Tablasufa, Amaybu, Kirpon and Doyo within the TNM Project IUP boundaries, and Rhynauwan, Ifar, and Harapan which occur a short distance to the East. The total resources of the deposits were estimated by PT Pacific Nikkel (at 0.8% cut-off) as being 44.36mt grading 1.36% Nickel and 0.11% Cobalt.

TNM mapping on the project area has defined the laterite distribution and delineated nine (9) prospective laterite zones underlain by ultramafic rocks covering approximately 1,996.7 hectares (Figure 7.3 of the Technical Report).

1. Tanahmerah, 124.2 Ha. - drill tested
2. Tablasufa, 826 Ha. - drill tested
3. Kirpon, 114.7 Ha. - drill tested
4. Amaybu, 140.5 Ha. - drill tested
5. Depapre, 79 Ha. - not drill tested
6. Maribu, 256 Ha. - not drill tested
7. Wibrow, 243.7 Ha. - not drill tested
8. Kartosari, 143.7 Ha. - not drill tested
9. Doyo, 68.9 Ha. - drill tested

The main focus of previous exploration has been the laterite in the Tablasufa, Tanahmerah, Kirpon, Amaybu and Doyo areas (or zones) which are located in the northern part and the eastern end of the IUP (Figure 7.3 of the Technical Report). Tablasufa and Tanahmerah contain the bulk of the resources delineated to date.

The laterites developed in the area exhibit classical profiles divided into:

1. Limonite zone at the top
2. Transition zone
3. Saprolite zone in the middle
4. Bedrock zone in the bottom

Compositional zoning characteristics of the laterite are typical of tropical weathering processes and includes a high iron near surface limonite layer generally grading from 1.0 to 1.5% nickel with 0.1% cobalt underlain by a low iron saprolite layer often grading greater than 1.5% nickel. Laterites that were developed (elsewhere) on the gabbros, which have a low initial content of nickel, are nickel poor.

Drill intersections by PT Pacific Nikkel and TNM indicate elevated grade intercepts of cobalt of economic interest at a shallow depth within a laterite profile which has not been adequately nor fully drill-tested.

The Author is of the opinion that a program of methodical grid-based drilling of all known laterite zones and profiles to bedrock delineated by previous exploration and new zones/extensions from more-recent mapping will confirm and extend resource estimates.

The characteristics of lateritic deposits of being shallow near surface occurrences with great lateral continuity enables rapid and cost-effective exploration.

Recommendations and Budget

An integrated exploration program is recommended for the first year, involving the following:

- Topographic and low-level aerial photographic survey
- Geophysical Survey - Ground magnetometer
- Drilling both auger and diamond coring
- Test pitting
- Metallurgical test work

Topographic Survey

The laterite resources are sub cropping near-surface deposits. Detailed topographic surveys are essential for geological mapping, drill control and resource estimations; and for later pre-feasibility and feasibility studies that will include such subjects as ore deposit access, hydrology, etc. A survey covering 3000 hectares is recommended over the known laterite zones and immediately surrounding areas.

Geophysics

The laterite deposits are strongly influenced by permeability and have a large surface expression. The thick profiles will be most-developed over the zones of enhanced permeability. Geophysical ground magnetometer surveys to define faults, shear zones, geological rock contacts or other potential ground water controls will assist in focussing the location of proposed drill holes. Large fault structures have previously been interpreted and these will attract particular attention in the next drilling program.

Drilling

Drilling will begin with a first phase assessment of laterite zones by auger drilling with follow up by diamond core holes to delineate the full profile on the laterite zones that have not been drill tested. Once the auger drilling is well underway, and results obtained, then verification core drilling will begin. This will be carried out on established resource areas to the full profile depth with samples recovered for metallurgical test work.

Test Pitting

Test pitting will be carried out over the locations of completed favourable diamond drill holes to provide detailed three-dimensional information on the geology of the profile, laterite/rock type distribution and metal content, in situ densities, moisture content and samples for analysis/metallurgical test work.

Metallurgical Test Work

Cobalt is concentrated in the limonite zone of the laterite profile. It is recommended to proceed with metallurgical testing using various established and emerging leach technologies with the aim of obtaining high cobalt and nickel recoveries with the lowest possible capital expenditures and operating expenditures.

The program is detailed below:

- Tanahmerah, 124.2 hectares: partially evaluated and requires full testing of the laterite profile
- Tablasufa, 826 hectares: partially evaluated and requires full testing of the laterite profile
- Kirpon, 114.7 hectares: partially evaluated and requires full testing of the laterite profile
- Amaybu, 140.5 hectares: partially evaluated and requires full testing of the laterite profile
- Depapre, 79 hectares: requires first pass auger drilling and follow up diamond core drilling
- Maribu, 256 hectares: requires first pass auger drilling and follow up diamond core drilling
- Wibrow, 243.7 hectares: requires first pass auger drilling and follow up diamond core drilling
- Kartosari, 143.7 hectares: requires first pass auger drilling and follow up diamond drilling
- Doyo, 68.9 hectares: partially evaluated and requires full testing of the laterite profile

A budget for the proposed program is presented below in Table 18.1

Table 18.1 Summary budget for proposed exploration programs

Item	Cost
Geological supervision and support	$150,000
Camp and Support	$75,000
Drilling: Auger and core drilling (1,500 meters coring)	$250,000
Metallurgical test work	$100,000
Topography and Geophysical survey	$200,000
Transportation	$50,000
Geochemical analysis	$75,000
Reporting and IT Support	$20,000
CSR	$80,000
Total	**$1,000,000**

4.5 Companies with Oil and Gas Operations

The Resulting Issuer will not, following completion of the Disposition, have any oil and gas operations.

ITEM 5: SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.1 Annual Information

The following table sets out certain selected consolidated financial information of the Issuer for the periods indicated. Please refer to Schedule “A” for the Issuer’s audited financial statements for the years ended December 31, 2016 and 2015 and Schedule “C” for the Issuer’s unaudited interim financial statements for the six months ended June 30, 2017.

	Six months ended June 30, 2017	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
	$	$	$	$
Total Administrative Expenses	141,923	118,658	99,978	(186,646)
Net Income (Loss)	(141.923)	(118,658)	(99,978)	(336,646)
Basic and Diluted Loss per Share	(0.00)	(0.01)	(0.01)	(0.02)
Total Assets	233,908	90,219	155,428	224,004
Total Liabilities	125,141	81,395	37,252	30,850
Shareholder's Equity	108,767	8,824	118,176	193,154
Dividends	N/A	N/A	N/A	N/A

The following table sets out certain selected consolidated financial information of the Target for the periods indicated. Please refer to Schedule "E" for the Target's audited financial statements for the financial year ended June 30, 2017.

	Period from incorporation and ended 06/30/2017 (audited)
Total revenues	Nil
Cost of sales	N/A
Gross profit	N/A
Total expenses	12,033
Net income (loss) before income taxes	(12,033)
Total assets	1,574
Total liabilities	13,606
Working capital (deficit)	(12,032
Shareholder Equity (Deficiency)	1,574
Dividends	-

5.2 Quarterly Information

The quarterly information presented below is for the Issuer prior to the completion of the Acquisition of the Target:

	Second Quarter ended June 30, 2017	First Quarter ended March 31, 2017	Fourth Quarter ended December 31, 2016	Third Quarter ended September 30, 2016	Second Quarter ended June 30, 2016	First Quarter Ended March 31, 2016	Fourth Quarter ended December 31, 2015	Third Quarter ended September 30, 2015
Net Sales or Total Revenues	-	-	-	-	-	-	-	-
Income from operations	-	-	-	-	-	-	-	-
Comprehen-sive loss	(109,984)	(31,939)	(43,889)	(22,877)	(21,660)	(30,232)	(30,821)	(22,401)
Loss per share	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

Quarterly information is not available for the Target.

5.3 Summary Pro Forma Financial Information – Resulting Issuer

A pro forma consolidated statement of financial position for the Resulting Issuer giving effect to the Transactions as at June 30, 2017 is attached to this Listing Statement as Schedule "G".

The following table sets forth certain pro forma financial information for the Resulting Issuer, on a consolidated basis, after giving effect to the Transactions and certain other adjustments and subject to the assumptions described in the notes to the unaudited consolidated pro forma financial statements of the Resulting Issuer. The unaudited pro forma consolidated balance sheets have been prepared based on the assumption that, among other things, the completion of the Transactions occurred on June 30, 2017.

	Resulting Issuer Pro Forma June 30, 2017(unaudited) ($)
Operations Data	
Net Income (Loss)	(2,217,457)
Net Income (Loss) per Share (basic and fully diluted)	(0.08)
Balance Sheet Data	
Current Assets	2,148,049
Total Assets	**4,126.982**
Current Liabilities	138,747
Total Liabilities	**138,747**
Shareholders' Equity	**3,988,235**

5.4 Dividends

The Issuer has not paid dividends on its Common Shares since incorporation. Subject to the requirements of the BCBCA, there are no restrictions in the Resulting Issuer's articles or elsewhere which would prevent the Resulting Issuer from paying dividends following the completion of the Acquisition. All of the Resulting Issuer's Shares are entitled to an equal share in any dividends declared and paid. However, it is not contemplated that any dividends will be paid on the Resulting Issuer's shares in the immediate or foreseeable future. It is anticipated that all available funds will be invested to finance the growth of the Resulting Issuer's business. The directors of the Resulting Issuer will determine if, and when, dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on the Resulting Issuer's financial position at the relevant time.

5.5 Foreign GAAP

This section is not applicable.

ITEM 6: MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of financial condition and results of operations ("MD&A") should be read in conjunction with the Issuer's audited annual consolidated financial statements and notes thereto for the years ended December 31, 2016 and 2015 and for the interim six-month period ended June 30, 2017 which are attached hereto as Schedules "A" and "C" respectively and which are available on SEDAR at www.sedar.com. The Issuer's MD&A for the year ended December 31, 2016 and for the six months ended June 30, 2017 are attached hereto as Schedule "B" and "D" respectively.

MD&A of the Target for the period commencing from incorporation and ended June 30, 2017 is attached to this Listing Statement as Schedule "F", and should be read in conjunction with the audited consolidated financial statements and notes thereto for the Target for the period from incorporation and ended June 30, 2017, which are attached hereto as Schedule "E" to this Listing Statement. The MD&A is prepared as of the date of this Listing Statement.

The MD&A may contain forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Target to be materially different from actual future results. Please see "*Item 1.2 Forward Looking Statements*" above.

ITEM 7: MARKET FOR SECURITIES

The Common Shares of the Issuer are listed on the NEX under the symbol "RYS" and are expected to recommence trading on the CSE following completion of the Transactions under the symbol "BOLT". In connection with the Transactions, the Resulting Issuer changed its name from "Rhys Resources Ltd." to "Pacific Rim Cobalt Corp."

ITEM 8: CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Issuer as at June 30, 2017 and December 31, 2016 and the expected consolidated share capital of the Resulting Issuer following completion of the Transactions:

	Authorized	Outstanding as at completion of the Transactions	Outstanding as at June 30, 2017	Outstanding as at December 31, 2016
Common Shares (1)	Unlimited	29,642,688 (2)	21,925,534	16,925,534
Options	10% of issued and outstanding capital (3)	1,806,250 (4)(5)	625,000	625,000
Warrants	N/A	7,573,273 (6)	2,500,000	Nil

Notes:

(1) Pursuant to the pro forma balance sheet included as Schedule "G" of this Listing Statement, the Resulting Issuer will have a deficit of ($2,075,534) as at June 30, 2017.

(2) Of these shares, 11,000,000 will be subject to the Escrow Agreement. See Part 11 "*Escrowed Securities*" below. The Issuer had 21,935,534 Common Shares issued and outstanding prior to giving effect to the Transactions.

(3) The number of stock options that the Resulting Issuer may grant is limited by the terms of the Stock Option Plan and Exchange Policies. See Part 9 "*Options to Purchase Securities"*.

(4) Comprises 156,250 Resulting Issuer Options bearing an exercise price of $0.20 per Resulting Issuer Share and expiring on May 12, 2021, plus 1,650,000 Resulting Issuer Options intended to be granted at Closing with an exercise price of $0.46 per Resulting Issuer Share and a term of two years following the Closing Date. See Part 9 "*Options to Purchase Securities"* below.

(5) Comprises 625,000 Resulting Issuer Warrants exercisable at a price of $0.40 per Resulting Issuer Share until May 25, 2018, 6,390,402 Placement Warrants to be issued pursuant to the Financing exercisable at a price of $0.50 per Resulting Issuer Share for a period of 24 months following the Closing Date, subject to accelerated expiry provisions and 557,871 Resulting Issuer Warrants issued to finders on the same terms as the Placement Warrants (including 190,250 Resulting Issuer Warrants forming part of a Unit issued to finders.

The number of Resulting Issuer Shares above will be comprised of the following:

(a) 5,481,384 Resulting Issuer Shares representing the number of Common Shares currently issued and outstanding post-Consolidation;

(b) 11,000,000 Resulting Issuer Shares to the holders of the Target Shares pursuant to the Acquisition; and

(c) 12,780,804 Resulting Issuer Shares to the subscribers in the Financing (forming a portion of the Units being issued).

The Company has no loan capital outstanding.

ITEM 9: OPTIONS TO PURCHASE SECURITIES

As of the date of this Listing Statement, the Issuer has 625,000 Options outstanding at an exercise price of $0.05 expiring on May 12, 2021 in accordance with the terms of the certificates representing such options.

The Issuer has adopted a rolling stock option plan, which provides that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares at the time of grant. The purpose of the Stock Option Plan is to allow the Issuer to grant options to directors, officers, employees and consultants, as additional compensation, and as an opportunity to participate in the success of the Issuer. The granting of such options is intended to align the interests of such persons with that of the shareholders.

Options will be exercisable over periods of up to 10 years as determined by the Board and are required to have an exercise price no less than the discounted market price (as defined in the policies of the TSX

Venture Exchange). However, it is the practice of the Issuer to set exercise prices of options equal to or greater than the market price based on the closing market price of the Common Shares prevailing on the day that the option is granted.

In addition, the number of Common Shares which may be reserved for issuance:

(a) to all optionees under the Stock Option Plan in aggregate shall not exceed 10% of the issued and outstanding Common Shares in any 12-month period;

(b) to all Insiders as a group may not exceed 20%; and

(c) to any one service provider may not exceed 5% of the issued and outstanding Common Shares on a yearly basis, unless the Issuer has obtained disinterested shareholder approval to do so; and

(d) to any one consultant in any 12-month period cannot exceed 2% of the issued and outstanding Common Shares on a yearly basis.

Any options granted under the Stock Option Plan vest on the date of grant unless determined otherwise by the Board, except for investor relations options. The Stock Option Plan provides that in the event of a take-over bid, as defined therein, occurs, all shares subject to options shall immediately become vested and may thereupon be exercised in whole or in part by the option holder.

Options may be exercised the greater of the term of the option and 90 days following cessation of the optionee's position with the Issuer (unless otherwise determined by the Board at the time of grant or as agreed by the Board and the holder of the option prior to the expiry of same), provided that if the cessation of office, directorship, consulting arrangement or employment is by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the earlier expiry date of such option. In the situation of Options granted to persons engaged in investor relations activities, the options granted to this individual will expire 30 days following the optionee ceasing to provide such services.

Options are non-assignable and non-transferable (subject to options being exercisable by the optionee's heirs or administrator). The Stock Option Plan must be approved yearly by its shareholders in order to remain effective.

The following table shows the number of Options currently issued and outstanding in the Issuer as at the date of this Listing Statement.

Group (Number of Persons in Group) (current and former)	**Securities Under Options Granted (#)**	**Exercise or Base Price ($/Security)**	**Market Value of Underlying Security as of date of grant (1)**	**Expiration Date**
Directors and Officers (4)	475,000	$0.05	$0.03	May 12, 2021
Consultants (1)	150,000	$0.05	$0.03	May 12, 2021

(1) Based on the closing price of the common shares on the NEX on the date of grant of the particular options (but not accounting for the proposed Consolidation).

In connection with the Acquisition, the Resulting Issuer anticipates granting 1,650,000 Resulting Issuer Options to purchase 1,650,000 Resulting Issuer Shares at a price of $0.46 per Resulting Issuer Share, a two-year term, vesting 25% on the Closing Date and 25% every six months thereafter, to proposed directors, officers, consultants and employees of the Resulting Issuer and its Affiliates, all as follows:

Name	**Resulting Issuer Shares Under Option**	**Exercise Price**	**Expiration Date**
Ranjeet Sundher	300,000	$0.46	Two years following the Closing Date
Steve Vanry	300,000	$0.46	Two years following the Closing Date
Andre Talaska	300,000	$0.46	Two years following the Closing Date
Patrick Whibley	300,000	$0.46	Two years following the Closing Date
Sean Bromley	300,000	$0.46	Two years following the Closing Date
Garry Clark	100,000	$0.46	Two years following the Closing Date
Lesia Burianyk	50,000	$0.46	Two years following the Closing Date

ITEM 10: DESCRIPTION OF CAPITAL STRUCTURE

10.1 General Description of Capital Structure

The Issuer has an authorized capital of an unlimited number of Common Shares without par value, of which 21,925,534 Common Shares are issued and outstanding as fully paid and non-assessable.

The following is a summary of the principal attributes of the Common Shares:

Voting Rights. The holders of the Common Shares are entitled to receive notice of, attend and vote at any meeting of the shareholders of the Company. The Common Shares carry one vote per share. There are no cumulative voting rights, and directors do not stand for re-election at staggered intervals.

Dividends. The holders of Common Shares are entitled to receive on a pro rata basis such dividends as may be declared by the board of directors, out of funds legally available therefor. There are no indentures or agreements limiting the payment of dividends.

Profits. Each Common Share is entitled to share pro rata in any profits of the Company to the extent they are distributed either through the declaration of dividends or otherwise distributed to shareholders, or on a winding up or liquidation.

Rights on Dissolution. In the event of the liquidation, dissolution or winding up of the Company, the holders of the Common Shares will be entitled to receive on a pro rata basis all of the assets of the Company remaining after payment of all the Company's liabilities.

Pre-Emptive, Conversion and Other Rights. No pre-emptive, redemption, sinking fund or conversion rights are attached to the Common Shares, and the Common Shares, when fully paid, will not be liable to further call or assessment. No other class of shares may be created without the approval of the holders of Common Shares. There are no provisions discriminating against any existing or prospective holder of Common Shares as a result of such shareholder owning a substantial number of Common Shares.

The Target's authorized capital consists of an unlimited number of Target Shares without par value, of which 11,000,000 Target Shares are currently outstanding.

There are no special rights or restrictions of any nature attached to the Target Shares. The holders of Target Shares are entitled to receive notice of and to attend and vote at all meetings of shareholders of the Target and each Target Share shall confer the right to one vote in person or by proxy at all meetings of the shareholders of the Target. The holders of the Target Shares, are entitled to receive dividends if, as and when declared by the directors and, subject to the rights of holders of any shares ranking in priority to or on a parity with the Target Shares, to participate rateably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Target.

10.2 Debt Securities

The Issuer has no debt securities outstanding.

10.3 Other Securities

In addition to the Options outstanding as outlined at "*Item 9 – Options to Purchase Securities*" above, the Issuer has 2,500,000 Warrants currently outstanding exercisable at a price of $0.10 per Common Share until May 25, 2018.

10.4 Modification of Terms

The rights of holders of Common Shares may only be changed by an ordinary resolution of the Shareholders, in accordance with the requirements of the BCBCA and the Issuer's articles, provided however that the Issuer may (i) subdivide or consolidate all or any of its unissued, or fully paid issued, shares, or (ii) alter the identifying name of any of its shares, by way of a directors' resolution.

10.5 Other Attributes

The Issuer has no other classes of securities.

10.6 Prior Sales

During the 12-month period preceding the date of this Listing Statement, the Issuer has issued the following securities:

Date	Number of Common Shares	Reason for Issuance	Issue Price per Common Share	Aggregate Issue Price	Consideration Received
May 25, 2017	5,000,000 Units	Private Placement	$0.05 per Unit	$250,000	Cash
Total	**5,000,000 Shares**			**$250,000**	

10.7 Stock Exchange Price

The Common Shares are listed and posted for trading on NEX. The following table sets out the high and low trading of the Common Shares for the periods indicated as reported by NEX:

Month	High $	Low $	Close $	Volume
Quarter ended September 30, 2015	0.055	0.03	0.03	16,481
Quarter ended December 31, 2015	0.035	0.025	0.025	10,600
Year ended March 31, 2016	0.015	0.015	0.015	24,506
Quarter ended June 30, 2016	0.105	0.03	0.07	430,670
Quarter ended September 30, 2016	0.085	0.055	0.06	141,646
Quarter ended December 31, 2016	0.06	0.03	0.045	122,450
Quarter ended March 31, 2017	0.075	0.055	0.055	80,600
Month ended April 30, 2017	0.10	0.04	0.08	4,531,250
Month ended May 31, 2017	0.14	0.085	0.10	1,210,800
Month ended June 30, 2017(2)	0.115	0.09	0.115	1,172,193
Month ended July 31, 2017	-	-	-	-
Month ended August 31, 2017	-	-	-	-
Month ended September 30, 2017	-	-	-	-
Month ended October 31, 2017(3)	-	-	-	-

Notes:
(1) Trading of the Common Shares takes place on NEX.
(2) The Common Shares were halted on June 28, 2017 pending the announcement of the Acquisition. The last trade of the Common Shares prior to the trade halt was on June 27, 2017 at a price of $0.115.
(3) Up to and including the date of this Listing Statement.

The Target's shares are not listed or posted for trading on any stock exchange.

ITEM 11: ESCROWED SECURITIES

The Issuer has no securities currently held in escrow. No securities are otherwise subject to any contractual restrictions on transfer.

In connection with the proposed requalification for listing of the Common Shares on the CSE following the completion of the Acquisition, all securities held by "Related Persons" are required to be subject to an escrow agreement pursuant to NP 46-201 (the "**Escrow Agreement**").

For the purposes of this section, **"Related Persons"** means, with respect to the Issuer:

(a) the partners, directors and senior officers of the Issuer or any of its material operating subsidiaries;

(b) promoters of the Company during the two years preceding this Listing Statement;

(c) those who own or control more than 10% of the Company's voting securities; and

(d) Associates and Affiliates of any of the above.

Under NP 46-201, securities held by Related Persons are required to be held in escrow in accordance with the national escrow regime applicable to initial public distributions.

A total of 11,000,000 Resulting Issuer Shares representing 37.11% of the issued and outstanding Resulting Issuer Shares on the Closing Date will be deposited into escrow pursuant to the Escrow Agreement (the "**Escrowed Securities**").

The particulars of the holders of the Escrowed Securities pursuant to the Escrow Agreement is as outlined in the table below:

Name of Shareholder	**Number of Resulting Issuer Shares to be Held**	**Percentage of Resulting Issuer Shares**
Agung Rino Prasetyo	2,250,000	7.59%
Ranjeet Sundher	2,000,000	6.75%
Darold Parken	500,000	1.69%
Andre Mieczyslaw Talaska	2,000,000	6.75%
Norton Investments LLC.	2,000,000	6.75%
Rahoul Sharan	2,000,000	6.75%
Ben Funston	250,000	0.84%

The Issuer is currently classified as an "emerging issuer" under NP 46-201. An "emerging issuer" is one that does not meet the "established issuer" criteria (which includes issuers listed on the Toronto Stock Exchange in its non-exempt category and issuers that meeting Tier 1 listing requirements of the Exchange). Based on the Issuer being "emerging issuer", the Escrowed Securities will be subject to a three-year escrow.

If the Issuer achieves "established issuer" status during the term of the Escrow Agreement, it will 'graduate' resulting in a catch-up release and an accelerated release of any securities remaining in escrow under the 18-month schedule applicable to established issuers as if the Issuer had originally been classified as an established issuer.

Pursuant to the Escrow Agreement to be entered into by the Issuer, the Transfer Agent (as escrow agent), the Target Shareholders and the Related Persons of the Issuer, the Related Persons will agree to deposit into escrow the Escrowed Securities with the Transfer Agent. Under the Escrow Agreement, 10% of the Escrowed Securities will be released from escrow on the listing of the Common Shares (the **"Initial Release**") and an additional 15% will be released on the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

Pursuant to the terms of the Escrow Agreement, the Escrowed Securities may not be transferred or otherwise deal with during the term of the Escrow agreement unless the transfers or dealings within escrow are:

(1) transfers to continuing or, upon their appointment, incoming directors and senior officers of the Issuer or of a material operating subsidiary, with approval of the Issuer's Board;

(2) transfers to a person or company that before the proposed transfer holds more than 10% of the Issuers' outstanding Common Shares;

(3) transfers to an RRSP or similar trustee plan provided that the only beneficiaries are the transferor or the transferor's spouse, children or parents;

(4) transfers upon bankruptcy to the trustee in bankruptcy or another person or company entitled to escrow securities on bankruptcy; and

(5) pledges to a financial institution as collateral for a *bona fide* loan, provided that upon a realization the securities remain subject to escrow.

Tenders of Escrowed Securities to a take-over bid or business combination are permitted provided that, if the tenderer is a Related Person of the successor corporation upon completion of the take-over bid or business combination, securities received in exchange for tendered Escrow Securities are substitute in escrow on the basis of the successor corporation's escrow classification.

ITEM 12: PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and executive officers of the Issuer, upon completion of the Transactions, no persons will beneficially own, directly or indirectly, or exercise control or direction over shares carrying more than 10% of the voting rights attached to all outstanding Resulting Issuer Shares, as of the Closing Date.

ITEM 13: DIRECTORS & OFFICERS

13.1 Name, Occupation and Security Holding

The Issuer's current directors are Mark Vanry (President and Chief Executive Officer), Steve Vanry (Chief Financial Officer) and Richard Barth. Following completion of the Transactions, Mark Vanry will resign as President and CEO and as a director in favour of the nominee of the Target, being Ranjeet Sundher. Steve Vanry will remain as a director and Chief Financial Officer and Bev Funston will be appointed as Corporate Secretary. Additionally, Sean Bromley and Garry Clark will be appointed as directors of the Resulting Issuer and Richard Barth will resign as a director.

The term of office of each of the present directors expires at the Issuer's next annual general meeting. Each director elected or appointed will hold office until the next annual general meeting of the Resulting Issuer or until his or her successor is elected or appointed, unless his or her office is earlier vacated in accordance with the articles of the Resulting Issuer or with the provisions of the BCBCA.

The following table sets out the names of the proposed directors and officers of the Resulting Issuer, the province and municipality in which each is ordinarily resident, all offices of the Resulting Issuer proposed to be held by each of them, their principal occupations during the past five years and the expected number of Resulting Issuer Shares beneficially owned by each, directly or indirectly, or over which control or direction is exercised, following completion of the Consolidation and Acquisition.

Name, Jurisdiction of Residence, Proposed Offices	**Principal Occupation During Last Five Years (3)**	**Prior Director of Officer of the Issuer or Target and Term of such Position**	**Number of Resulting Issuer Shares upon completion of the Transactions (1)**	**Percentage of Class Held or Controlled on completion of the Transactions**
Ranjeet Sundher, North Vancouver, B.C., President, CEO and Director (2)	Director of Canrim Ventures Ltd, a private Singapore company focused on capital markets advisory, specifically the resource sector, from August 2004 to Present; President of Canrim Development Inc., a private minerals exploration and production company focused on Mongolia and Indonesia from March 2014 to Present; Director of Corporate Development of DeepMarkit Corp. from June 2014 to Present.	Director of the Target since its incorporation in June 2017	2,000,000	6.75%
Steve Vanry, West Vancouver, B.C., CFO and Director	Chief Financial Officer of Legend Power Systems Inc., from February 2016 to Present; Chief Financial Officer of InZinc Mining Ltd. From January 2009 to Present; Chief Financial Officer and Director of Kaizen Discovery Inc. from March 2008 to March 2016;	Director and CFO of the Issuer since April 24, 2017	246,337(4)	0.83%
Sean Bromley, North Vancouver, B.C., Director (2)	Chief Financial Officer of the Parmar Group, a private financial consulting firm from June 2015 to Present; Investment advisor at Jordan Capital Markets Inc. from January 2014 to June 2015; University student at University of Calgary from September 2008 to June 2013	Proposed Director	25,000	0.08%
Garry Clark, London, Ontario, Director (2)	Principal of Clark Exploration Consulting Inc., a private geological consulting firm from January 2000 to Present	Proposed Director	Nil	N/A

Name, Jurisdiction of Residence, Proposed Offices	Principal Occupation During Last Five Years (3)	Prior Director of Officer of the Issuer or Target and Term of such Position	Number of Resulting Issuer Shares upon completion of the Transactions (1)	Percentage of Class Held or Controlled on completion of the Transactions
Bev Funston, North Vancouver, B.C., Corporate Secretary	Director and Corporate Secretary of Briacell Therapeutics Corp. (formerly Ansell Capital Corp.) from July 2006 to November 2014; Principal of KJN Management (private consulting firm) from October 2015 to Present; Director and Corporate Secretary of Caliana Capital Corp. from September 2014 to January 2016;	Proposed Officer	250,000	0.84%

Notes:

(1) Based on the number of Resulting Issuer Shares beneficially owned, directly or indirectly, or over which control or direction is exercised as at the date of this Listing Statement assuming the completion of the Transactions.

(2) Proposed member of the Audit Committee

(3) The information as to principal occupation, business or employment and shares beneficially owned or controlled is not within the knowledge of the management of the Issuer and has been furnished by the respective individuals. Each director or officer has held the same or similar principal occupation with the organization indicated or a predecessor thereof for the last five years.

(4) Of which 81,250 Resulting Issuer Shares are owned directly and 165,087 Resulting Issuer Shares are held by 677185 B.C. Ltd., a company owned and controlled by Mr. Vanry and his spouse.

The information as to shares beneficially owned, directly or indirectly, or over which control or direction is exercised, is based upon information furnished to the Issuer by the proposed respective directors and officers as at the date hereof. After giving effect to the Transactions, the directors, officers, insiders and promoters of the Resulting Issuer, and their respective associates and affiliates, as a group, will hold an aggregate of 2,521,337 Resulting Issuer Shares, representing approximately 8.51% of the issued and outstanding Resulting Issuer Shares.

The directors and officers will devote their time and expertise as required by the Resulting Issuer, however, it is not anticipated that any director or officer will devote 100% of their time to the activities of the Resulting Issuer, other than the President and CEO. See also "*Management*" below. It is expected that the directors and officers of the Resulting Issuer will be independent contractors. None of the proposed directors and officers of the Resulting Issuer have entered into non-competition or non-disclosure agreements with the Resulting Issuer

13.2 Committees

The sole committee of the Issuer is the audit committee, comprised of Ranjeet Sundher, Sean Bromley and Garry Clark.

13.3 Cease Trade Orders and Bankruptcies

As at the date of this Listing Statement and within the ten years before the date of this Listing Statement, no director, chief executive officer, chief financial officer or a shareholder holding sufficient number of securities of the Issuer to materially affect control of the Issuer,

(a) is or has been a director or executive officer of any company (including the Issuer), that:

(i) while that person was acting in that capacity, was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

(ii) that after that person ceased to be a director or executive officer, was subject to an order which resulted from an event that occurred while that person was acting in the capacity as director or executive officer that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

(iii) while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has within 10 years before the date of the Listing Statement became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officers or shareholders.

13.4 Penalties and Sanctions

No director, executive officer or promoter of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, has, within the ten years prior to the date of this Listing Statement, been subject to:

(a) any penalties or sanctions imposed by a court or securities regulatory authority relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

13.5 Conflicts of Interest

Certain directors and officers of the Issuer are also directors, officers or shareholders of other companies that are similarly engaged in the business of life sciences. These associations to other public companies may give rise to conflicts of interest from time to time.

Under the laws of the Province of British Columbia, the directors and senior officers of the Issuer are required by law to act honestly and in good faith with a view to the best interests of the Issuer. In the event that such a conflict of interest arises at a meeting of the Issuer's directors, a director who has such a conflict will disclose such interest in a contract or transaction and will abstain from voting on any resolution in respect of such contract or transaction. See also Part 17 "*Risk Factors*".

13.6 Management

The following is a brief description of the key management of the Resulting Issuer.

None of these management personnel have entered into non-disclosure or non-competition agreements with Issuer, but the Resulting Issuer will consider whether to enter into such agreements following the Closing Date.

Ranjeet Sundher, President, Chief Executive Officer and Director, (Age: 51)

Mr. Sundher has been the President and sole director of the Target since its incorporation in June 2017. Mr. Sundher has over 20 years of capital markets experience and has founded, developed and funded several successful public companies. Mr. Sundher is the former CEO and President of Red Hill Mining Inc. (currently Prophecy Development Corp.), a company listed on the TSX Venture Exchange with late stage development properties in Mongolia.

Steve Vanry, Director and Chief Financial Officer, (Age: 51)

Mr. Vanry was appointed as a director and Chief Financial Officer of the Issuer on April 24, 2017. Mr. Vanry has 25-years professional experience in senior management positions with public and private companies, providing expertise in capital markets, strategic planning, corporate finance, mergers and acquisitions, regulatory compliance, accounting and financial reporting. Mr. Vanry is a principal in Vanry Capital Partners, a firm specializing in orchestrating and facilitating the "go-public" process for private natural resource companies. He currently serves as a director and officer of several public companies in the mining sector. He holds the right to use the Chartered Finance Analyst (CFA) and Canadian Investment Manager (CIM) designations and is a member of the CFA Institute and the Vancouver Society of Financial Analysts.

Sean Bromley, Director, (Age: 27)

Mr. Bromley is proposed to join the board of directors of the Resulting Issuer upon the closing of the Transactions. Mr. Bromley received his Bachelor of Commerce in Finance at the University of Calgary with an exchange at the Hong Kong University of Science and Technology. After university, he became an Investment Advisor at Jordan Capital Markets specializing in technology and special situations. Mr. Bromley is a member of the Company of Young Professionals at the Vancouver Board of Trade, as well as being involved in numerous technology events such as the Technology Leadership Forum. Sean is also a director of several TSX.V listed companies.

Garry Clark, Director, (Age: 57)

Mr. Clark is proposed to join the board of directors of the Resulting Issuer upon the closing of the Transactions. Mr. Clark is a Professional Geologist registered with the Association of Professional Geoscientists of Ontario. He has held various exploration geological positions with both major and junior explorers. In the late 1980's Mr. Clark began his consulting career with a lengthy list of projects across Ontario and globally. Mr. Clark is the Executive Director of the Ontario Prospectors Association (OPA) since the restructuring in 2000 and has been a Director, Vice President or President of the OPA since its formation in the early 1990's. Mr. Clark serves on various provincial government committees and boards that support mineral explorers, including the Minister of Mines Mining Act Advisory Committee and Ontario Geological Survey Advisory Board.

Ben Funston, Corporate Secretary, (Age: 61)

Ms. Funston is proposed as the Corporate Secretary of the Resulting Issuer. Ms. Funston brings over 25 years of office administration, 15 years in regulatory compliance. Ms. Funston’s responsibilities as Corporate Secretary include working with Legal & Regulatory Departments and working with the Board of Directors and its Audit and Regulatory Committees to ensure the Board and Committees meet their respective mandates. Ms. Funston serves as a Corporate Secretary and a Director on the board of a number or resource companies.

ITEM 14: CAPITALIZATION

The following section is based on the Issuer having 21,925,534 Common Shares issued and outstanding immediately prior to the Consolidation and Acquisition and 11,000,000 Resulting Issuer Shares being issued to the Target Shareholders on the Closing Date. This section assumes the issuance of 12,780,804 Units in the Financing, 380,500 Units to a finder in the Financing and a further 367,621 Resulting Issuer Warrants to finders in the Financing.

14.1 Issued Capital

Public Float	**Number of Securities (non-diluted)**	**Number of Securities (fully-diluted)**	**% of Issued (non-diluted)**	**% of Issued (fully diluted)**
Total outstanding (A)	29,642,688	39,022,211	100	100
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B) (to the extent known)	10,771,337	11,771,337	36.34	30.17
Total Public Float (A-B)	18,871,351	27,250,874	63.66	69.83
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	24,161,304	31,109,577	81.51	79.72
Total Tradeable Float (A-C)	5,481,384	7,912,634	18.49	20.28

14.2 Public Securityholders (Registered) [(1)(2)]

Class of Security

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	5	214
100 – 499 securities	5	1,043
500 – 999 securities	2	1,440
1,000 – 1,999 securities	2	3,000
2,000 – 2,999 securities	9	22,112
3,000 – 3,999 securities	1	3,486
4,000 – 4,999 securities	0	0
5,000 or more securities	184	18,840,056
Total	**208**	**18,871,351**

Notes:

(1) The information from the above table is derived from (A) a registered shareholder list of the Issuer as at August 17, 2017 as provided by the Transfer Agent, (B) the registered shareholder list of the Target as at the date of the Share Exchange Agreement, (C) an list of subscribers for the Financing as well as finders, and is presented post-Consolidation.

(2) CDS& CO.is the holder of record of 15,111,637 Pre-Consolidation Common Shares, which is the registration name for the Canadian Depository for Securities Limited which acts as nominee for many Canadian brokerage firms.

14.3 Public Securityholders (Beneficial) [(1)(2)]

Class of Security

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	28	786
100 – 499 securities	28	6,104
500 – 999 securities	12	7,220
1,000 – 1,999 securities	9	13,044
2,000 – 2,999 securities	6	14,570
3,000 – 3,999 securities	3	10,273
4,000 – 4,999 securities	2	8,125
5,000 or more securities	21	1,386,202
Unable to confirm	-	3,777,909[(1)]

Notes:
(1) The information from the above table is from a NOBO list of the Issuer as at December 28, 2016 and is presented post-Consolidation and as a result do not include all Shareholders represented by CDS &Co as referenced Item 14.2 above.
(2) As the Target Shareholders and subscribers to the Financing will initially be registered Shareholders, the above does not include the issuance of any Common Shares pursuant to the Share Exchange Agreement or the Financing.

14.4 Non-Public Securityholders (Registered)

Class of Security

Size of Holding	Number of holders	Total number of securities
1 – 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	8	10,771,337
Total	**8**	**10,771,337**

Notes:
(1) The information from the above table is from the beneficial share holdings as publicly disclosed on the System for Electronic Disclosure by Insiders (www.sedi.ca) as at the date of this Listing Statement of the current directors, officers and insiders of the Issuer and is presented pre-Consolidation.

14.5 Convertible Securities

The Issuer currently has the following convertible securities outstanding:

(a) 625,000 Options exercisable at a price of $0.05 per Common Share expiring May 12, 2021; and

(b) 2,500,000 Warrants exercisable at a price of $0.10 per Common Shares expiring May 25, 2018.

On the completion of the Transactions, the Resulting Issuer will have 1,806,250 Resulting Issuer Options outstanding and 7,573,273 Resulting Issuer Warrants outstanding as follows:

(a) 156,250 Resulting Issuer Options bearing an exercise price of $0.20 per Resulting Issuer Share and expiring on May 12, 2021;

(b) 1,650,000 Resulting Issuer Options intended to be granted at Closing bearing an exercise price of $0.46 per Resulting Issuer Share and a term of two years following the Closing Date;

(c) 625,000 Resulting Issuer Warrants exercisable at a price of $0.40 per Resulting Issuer Share until May 25, 2018; and

(d) 6,390,402 Placement Warrants to be issued pursuant to the Financing exercisable at a price of $0.50 per Resulting Issuer Share for a period of 24 months following the Closing Date, subject to accelerated expiry provisions and a 557,871 Resulting Issuer Warrants issued to finders on the same terms as the Placement Warrants (which includes 190,250 Resulting Issuer Warrants issued as part of 380,500 Units issued to a finder.

ITEM 15: EXECUTIVE COMPENSATION

15.1 Executive Compensation of the Issuer

In this section “Named Executive Officer” (an “NEO”) means the CEO or an officer acting in a similar capacity, the CFO and each of the three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the most recently completed financial year, and whose total compensation was more than $150,000 as well as any additional individuals for whom disclosure would have been provided except that the individual was not serving as an executive officer of the Issuer at the end of the most recently completed financial year.

Mark Vanry, CEO, Steve Vanry, CFO and Kiki Smith, Ex-CFO, are each an NEO of the Company for the purposes of the following disclosure.

Director and Named Executive Officer Compensation

The following table (presented in accordance with National Instrument Form 51-102F6V, is a summary compensation (excluding compensation securities) paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, to the directors and NEOs for each of the Issuer' two most recently completed financial years.

Table of compensation excluding compensation securities

Name and position	Year (ended December 31)	Salary, consulting fee, retainer or commission ($)	Bonus ($)	Committee or meeting fees ($)	Value of perquisites ($)	Value of all other compensation ($)	Total compensation ($)
Mark Vanry, CEO and Director	Six months ended June 30, 2017	15,000(1)	Nil	Nil	Nil	Nil	15,000
	2016	15,000(1)	Nil	Nil	Nil	Nil	15,000
	2015	Nil	Nil	Nil	Nil	Nil	Nil
Steve Vanry, CFO and Director	Six months Ended June 30, 2017	15,000(2)	Nil	Nil	Nil	Nil	15,000
Kiki Smith, Former CFO and Director	Six months ended June 30, 2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil
Richard Barth, Director	Six months ended June 30, 2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil

(1) Compensation payable to 845557 B.C. Ltd., a company controlled by Mark Vanry and his spouse.
(2) Compensation payable to 677185 B.C. Ltd., a company owned and controlled by Steve Vanry and his spouse.

External Management Companies.

With the exception of Mark Vanry and Steve Vanry, none of the NEOs or directors of the Issuer have been retained or employed by an external management company which has entered into an understanding, arrangement or agreement with the Issuer to provide executive management services to the Issuer, directly or indirectly. Mark Vanry provides services through 847557 B.C. Ltd., a company owned and controlled by him with his spouse. Steve Vanry provides services through 677185 B.C. Ltd., a company owned and controlled by him with his spouse.

Stock Options and Other Compensation Securities

The following table, discloses all compensation securities granted or issued to each NEO or director by the Issuer or its subsidiaries in the six months ended June 30, 2017, the year ended December 31, 2016 or 2015, for services provided or to be provided, directly or indirectly to the Issuer or any of its subsidiaries:

Compensation Securities							
Name and position	**Type of compensation security**	**Number of compensation securities, number of underlying securities, and percentage of class**	**Date of Issue or grant**	**Issue, conversion or exercise price ($)**	**Closing price of security or underlying security on date of grant ($)**	**Closing price of security or underlying security at year end/six months ended June 30, 2017 ($)**	**Expiry date**
Mark Vanry, CEO and Director	Stock Options	150,000/24%	May 12, 2016	$0.05	$0.03	$0.045/$0.115	May 12, 2021
Steve Vanry, CFO and Director	Stock Options	150,000/24%	May 12, 2016	$0.05	$0.03	$0.045/$0.115	May 12, 2021
Kiki Smith, Former CFO and Director	Stock Options	25,000/4%	May 12, 2016	$0.05	$0.03	$0.045/$0.115	May 12, 2021
Richard Barth, Director	Stock Options	150,000/24%	May 12, 2016	$0.05	$0.03	$0.045/$0.115	May 12, 2021

The following table discloses the total amount of compensation securities held by the NEOs and directors as at the Issuer's financial year ended December 31, 2016 and at the end of the six months ended June 30, 2017. All compensations securities below vested 25% on the six-month anniversary of grant and 25% each six-month anniversary thereafter.

Name and Position	**Number of Options**
Mark Vanry, CEO and Director	150,000
Steve Vanry, CFO and Director	150,000
Richard Barth, Director	150,000
Kiki Smith, Former CFO and Director	25,000

No compensation securities were exercised by any directors or NEOs during the six months ended June 30, 2017 or the year ended December 31, 2016.

No compensation securities were re-priced, cancelled and replaced, had their term extended, or otherwise materially modified during the six months ended June 30, 2017 or the year ended December 31, 2016.

There are no restrictions or conditions currently in place for converting, exercising or exchanging the compensation securities.

Stock option plans and other incentive plans

The only incentive plan maintained by the Issuer is the Stock Option Plan, the material terms of which are described above at *"Item 9 – Options to Purchase Securities"*.

The Stock Option Plan was last approved by the Shareholders at the Issuers annual general meeting held on February 1, 2017 and requires annual shareholder approval. The Issuer expects it's next annual general meeting to be held in the first quarter of 2018.

Employment, consulting and management agreements

The Issuer has not entered into any agreements or arrangements under which compensation is provided to any NEOs or directors or any persons providing services typically provided by a director or NEO.

The Issuer does not have any contracts, agreements, plans or arrangements that provides for payments to a director or NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Company or a change in an NEO's responsibilities.

Oversight and Description of Director and Named Executive Officer Compensation

The Board has not appointed a compensation committee and the responsibilities relating to executive and director compensation, including reviewing and recommending director compensation, overseeing the Issuer's base compensation structure and equity-based compensation program, recommending compensation of the Issuer's officers and employees, and evaluating the performance of officers generally and in light of any annual goals and objectives, if applicable, is performed by the Board as a whole.

The Board also assumes responsibility for reviewing and monitoring the long-range compensation strategy for the Issuer's senior management. The Issuer does not have pre-existing performance criteria or objectives for the Board or NEOs. All significant elements of compensation awarded to, earned by, paid or payable to NEOs are determined by the Issuer on a subjective basis. The Board reviews the compensation of senior management on a semi-annual basis taking into account compensation paid by other issuers of similar size and activity (i.e. companies listed on the TSX-V with a market capitalization of up to $15 million).

At the current stage of the Issuer's operations and resources, the Board has determined it is not appropriate to pay significant compensation to its NEOs and directors, other than through the award of Options pursuant to the Stock Option Plan. NEOs and directors are reimbursed for expenses they incur in relation to the Issuer's business and operations. The Issuer does not provide pension or other benefits to the executive officers.

The Stock Option Plan has been and will be used to provide share purchase options which are granted in consideration of the level of responsibility of the executive as well as his or her impact and/or contribution to the longer-term operating performance of the Issuer. In determining the number of Options to be granted to the executive officers, the Board takes into account the number of Options, if any, previously granted to each executive officer and the exercise price of any outstanding options to ensure that such grants are in accordance with the policies of the applicable stock exchange, and closely align the interests of the executive officers with the interests of the Issuer's shareholders.

Compensation for the most recently completed financial year should not be considered an indicator of expected compensation levels in future periods. All compensation is subject to and dependent on the Issuer's financial resources and prospects.

Given the evolving nature of the Issuer's business, the Board continues to review and redesign the overall compensation plan for senior management so as to continue to address the objectives identified above.

There were no actions, decisions or policies made since December 31, 2016 that would affect a reader's understanding of NEO compensation.

Pension Disclosure

The Issuer does not have any pension or retirement plan which is applicable to the NEOs or directors. The Issuer has not provided compensation, monetary or otherwise, to any person who now or previously has acted as an NEO of the Issuer, in connection with or related to the retirement, termination or resignation of such person, and the Issuer has provided no compensation to any such person as a result of a change of control of the Issuer.

Securities Authorized for Issuance under Equity Compensation Plans

The Stock Option Plan is the Issuer's only equity compensation plan. The following table sets forth information with respect to the options outstanding under the Stock Option Plan as at the financial year ended December 31, 2016 and the six months ended June 30, 2017.

As at December 31, 2016

Plan Category	Number of Common Shares to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Securities Reflected in Column (a)
Equity compensation plans approved by securityholders	625,000	$0.05	1,067,553
Equity compensation plans not approved by securityholders	Nil	N/A	Nil
Total	625,000		1,067,553

As at June 30, 2017

Plan Category	Number of Common Shares to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Securities Reflected in Column (a)
Equity compensation plans approved by securityholders	625,000	$0.05	1,567,553
Equity compensation plans not approved by securityholders	Nil	N/A	Nil
Total	625,000		1,567,553

Management Contracts

There are no management functions of the Issuer, which are to any substantial degree performed by a person or company other than the directors or senior officers of the Issuer.

15.2 Executive Compensation of the Resulting Issuer

Upon completion of the Acquisition, it is anticipated that the Resulting Issuer will establish a compensation committee which will recommend how directors will be compensated for their services as directors.

Director and Named Executive Officer Compensation

In the interim and until such time as a compensation committee is determined, set out below is a summary of the anticipated compensation for each of the Resulting Issuer's Named Executive Officers and Directors for the 12-month period after giving effect to the Transactions, to the extent known:

Summary Compensation Table
For the 12 months following the completion of the Transaction

Table of compensation excluding compensation securities							
Name and position	**Period**	**Salary, consulting fee, retainer or commission ($)**	**Bonus ($)**	**Committee or meeting fees ($)**	**Value of perquisites ($)**	**Value of all other compensation ($)**	**Total compensation ($)**
Ranjeet Sundher, CEO and Director	12 months following Transactions	156,000	Nil	Nil	Nil	Nil	156,000
Steve Vanry, CFO and Director	12 months following Transactions	102,000	Nil	Nil	Nil	Nil	102,000
Sean Bromley, Director	12 months following Transactions	30,000	Nil	Nil	Nil	Nil	30,000
Garry Clark, Director	12 months following Transactions	Nil	Nil	Nil	Nil	Nil	Nil

***External Management Companies**.*

It is not currently anticipated that any NEOs or directors of the Resulting Issuer will be retained or employed by an external management company.

Stock Options and Other Compensation Securities

The following table, discloses all compensation securities to be granted or issued to each NEO or director by the Issuer or its subsidiaries as at the completion of the Transactions, for services provided or to be provided, directly or indirectly to the Resulting Issuer or any of its subsidiaries:

Compensation Securities							
Name and position	**Type of compensation security**	**Number of compensation securities, number of underlying securities, and percentage of class**	**Date of Issue or grant**	**Issue, conversion or exercise price ($)**	**Closing price of security or underlying security on date of grant ($)**	**Closing price of security or underlying security at year end/six months ended June 30, 2017 ($)**	**Expiry date**
Ranjeet Sundher, CEO and Director	Stock options	300,000/16.55%	Closing Date	$0.46	$0.46	$0.18/$0.46	Two years from Closing Date
Steve Vanry, CFO and Director	Stock Options	300,000/16.55%	Closing Date	$0.46	$0.46	$0.18/$0.46	Two years from Closing Date
	Stock Options	37,500/2.07%	May 12, 2016	$0.20	$0.12	$0.18/$0.45	May 12, 2021
Sean Bromley	Stock Options	300,000/16.55%	Closing Date	$0.46	$0.46	$0.18/$0.46	Two years from Closing Date
J Garry Clark, Director	Stock Options	100,000/5.51%	Closing Date	$0.46	$0.46	$0.18/$0.46	Two years from Closing Date

The following table discloses the total amount of compensation securities to be held by the NEOs and directors as at the Closing Date. The Resulting Issuer Options to be granted as at the Closing Date will vest in equal 25% portions on the Closing Date and every six months thereafter.

Name and Position	Number of Options
Ranjeet, CEO and Director	300,000
Steve Vanry, CFO and Director	337,500
Sean Bromley, Director	300,000
J. Garry Clark, Director	100,000

There are no restrictions or conditions currently in place for converting, exercising or exchanging the compensation securities, other than the vesting schedule noted above.

Stock option plans and other incentive plans

The Resulting Issuer will continue to utilize the Stock Option Plan, the material terms of which are described above at *"Item 9 – Options to Purchase Securities"*.

Employment, consulting and management agreements

The Resulting Issuer does not initially expect into any agreements or arrangements under which compensation is provided to any NEOs or directors or any persons providing services typically provided by a director or NEO.

Oversight and Description of Director and Named Executive Officer Compensation

Upon completion of the Acquisition, it is anticipated that the Resulting Issuer will establish a compensation committee which will recommend how directors will be compensated for their services as directors. The compensation committee is expected to recommend the granting of stock options in such amounts and upon such terms as may be recommended by the compensation committee and approved by the Board from time to time.

The compensation committee will also consider and make recommendations with respect to the compensation of the executive officers of the Resulting Issuer. It is anticipated that all executive officers of the Resulting Issuer will receive cash compensation and stock option grants in line with market practice for public issuers in the same industry and market and of the same size as the Resulting Issuer.

Pension Disclosure

The Resulting Issuer does not expect to have any pension or retirement plan which is applicable to the NEOs or directors.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information with respect to the Resulting Issuer outstanding under the Stock Option Plan as at the Closing Date.

Plan Category	Number of Common Shares to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Securities Reflected in Column (a)
Equity compensation plans approved by securityholders	1,806,250	$0.43	1,158,018
Equity compensation plans not approved by securityholders	Nil	N/A	Nil
Total	1,806,250		1,158,018

Management Contracts

The Resulting Issuer does not anticipate any management functions of the Resulting Issuer will be performed by a person or company other than the directors or senior officers of the Resulting Issuer.

ITEM 16: INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director, officer, promoter, or proposed member of management or appointment as a director of the Resulting Issuer, nor any of their associates or affiliates, is or has been indebted to the Issuer since the commencement of the Issuer's last completed financial year, nor is any such person expected to be indebted to the Resulting Issuer on the completion of the Acquisition.

ITEM 17: RISK FACTORS

17.1 General

The following are certain factors relating to the business of the Resulting Issuer, which factors investors should carefully consider when making an investment decision concerning the shares of the Resulting Issuer. The Resulting Issuer will face a number of challenges in the development of its business. These risks and uncertainties are not the only ones facing the Resulting Issuer. Additional risks and uncertainties not presently known to the Resulting Issuer or which are currently deemed immaterial, may also impair the operations of the Resulting Issuer. If any such risks actually occur, shareholders could lose all or part of their investment and the financial condition, liquidity and results of operations of the Resulting Issuer could be materially adversely affected and the ability of the Resulting Issuer to implement its growth plans could be adversely affected.

An investment in the Resulting Issuer is speculative. An investment in the Resulting Issuer will be subject to certain material risks and investors should not invest in securities of the Resulting Issuer unless they can afford to lose their entire investment. The following is a description of certain risks and uncertainties that may affect the business of the Resulting Issuer. No representation is or can be made as to the future performance of the Resulting Issuer and there can be no assurance that the Resulting Issuer will achieve its objectives. Readers should not rely upon forward-looking statements as a prediction of future results. Readers should carefully consider all such risks, including those set out in the discussion below. No representation is or can be made as to the future performance of the Resulting Issuer and there can be no assurance that the Resulting Issuer will achieve its objectives

17.2 Risks Related to the Transactions

Completion of the Acquisition

There are risks associated with the Acquisition including (i) market reaction to the Acquisition and the future trading prices of the Resulting Issuer Shares cannot be predicted; (ii) uncertainty as to whether the v will have a positive impact on the entities involved in the transactions; and (iii) there is no assurance that required approvals will be received.

The completion of the Acquisition is subject to several conditions under the Share Exchange Agreement. In the event that any of those conditions are not satisfied or waived, the Acquisition may not be completed. In particular, the Acquisition is subject to completion of the Financing, which will be dependent on the efforts of the Issuer as well as prevailing market conditions.

The Acquisition of the Target may not be successfully integrated

The Issuer undertakes evaluations of opportunities to acquire additional properties and businesses. Any acquisitions, including the Acquisition, may change the scale of the Issuer's business and expose the Issuer to new geographic, political, operating, financial and geological risks. The Resulting Issuer's success in its acquisition activities, including the Acquisition, depends on its ability to identify suitable acquisition candidates, acquire them on acceptable terms, and integrate their operations successfully. Any acquisitions would be accompanied by risks, such as a significant decline in the relevant mineral price after the Resulting Issuer commits to complete an acquisition on certain terms; the quality of the mineral deposit acquired proving to be lower than expected; the difficulty of assimilating the operations and personnel of any acquired companies; the potential disruption of the Resulting Issuer's ongoing business; the inability of management to realize anticipated synergies and maximize the financial and strategic position of the Resulting Issuer; the failure to maintain uniform standards, controls, procedures and policies; the impairment of relationships with employees and contractors as a result of any integration of new management personnel, and the potential unknown liabilities associated with acquired assets and businesses. There can be no assurance that the Acquisition will prove to be beneficial or that the Resulting Issuer will be able to integrate the Target successfully, which could slow the Resulting Issuer's rate of expansion and the Resulting Issuer's business and financial condition could suffer.

17.3 Risk Related to the Target's Business

Mineral exploration is speculative and uncertain and involves a high degree of risk

The exploration for, and development of, mineral deposits involves a high degree of risk, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. Resource exploration and development is a speculative business, characterized by a number of significant risks, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, although present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Resulting Issuer may be affected by numerous factors that are beyond the control of the Resulting Issuer and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Resulting Issuer not receiving an adequate return on investment capital.

All of the properties in which the Resulting Issuer has an interest are without any mineral reserves. Whether a mineral deposit will be commercially viable depends on a number of factors, which include, without limitation, the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices, which fluctuate widely, and government regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The combination of these factors may result in the Resulting Issuer expending significant resources (financial and otherwise) on a property without receiving a return. There is no certainty that expenditures made by the Resulting Issuer towards the search and evaluation of mineral deposits will result in discoveries of an economically viable mineral deposit.

The Resulting Issuer's operations will be subject to all of the hazards and risks normally encountered in the exploration, development and production of minerals. These include unusual and unexpected geological formations, rock falls, seismic activity, flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution, and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Resulting Issuer.

The long-term commercial success of the Resulting Issuer depends on its ability to explore, develop and commercially produce minerals from its properties and to locate and acquire additional properties worthy of exploration and development for minerals. No assurance can be given that the Resulting Issuer will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Resulting Issuer may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participation uneconomic.

Dependence on the TNM Project

The Resulting Issuer will be an exploration stage company and as such does not anticipate receiving revenue from its mineral properties for some time. The Resulting Issuer will be solely focused on the exploration and development of the TNM Project, which does not have any identified mineral resources or reserves. Unless the Resulting Issuer acquires additional property interests, any adverse developments affecting the Property could have a material adverse effect upon the Resulting Issuer and would materially and adversely affect any profitability, financial performance and results of operations of the Resulting Issuer.

Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Resulting Issuer's mineral exploration and development programs at the TNM Project will result in the definition of bodies of commercial mineralization. There is also no assurance that even if commercial quantities of mineralization are discovered that TNM Project will be brought into commercial production. Failure to do so will have a material adverse impact on the Resulting Issuer's operations and potential future profitability. The discovery of bodies of commercial mineralization is dependent upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which are the particular attributes of the deposit (such as size, grade and proximity to infrastructure), metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Most of the above factors are beyond the Resulting Issuer's control.

Foreign Operations

The Resulting Issuer will be conducting its exploration and development activities in Indonesia. The Issuer believes that the Government of Indonesia strongly supports the development of its natural resources by foreign operators. However, there is no assurance that future political and economic conditions in Indonesia will not result in the government adopting different policies respecting foreign development and ownership of mineral resources. Any such changes in policy may result in changes in laws affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, which may affect both the ability of the Resulting Issuer to undertake exploration and development activities in respect of future properties in the manner currently contemplated, as well as its ability to continue to explore and develop those properties in respect of which it has obtained exploration and development rights to date. The possibility that a future government of Indonesia may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

Instabilities can exist in relation to both the national government and local government. Certain political events can affect the enforceability of regional head's decrees or writs, especially in the mining and exploration industries which have strong connections with local autonomy and local authorities.

Taxation regulations are also flexible and subject to change, which may cause the Resulting Issuer to incur additional taxation costs.

The economy of Indonesia differs significantly from the economies of Canada, the United States and Western Europe in such respects as structure, level of development, gross national product, growth rate, capital reinvestment, resource allocation, self-sufficiency, rate of inflation and balance of payments position, among others. Growth rates, inflation rates and interest rates of developing nations are expected to be more volatile than those of western industrial countries. The Resulting Issuer's operations will be located in Indonesia and so are subject to risks associated with operating in a foreign jurisdiction, including political, infrastructure, legal and other unique risks.

Divestiture Risks

Pursuant to government regulation, Indonesian mining companies which are majority owned by non-Indonesians and hold a mining license (production IUP) must divest a certain portion of its shares commencing five (5) years after the commencement of production, with the company required to be 20% Indonesian owned, and continuing up to 10 years after commencement of production, with the company required to be 51% Indonesian owned. In February 2012, a regulation was put in place that requires the processing and refining of minerals to be conducted within Indonesia and prohibits export of raw materials. Additionally, foreign ownership in companies holding exploration IUPs is limited to 75% and in companies holding production operation IUPs is limited to 49%, which restrictions are triggered upon the conversion of a non-foreign investment Indonesian company to a foreign investment company or where there is a change in an existing foreign investment company. See "*Doing Business in Indonesia*" above.

Political Stability and Governmental Regulation

The Resulting Issuer is exposed to risks of political instability and changes in government policies, laws and regulations in the country in which it operates. The majority of the Resulting Issuer's assets will consist of its mineral interests in Indonesia that may be adversely affected in varying degrees by political instability, government regulations relating to the mining industry and foreign investment therein, and the policies of other nations in respect of Indonesia. Any changes in regulations or shifts in political conditions are beyond the Issuer's control and may adversely affect its business. The Resulting Issuer's operations may be adversely affected in varying degrees by government regulations, including those with respect to restrictions on foreign ownership, state-ownership of strategic resources, production, price controls, export controls, income taxes, expropriation of property, employment, land use, water use, environmental legislation and mine safety. The regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. The Resulting Issuer's operations may also be adversely affected in varying degrees by economic instability, economic or other sanctions imposed by other nations, terrorism, military repression, crime, risk of corruption including violations under Canadian foreign corrupt practices statutes, fluctuations in currency exchange rates and high inflation. The Resulting Issuer's operations, and the development of its properties, are subject to obtaining and maintaining licenses and permits from appropriate governmental authorities. There is no assurance that such licenses and permits can be obtained, renewed or re-registered, as applicable, or that delays will not occur in obtaining all necessary licenses and permits or renewals of such licenses and permits for the TNM Project or additional permits required in connection with future exploration and development programs. Any failure to obtain or maintain the necessary licenses and permits to advance the exploration of the TNM Project will have a material adverse impact on the Issuer and its business, assets, financial condition, results of operations and prospects.

Title to Mineral Properties

While the Issuer has performed its own due diligence with respect to the validity of the IUPs comprising the TNM Project, this should not be construed as a guarantee of title. There is no assurance that applicable governmental bodies will not revoke or significantly alter the conditions of the applicable IUPs that are included in the TNM Project or that such IUPs will not be challenged or impugned by third parties. Indonesia has a growing body of mining laws and changes in such laws could materially and adversely impact the Resulting Issuer's rights to exploration and production IUPs necessary for the TNM Project.

The TNM Project may be subject to prior unregistered agreements of transfer or indigenous land claims, and title may be affected by undetected defects. Until any such competing interests have been determined, there can be no assurance as to the validity of title of the TNM Project and any other mining or property interests derived from or in replacement or conversion of or in connection with the claims comprising the Property or the size of the area to which such claims and interests pertain.

Although the Resulting Issuer acquires the rights to some or all of the minerals in the ground subject to the IUPs that it acquires, it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In areas where there are local populations or land owners, such as the area in which the TNM Project is located, it is necessary, as a practical matter, to negotiate surface access. There is a risk that local communities or affected groups may take actions to delay, impede or otherwise terminate the contemplated activities of the Resulting Issuer. There can be no guarantee that the Resulting Issuer will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out significant exploration and development activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Resulting Issuer may need to rely on the assistance of local officials or the courts in such jurisdiction, which assistance may not be provided or, if provided, may not be effective. If the development of a mine on the TNM Project becomes justifiable it will be necessary to acquire surface rights for mining, plant, tailings and mine waste disposal. There can be no assurance that the Resulting Issuer will be successful in acquiring any such rights.

Infrastructure

Exploration, development and processing activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important elements of infrastructure, which affect access, capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploration or development of the TNM Project. If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploration or development of the TNM Project will be commenced or completed on a timely basis, if at all. Furthermore, unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of necessary infrastructure could adversely affect our operations.

Mineral Resources and Reserves

There is no NI 43-101 compliant mineral resource or mineral reserve on the TNM Project. There can be no assurances that an NI 43-101 compliant resource or reserve will ever be estimated on the TNM Project

Because the Target has not defined or delineated any proven or probable reserves on any of its properties, mineralization estimates for the Target's properties may require adjustments or downward revisions based upon further exploration or development work or actual production experience. In addition, the grade of ore ultimately mined, if any, may differ from that indicated by drilling results. There can be no assurance that minerals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale.

Fluctuating Price of Cobalt

Future production, if any, from the Resulting Issuer's mineral properties will be dependent upon the prices of cobalt being adequate to make these properties economic. Materially adverse fluctuations in the price of cobalt may adversely affect the Resulting Issuer's financial performance and results of operations. Commodity prices, including cobalt, fluctuate on a daily basis and are affected by numerous factors beyond the control of the Issuer, including levels of supply and demand, industrial development levels, inflation

and the level of interest rates, the strength of the U.S. dollar and geopolitical events in significant cobalt producing countries. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments.

All commodities, by their nature, are subject to wide price fluctuations and future material price declines will result in a decrease in the value of the commodity held, and/or revenue or, in the case of severe declines that cause a suspension or termination of production by relevant operators, a complete cessation of revenue from streams, royalties or interests in mineral properties applicable to the relevant commodities. There is no assurance that, even if commercial quantities of cobalt are produced, a profitable market will exist for them.

Changes in Technology and Future Demand for Cobalt

Currently cobalt is one of the key metals used in batteries for EVs and other devices. However. the technology pertaining to batteries, EVs and energy creation and storage is changing rapidly, and there is no assurance cobalt will continue to be used to the same degree as it is now, or that it will be used at all. Any decline in the use of cobalt in batteries or technologies utilizing cobalt based batteries may result in a material and adverse effect on the Resulting Issuer's profitability, results of operation and financial condition.

Competitive Risks

The mineral resource industry is competitive in all of its phases. The Resulting Issuer competes with other companies, some of which have greater financial and other resources than the Resulting Issuer and, as a result, may be in a better position to compete for future business opportunities. The Resulting Issuer competes with other exploration and mining companies for the acquisition of leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. There can be no assurance that the Resulting Issuer can compete effectively with these companies.

Government and Regulatory Risks

The Resulting Issuer's subject to various laws governing exploration, taxes, labour standards and occupational health, safety, toxic substances, land use, water use, land claims of local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner, which could limit or curtail the Resulting Issuer's activities.

Amendments to current laws, regulations and permits governing activities of exploration and mining companies, or more stringent implementation thereof, could have a material adverse impact on the Resulting Issuer and cause increases in expenses or require abandonment or delays in activities.

Failure to comply with any applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing activities to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Environmental Risks

All phases of the Resulting Issuer's operations with respect to the TNM Project will be subject to environmental regulation in Indonesia. Environmental legislation in Indonesia involves strict standards and may entail increased scrutiny, fines and penalties for non-compliance, stringent environmental assessments of proposed projects and a high degree of responsibility for companies and their officers, directors and employees. Changes in environmental regulation, if any, may adversely impact the Resulting Issuer's operations and future potential profitability. In addition, environmental hazards may exist on the TNM Project which are currently unknown. The Resulting Issuer may be liable for losses associated with such hazards, or may be forced to undertake extensive remedial cleanup action or to pay for governmental remedial cleanup actions, even in cases where such hazards have been caused by previous or existing owners or operators of the properties, or by the past or present owners of adjacent properties or by natural conditions. The costs of such cleanup actions may have a material adverse impact on the Resulting Issuer's operations and future potential profitability.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

The Resulting Issuer may be subject to reclamation requirements designed to minimize long-term effects of mining exploitation and exploration disturbance by requiring the operating company to control possible deleterious effluents and to re-establish to some degree pre-disturbance land forms and vegetation. Any significant environmental issues that may arise, however, could lead to increased reclamation expenditures and could have a material adverse impact on the Resulting Issuer's financial resources.

License and Permits

In the ordinary course of business, the Resulting Issuer will be required to obtain and renew governmental licenses or permits for exploration, development, construction and commencement of mining at the Property, including, without limitation, IUPs. Obtaining or renewing the necessary governmental licenses or permits is a complex and time-consuming process involving numerous jurisdictions, public hearings and costly undertakings on the part of the Resulting Issuer. The duration and success of the Resulting

Issuer's efforts to obtain and renew licenses or permits are contingent upon many variables not within the Resulting Issuer's control, including the interpretation of applicable requirements implemented by the licensing authority. The Resulting Issuer may not be able to obtain or renew licenses or permits that are necessary to its operations, including, without limitation, an exploitation license, or the cost to obtain or renew licenses or permits may exceed what the Resulting Issuer believes they can recover from the Property. Any unexpected delays or costs associated with the licensing or permitting process could delay the development or impede the operation of a mine, which could adversely impact the Resulting Issuer's operations and profitability.

The Resulting Issuer indirectly has rights to a production operation IUPs in respect of the TNM Project. Indonesian mining companies which are majority owned by non-Indonesians and hold a mining license (production IUP) must divest a certain portion of its shares commencing five (5) years after the commencement of production, with the company required to be 20% Indonesian owned, and continuing up to 10 years after commencement of production, with the company required to be 51% Indonesian owned.

Uninsured risks

The business of the Resulting Issuer is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions and floods. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of the Resulting Issuer or others, delays in mining, monetary losses and possible legal liability.

Although the Resulting Issuer maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all such risks and the Resulting Issuer may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Resulting Issuer or to other companies in the mining industry on acceptable terms. Losses from these events may cause the Resulting Issuer to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

17.4 General Operational Risks

Additional Funding Requirements

The exploration and development of the TNM Project will require substantial additional capital. When such additional capital is required, the Resulting Issuer will need to pursue various financing transactions or arrangements, including joint venturing of projects, debt financing, equity financing or other means. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Resulting Issuer and might involve substantial dilution to existing shareholders. The Resulting Issuer may not be successful in locating suitable financing transactions in the time period required or at all. A failure to raise capital when needed would have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations. Any future issuance of securities to raise required capital will likely be dilutive to existing shareholders. In addition, debt and other debt financing may involve a pledge of assets and may be senior to interests of equity holders. The Resulting Issuer may incur substantial costs in pursuing future capital requirements, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. The ability to obtain needed financing may be impaired by such factors as the capital markets (both generally and in the gold and copper industries in particular), the Resulting Issuer's status as a new enterprise with a limited history, the location of the TNM Project, the price of commodities and/or the loss of key management personnel. Further, if the price of cobalt and other metals on the commodities markets decreases, then potential revenues from the TNM Project will likely decrease and such decreased revenues may increase the requirements for capital. Failure to obtain sufficient financing will result in a delay or indefinite postponement of development or production at the TNM Project.

Lack of Operating Cash Flow

The Resulting Issuer currently has no source of operating cash flow and is expected to continue to do so for the foreseeable future. The Resulting Issuer's failure to achieve profitability and positive operating cash flows could have a material adverse effect on its financial condition and results of operations.

Limited Operating History and Lack of Profits

The Target is an early-stage exploration company with a limited operating history. The likelihood of success of the Target's business plan must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with developing and expanding early-stage businesses and the regulatory and competitive environment in which the Target operates.

The Resulting Issuer has no history of earnings and has not commenced commercial production on any of its properties. The Issuer has experienced losses from operations and expects to continue to incur losses for the foreseeable future. There can be no assurance that the Resulting Issuer will be profitable in the future. The Resulting Issuer's operating expenses and capital expenditures are likely to increase in future years as needed consultants, personnel and equipment associated with advancing exploration, and, if permitted, development and, potentially, commercial production of its properties, are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Resulting Issuer's acquisition of additional properties, government regulatory processes and other factors, many of which are beyond the Resulting Issuer's control. The Resulting Issuer expects to continue to incur losses unless and until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of the Resulting Issuer's properties will require the commitment of substantial resources. There can be no assurance that the Resulting Issuer will generate any revenues or achieve profitability.

Reliance on Personnel

If the Resulting Issuer is not successful in attracting and retaining highly qualified personnel, the Resulting Issuer may not be able to successfully implement its business strategy.

The Resulting Issuer will dependent on a number of key management personnel, including the services of certain key employees. The Resulting Issuer's ability to manage its exploration, appraisal and potential development and mining activities will depend in large part on the ability to retain current personnel and attract and retain new personnel, including management, technical and a skilled workforce. The loss of the services of one or more key management personnel could have a material adverse effect on the Resulting Issuer's ability to manage and expand the business

Adverse General Economic Conditions

The unprecedented events in global financial markets in the past several years have had a profound impact on the global economy. Many industries, including the mineral resource industry, were impacted by and continue to be impacted by these market conditions. Some of the key impacts of the financial market turmoil included contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. A similar slowdown in the financial markets or other economic conditions, including but not limited to, inflation, fuel and energy costs, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect the Resulting Issuer's operations.

Adverse capital market conditions could continue to affect the Resulting Issuer's ability to meet its liquidity needs, as well as its access to capital and cost of capital. The Resulting Issuer needs additional funding to continue development of its internal pipeline and collaborations. The Resulting Issuer's results of operations, financial condition, cash flows and capital position could be materially affected by continued disruptions in the capital markets.

Holding Company

The Resulting Issuer will be a holding company that conducts substantially all of its operations, and holds all of its operating assets, through subsidiaries. Judgments obtained against one or more of the subsidiaries in British Columbia or any other Canadian jurisdiction may need to be enforced outside of such jurisdiction and may be subject to additional defenses or lengthy delays in enforcement as a result.

Enforcement of Civil Liabilities

The majority of the Resulting Issuer's assets are located outside of North America. As a result, it may be difficult for an investor to enforce a judgment obtained in a Canadian court or a court of another jurisdiction of residence predicated upon the civil liability provisions of provincial securities laws or other laws of Canada or the equivalent laws of other jurisdictions outside Canada against those persons.

In the event of a dispute arising in respect of the Resulting Issuer's foreign operations, the Resulting Issuer may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada or elsewhere. The Resulting Issuer may also be hindered or prevented from enforcing its rights with respect to a government entity or instrumentality because of, among other things, the doctrine of sovereign immunity, which applies in Indonesia, such that generally judgments rendered by any court in foreign jurisdiction will not be enforced by the courts of Indonesia in the absence of applicable conventions. Any adverse or arbitrary decision of a court, arbitrator or other governmental or regulatory body may have a material adverse impact on the Resulting Issuer's business, assets, prospects, financial condition and results of operations.

The Resulting Issuer's inability to enforce its contractual rights could have a material adverse effect on its future cash flows, earnings, results of operations and financial condition, as well as its business, assets and prospects

Fluctuations in Foreign Exchange Rates

International prices of various commodities are denominated in United States Dollars and a portion of the Resulting Issuers future capital expenditure and ongoing expenditure may be denominated in United States Dollars and Indonesian Rupiah, whereas the income and expenditure of the Resulting Issuer are and will be taken into account in Canadian currency, exposing the Resulting Issuer to the fluctuations and volatility of the rate of exchange between the United States Dollar and Indonesian Rupiah and the Canadian Dollar as determined in international markets. The Resulting Issuer currently does not engage in any hedging or derivative transactions to manage foreign exchange risk. As the Resulting Issuer's operations change, its directors will review this policy periodically going forward. There can be no assurance that fluctuations in foreign exchange rates will not have a material adverse effect upon the Resulting Issuer's financial performance and results of operations.

Conflicts of Interest

Certain of the directors and officers of the Resulting Issuer will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including biopharmaceutical companies) and, as a result of these and other activities, such directors and officers of the Resulting Issuer may become subject to conflicts of interest. The BCBCA provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA. To the proposed management of the Resulting Issuer's knowledge, as at the date hereof there are no existing or potential material conflicts of interest between the Resulting Issuer and a proposed director or officer of the Resulting Issuer except as otherwise disclosed herein.

Dividends

To date, the Issuer has not paid any dividends on their outstanding shares. The Resulting Issuer anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business. Payment Any decision to pay dividends on the shares of the Resulting Issuer will be made by its board of directors on the basis of the Resulting Issuer's earnings, financial requirements and other conditions.

Market for Securities and Volatility of Share Price

There can be no assurance that an active trading market in the Resulting Issuer's securities will be established or sustained. The market price for the Resulting Issuer's securities could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results, as well as market conditions in the industry, may have a significant adverse impact on the market price of the securities of the Resulting Issuer. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Investment Risk

Potential investors and shareholders should be aware that there are risks associated with any securities investment. The prices at which the Resulting Issuer's shares trade may be above or below the issue price, and may fluctuate in response to a number of factors.

Furthermore, the stock market, and in particular the market for mining and exploration companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. There can be no guarantee that these trading prices and volumes will be sustained. These factors may materially affect the market price of the Resulting Issuer Shares, regardless of the Resulting Issuer's operational performance.

Dilution

Following completion of the Acquisition, the Resulting Issuer may issue additional equity securities to finance its activities, including acquisitions. If the Resulting Issuer were to issue common shares, existing holders of such shares may experience dilution in the Resulting Issuer. Moreover, when the Resulting Issuer's intention to issue additional equity securities becomes publicly known, the Resulting Issuer's share price may be materially adversely affected.

ITEM 18: PROMOTERS

Other than the directors and officers of the Issuer, management is not aware of any person or company who could be characterized as a promoter of the Issuer or a subsidiary of the Issuer within the two most recently completed financial years or during the current financial year.

Other than the issuance of Options or receive of compensation in their roles as directors and officers, no promoter of the Issuer has received anything of value from the Issuer or a subsidiary of the Issuer in the two most recently completed financial years or during the current financial year, provided however, that the Issuer intends to complete the Disposition in connection with the Transactions.

As described at "*Item 3.1 General Development of the Business – Three Year History – Proposed Disposition of Oil and Gas Assets*", the Issuer proposes to dispose of the Dina Pool property and the Doe Creek property to Drifter for aggregate consideration over an eight-year option term of $30,000 pursuant to the Asset Sale Agreement.

Drifter is substantially controlled by two directors of the Issuer, being Steve and Mark Vanry, with each of them indirectly owning 40% of Drifter and the remaining 20% interest being held by an arm's length third party.

As of the date of this Listing Statement, Mark Vanry owns or controls, directly and indirectly, an aggregate of 2,389,391 Common Shares, representing 10.90% of the issued and outstanding Common Shares, of which 1,895,500 Common Shares are held directly and the remainder of 493,881 Common Shares are held by 0845557 B.C. Ltd., a company owned and controlled by Mr. Vanry and his spouse. Mark Vanry also holds 150,000 Options exercisable at $0.05 per Common Shares until May 12, 2021 and 50,000 Warrants exercisable at $0.10 per Common Shares until May 25, 2018.

Following the completion of the Transactions, Mark Vanry will resign as a director and as President and CEO of the Issuer and will hold, directly and indirectly, an aggregate of 737,348 Resulting Issuer Shares, representing 2.49% of the issued and outstanding Resulting Issuer Shares, of which 473,875 Resulting Issuer Shares will be held directly and the remainder of 263,473 Resulting Issuer Shares will be held by 0845557 B.C. Ltd. The Options held by Mr. Vanry as noted above will become, as a result of the Consolidation, 37,500 Resulting Issuer Options exercisable at $0.20 per Resulting Issuer Share and will expire 90 days following the completion of the Transactions.

As of the date of this Listing Statement, Steve Vanry owns or controls, directly and indirectly, an aggregate of 985,349 Common Shares, representing 4.50% of the issued and outstanding Common Shares, of which 325,000 Common Shares are held directly and the remainder of 660,349 Common Shares are held by 0677185 B.C. Ltd., a company owned and controlled by Mr. Vanry and his spouse. Steve Vanry also holds 150,000 Options exercisable at $0.05 per Common Share until May 12, 2021.

Following completion of the Transactions, Steve Vanry will continue to act as a director and as Chief Financial Officer of the Resulting Issuer and will hold directly and indirectly, an aggregate of 246,337

Resulting Issuer Shares, representing 0.83% of the issued and outstanding Resulting Issuer Shares, of which 81,250 Resulting Issuer Shares will be held directly and the remainder of 165,087 Resulting Issuer Shares will be held by 0677185 B.C. Ltd. Steve Vanry will hold an aggregate of 337,500 Resulting Issuer Options, of which 37,500 Resulting Issuer Options are exercisable at $0.20 per Resulting Issuer Share until May 12, 2021 and 300,000 Resulting Issuer Options are exercisable at $0.46 per Resulting Issuer Share until the date which is two years following the Closing Date.

ITEM 19: LEGAL PROCEEDINGS

19.1 Legal Proceedings

Except as described below, there are no legal proceedings to which either the Issuer or the Target is a party, or of which any of its property is the subject matter, and no such proceedings are known to the management of the Issuer or the Target to be contemplated.

The Issuer has been served with a statement of claim filed September 12, 2017 by Geologic Systems Ltd. relating to allegedly due and unpaid licensing fees pursuant to a license agreement dated March 30, 2014, in the aggregate amount of $50,439.06, plus pre-judgment interest and costs. It is premature to evaluate the prospects of the claim's merit.

19.2 Regulatory Actions

The Resulting Issuer is not subject to any penalties or sanctions imposed by any court or regulatory authority relating to securities legislation or by a securities regulatory authority, nor has the Resulting Issuer entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that are necessary to provide full, true and plain disclosure of all material facts relating to the Resulting Issuer's securities or would be likely to be likely to be considered important to a reasonable investor making an investment decision.

ITEM 20: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except in regards to the executive compensation of directors and officers or the Disposition as described at "*Item 3.1 General Development of the Business – Three Year History – Proposed Disposition of Oil and Gas Assets"* and at *"Item 18 – Promoters"*, no director or executive officer, insider, or any associate or affiliate of such insider or director or executive officer, has had any material interest, direct or indirect, in any material transaction of within three years before the date of this Listing Statement, which has materially affected or will materially affect the Resulting Issuer.

ITEM 21: AUDITORS, TRANSFER AGENTS AND REGISTRARS

The Issuer's and the Target's auditor is Davidson & Company LLP, Chartered Professional Accountants, 1200-609 Granville Street, Vancouver, British Columbia, V7Y 1G6.

The Issuer's transfer agent and registrar is Computershare Investor Services Inc. of 510 Burrard Street, 2nd Floor, Vancouver, British Columbia, V6C 3B9. The Target does not have a transfer agent.

ITEM 22: MATERIAL CONTRACTS

There are no other contracts, other than those herein disclosed in this Listing Statement and other than those entered into in the ordinary course of the Issuer's business, that are material to the Issuer which are still in effect as of the date of this Listing Statement, other than the Share Exchange Agreement, the Finder's Fee Agreement and the Option Agreement.

ITEM 23: INTERESTS OF EXPERTS

23.1 Names of Experts

Glenn S. Greisbach, BSc, P. Eng, of Giroux Consultants Ltd. was responsible for preparing the Technical Report, and is an independent qualified person as defined in NI 43-101.

Davidson & Company LLP, prepared the auditor's reports for the audited annual financial statements of the Issuer for years ended December 31, 2016 and 2015, which are attached as Schedule "A" hereto and for the audited annual financial statements of the Target for period from incorporation on June 6, 2017 and ended June 30, 2017, which is attached as Schedule "E" hereto. Davidson & Company LLP, the Issuer's and the Target's auditor, is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

23.2 Interests of Experts

To the knowledge of the Issuer, none of the experts above or their respective Associates or Affiliates, beneficially owns, directly or indirectly, any securities of the Issuer, has received or will receive any direct or indirect interests in the property of the Issuer or is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer or any Associate or Affiliate thereof.

ITEM 24: OTHER MATERIAL FACTS

Neither the Issuer nor the Target are aware of any other material facts relating to the Issuer or the Target or to the Transactions that are not disclosed under the preceding items and are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Issuer, the Target and the Resulting Issuer, other than those set forth herein.

ITEM 25: FINANCIAL STATEMENTS

Schedule "A" contains the audited financial statements for the Issuer for the year ended December 31, 2016 and 2015, Schedule "C" contains the interim financial statements for the Issuer for the six-months ended June 30, 2017, Schedule "B: contains the MD&A of the Issuer for the year ended December 31, 2016 and Schedule "D" contains the MD&A for the Issuer for the six-months ended June 30, 2017.

Schedule "E" contains the audited financial statements for the Target for the period from incorporation on June 6, 2017 and ended June 30, 2017 and Schedule "F" contains the MD&A of the Target for period from incorporation on June 6, 2017 and ended June 30, 2017.

Schedule "G" contains the pro-forma financial statements.

ITEM 26: ADDITIONAL INFORMATION

Additional information relating to the Issuer is on SEDAR at www.sedar.com. Shareholders may contact the Issuer at Suite 912-1112 West Pender Street, Vancouver, BC, Canada, V6E 2S1 (Telephone: 604.558.3920) to request copies of the Issuer's financial statements and MD&A or a copy of this Listing Statement, or any of the Issuer documents incorporated herein by reference.

SCHEDULE "A"

AUDITED FINANCIAL STATEMENTS OF THE ISSUER FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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RHYS RESOURCES LTD.

FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Rhys Resources Ltd.

We have audited the accompanying financial statements of Rhys Resources Ltd., which comprise the statements of financial position as at December 31, 2016 and 2015 and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Rhys Resources Ltd. as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Davidson-co.com

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Rhys Resources Ltd.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

April 27, 2017

RHYS RESOURCES LTD.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	December 31, 2016	December 31, 2015
	$	$
ASSETS		
Current		
Cash	52,266	138,776
Receivables	8,721	4,149
Prepaid expenses	300	12,503
	61,287	155,428
Exploration and evaluation assets (Note 3)	28,932	-
	90,219	**155,428**
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 4)	81,395	37,252
Shareholders' equity		
Share capital (Note 5)	4,047,381	4,047,381
Reserves (Note 5)	1,108,754	1,099,448
Deficit	(5,147,311)	(5,028,653)
	8,824	118,176
	90,219	**155,428**

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

Approved and authorized on behalf of the Board:

"Mark Vanry"	"Steve Vanry"
Director	*Director*

RHYS RESOURCES LTD.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	For the years ended December 31, 2016	2015
	$	$
Expenses		
Consulting fees (Note 6)	26,060	-
Interest and bank charges	335	561
Office and miscellaneous (Note 6)	17,829	13,694
Professional fees (Note 6)	25,441	19,731
Project investigation costs	12,203	44,073
Rent (Note 6)	11,500	12,000
Share-based compensation (Notes 5 & 6)	9,306	-
Shareholder liaison and filing fees	10,324	7,196
Transfer agent	5,660	2,723
Loss and comprehensive loss for the year	**(118,658)**	**(99,978)**
Basic and diluted loss per share	**(0.01)**	**(0.01)**
Weighted average number of common shares outstanding	**16,925,534**	**16,751,923**

The accompanying notes are an integral part of these financial statements

RHYS RESOURCES LTD.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	For the year ended December 31, 2016	2015
	$	$
Cash flows used in operating activities		
Loss for the year	(118,658)	(99,978)
Items not affecting cash:		
Share-based compensation	9,306	-
Changes in non-cash working capital items:		
Increase in receivables	(4,572)	(1,935)
Decrease in prepaid expenses	12,203	1,094
Increase in accounts payable and accrued liabilities	44,143	6,402
	(57,578)	(94,417)
Cash used in investing activities		
Purchase of exploration and evaluation assets	(28,932)	-
Cash flows from financing activities		
Shares issued on exercise of warrants	-	25,000
Decrease in cash for the year	(86,510)	(69,417)
Cash, beginning of year	138,776	208,193
Cash, end of year	**52,266**	**138,776**

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

RHYS RESOURCES LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Number of Shares Issued	Capital Stock	Reserves	Deficit	Total Shareholders' Equity
		$	$	$	$
Balance at December 31, 2014	**16,425,534**	**4,022,381**	**1,099,448**	**(4,928,675)**	**193,154**
Shares issued - exercise of warrants	500,000	25,000	-	-	25,000
Loss and comprehensive loss	-	-	-	(99,978)	(99,978)
Balance at December 31, 2015	**16,925,534**	**4,047,381**	**1,099,448**	**(5,028,653)**	**118,176**
Share-based payments	-	-	9,306	-	9,306
Loss and comprehensive loss	-	-	-	(118,658)	(118,658)
Balance at December 31, 2016	**16,925,534**	**4,047,381**	**1,108,754**	**(5,147,311)**	**8,824**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Rhys Resources Ltd.'s ("the Company") main activities include the acquisition and exploration of exploration and evaluation assets. The Company trades on the NEX Board of the TSX Venture Exchange ("TSX-V") under the symbol RYS.H. The Company's head office is located at Suite 912-1112 West Pender St. Vancouver, B.C. V6E 2S1

These financial statements have been prepared on a going-concern basis which assumes the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing.

These financial statements do not reflect adjustments to the carrying value of assets and liabilities, the reported expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate.

As at December 31, 2016, the Company had an accumulated deficit of $5,147,311 (December 31, 2015 - $5,028,653) and a working capital deficit of $20,108 (December 31, 2015 – surplus of $118,176). These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these financial statements.

Statement of compliance

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

These financial statements were authorized by the audit committee and board of directors of the Company on April 27, 2017.

Basis of presentation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for certain financial assets which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The reporting currency of the Company is the Canadian dollar.

Use of 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments is as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. 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.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation 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.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Costs related to issuances not completed will be recorded as deferred financing costs if the completion of the transaction is considered likely; otherwise they are expensed as incurred.

Basic and diluted 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 shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similarly to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the years presented, this calculation proved to be anti-dilutive.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned a value based on the residual value, if any, and included in reserves.

Warrants that are issued as payment for agency fee or other transactions costs are accounted for as share-based payments.

Share-based compensation

The Company accounts for all grants of options to employees, non-employees and directors in accordance with the fair value method for accounting for share-based compensation. Share-based compensation awards are calculated using the Black-Scholes option pricing model.

Compensation expense is recognized immediately for past services and pro-rata for future services over the options vesting period. A corresponding increase in reserves is recorded when stock options are expensed. When stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion of share-based compensation previously recorded in reserves.

Share-based compensation to non-employees, who are not providing similar services to employees, are measured at the grant date by using 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 received cannot be reliably measured, and are recorded at the date the goods or services are received.

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. The Company classifies cash as fair value through profit or loss.

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. The Company classifies its receivables as loans and receivables.

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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, and includes accounts payable and accrued liabilities.

For the years presented, the Company did not have any derivative financial assets or liabilities.

Exploration and evaluation assets

Pre-exploration costs are expensed as incurred.

Costs directly related to the exploration and evaluation of hydrocarbon properties are capitalized once the legal rights to explore the properties are acquired or obtained. When the technical and commercial viability of a hydrocarbon resource have been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to hydrocarbon assets and amortized over the estimated useful life of the property following commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Exploration and evaluation assets are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Capitalized amounts include the cash or other consideration and the assigned value of shares issued, if any, on the acquisition of exploration and evaluation assets. Costs related to properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. The Company does not accrue estimated future costs of maintaining its exploration and evaluation assets in good standing.

Capitalized costs as reported on the statements of financial position represent costs incurred to date and may not reflect actual, present, or future values. Recovery of carrying value is dependent upon future commercial success or proceeds from disposition of the exploration and evaluation property interests.

Management evaluates each property interest on a reporting period basis or as events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to which costs are capitalized or charged as impairment charges. Write-downs due to impairment in value are charged to profit or loss.

Exploration and evaluation assets, where future cash flows are not reasonably determinable, are evaluated for impairment based on results of exploration work, management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

General exploration costs not related to specific properties and general administrative expenses are charged to profit or loss in the year in which they are incurred.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:
Deferred income tax is based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Adoption of new and revised accounting standards and interpretations

The following standards have been published and are effective for annual periods beginning after January 1, 2018:

IFRS 9, Financial Instruments, replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, and includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company has not adopted IFRS 9 in its financial statements for the year ending December 31, 2016.

IFRS 15, Revenue from Contracts with Customers, establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company has not adopted IFRS 15 in its financial statements for the year ending December 31, 2016.

3. EXPLORATION AND EVALUATION ASSETS

	Dina Pool	Doe Creek Pool	Total
Balance December 31, 2015 and 2014	-	-	-
Acquisitions	21,314	7,618	28,932
Balance December 31, 2016	21,314	7,618	28,932

On June 22, 2016 the Company purchased 128 hectares of land in the Provost area of Alberta (Dina Pool) through a Province of Alberta land sale.

On September 14, 2016 the Company purchased 128 hectares of land in the Grande Prairie area of Alberta (Doe Creek) through a Province of Alberta Land sale.

(Expressed in Canadian Dollars)

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2016	December 31, 2015
	$	$
Accounts payable	72,645	28,502
Accrued liabilities	8,750	8,750
	81,395	**37,252**

5. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

No shares were issued during the year ended December 31, 2016.

During May 2015, 500,000 common shares were issued pursuant to the exercise of warrants for proceeds of $25,000.

Stock option plan

The Company has a stock option plan that provides for the issuance of options to directors, officers, employees and consultants of the Company to purchase common shares. The maximum aggregate number of plan shares that may be reserved for issuance under the Plan at any point in time is 10% of the outstanding shares at the time. Vesting is determined at the discretion of the Board of Directors.

During the year ended December 31, 2016, the Company granted 650,000 incentive stock options with a fair value of $15,588 (or $0.02 per option) using the Black-Scholes option pricing model. The Company expensed $9,306 as share-based compensation which was the value of stock options vested during the year.

The fair value of options granted is estimated on the grant date using the Black-Scholes option pricing model using the following variables:

	For the nine-months ended September 30 2016	2015
Risk-free interest rate	**0.68%**	-
Expected option life in years	**5-years**	-
Expected stock price volatility	**125.8%**	-
Expected forfeiture rate	**0%**	-

A summary of stock options activities are as follows:

	Number of options	Weighted average exercise price
		$
Outstanding at December 31, 2015 and 2014	Nil	Nil
Granted	650,000	0.05
Outstanding at December 31, 2016	650,000	0.05

(Expressed in Canadian Dollars)

5. SHARE CAPITAL AND RESERVES (continued)

The Company has outstanding options entitling the holder to purchase an aggregate of common shares at December 31, 2016 as follows:

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
$			
0.05	650,000	162,500	May 12, 2021

Warrants

As at December 31, 2016 the Company had no warrants outstanding.

A summary of warrant activities are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2014	6,160,000	$ 0.05
Expired	(5,660,000)	0.05
Exercised	(500,000)	0.05
Balance, December 31, 2016 and 2015	Nil	$ 0.00

6. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the year ended December 31, 2016:

a) Paid or accrued management fees included in "consulting fees" of $15,000 (2015 - $nil) to a company controlled by the Company's CEO;

b) Paid or accrued rent of $11,500 (2015 - $12,000) to a company related by the Company's CEO;

c) Paid or accrued professional fees of $15,000 (2015 - $9,000) and administration fees included in "office and miscellaneous" of $15,000 (2015 - $9,000) to a company related by a significant shareholder; and

d) Key management transactions

The Company defines its directors and officers as its key management personnel. The compensation costs for key management personnel for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
	$	$
Management fees	15,000	-
Share based payments	2,505	-
	17,505	**-**

Included in accounts payable and accrued liabilities are amounts owing to related parties of $66,938 (2015 - $23,625).

(Expressed in Canadian Dollars)

7. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	December 31, 2016	December 31, 2015
	$	$
Loss before income taxes	(118,658)	(99,978)
Combined Canadian federal and provincial statutory rate	26.00%	26.00%
Expected income tax recovery at statutory tax rates	(31,000)	(26,000)
Permanent difference	3,000	-
Expiry of non-capital losses	-	92,000
Change in unrecognized deductible temporary differences	28,000	(66,000)
Total deferred taxes	-	-

The significant components of the Company's unrecorded deferred tax assets are as follows:

	December 31, 2016	December 31, 2015
	$	$
Non-capital loss carry-forwards	439,000	410,000
Capital loss carry forwards	75,000	75,000
Share issuance costs	1,000	2,000
Total unrecognized deferred tax assets	515,000	487,000

Tax attributes are subject to review and potential adjustment by tax authorities.

The significant components of the Company's unrecognized temporary differences and unused tax losses are as follows:

	December 31, 2016	Expiry dates	December 31, 2015	Expiry dates
	$		$	
Share issuance costs	5,000	2037 to 2040	5,000	2036 to 2039
Allowable capital losses	287,000	No expiry	287,000	No expiry
Non-capital losses	1,689,000	2017 to 2036	1,689,000	2016 to 2035
	1,981,000		1,870,000	

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values because of the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

Financial risk factors

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and price risk.

Credit risk

The Company is exposed to industry credit risks arising from its cash holdings and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. The Company's receivables consist of sales tax recoverable due from the Federal Government of Canada. Management believes that credit risk related to these amounts is nominal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital and financing to continue its operations and discharge its commitments as they become due. The Company is exposed to liquidity risk.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances only.

(b) Foreign currency risk

As at December 31, 2016, the Company did not have any balances in foreign currencies.

(c) Price risk

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices in relation to its exploration and evaluation assets.

9. CAPITAL MANAGEMENT

The Company considers its equity as capital. The Company's objective when managing capital is to fund its operations and corporate overhead costs, meet obligations as they come due, and to maintain a flexible capital structure, which optimizes the cost of capital at an acceptable risk. The Company has no earnings and therefore it must finance its activities and corporate overhead costs by the sale of common shares or loans.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, or acquire or dispose of assets. In order to maximize ongoing development efforts, the Company does not pay out dividends.

Given its objectives, the Company determines the amount of capital to be raised and retained based on the scope of operating activities and potential acquisitions management's assessment of the expected availability of acceptably priced capital in future periods.

There were no changes in the Company's approach to capital management during the year ended December 31, 2016. The Company is not subject to externally imposed capital requirements.

10. SEGMENTED INFORMATION

The Company operates in one industry, being resource exploration in Canada.

	Canada	Total
December 31, 2015		
Exploration and evaluation assets	$ -	$ -
December 31, 2016		
Exploration and evaluation assets	$ 28,932	$ 28,932

SCHEDULE B

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE ISSUER FOR THE YEAR ENDED DECEMBER 31, 2016

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INTRODUCTION

This management's discussion and analysis ("MD&A") reports on the financial position and results of operations of Rhys Resources Ltd. (the "Company" or "Rhys") and was prepared and approved by the Board of Directors as at April 27, 2017 and should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2016 and 2015. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A is intended to assist the reader's understanding of Rhys Resources Ltd. and its operations, business, strategies, performance and future outlook from the perspective of management. All dollar figures included therein and in the following MD&A are quoted in Canadian dollars unless otherwise indicated. Additional information related to the Company, including its press releases and quarterly and annual reports, is available for view on SEDAR at www.sedar.com.

This MD&A may contain management estimates of anticipated future trends, activities, or results; these are not a guarantee of future performance, since actual results may vary based on factors and variables outside of management's control. Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible to ensure that information disclosed externally, including the financial statements and MD&A, is complete and reliable.

Rhys Resources' Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's Audit Committee meets with management quarterly to review the financial statement results, including the MD&A, and to discuss other financial, operating and internal control matters. The Audit Committee receives a report from the independent auditors annually, and is free to meet with them throughout the year.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements". Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below and as detailed under RISKS AND UNCERTAINTIES in this MD&A.

Risk factors that could affect the Company's future results include, but are not limited to, risks inherent in hydrocarbon exploration and development and production activities in general, volatility and sensitivity to market prices for oil and gas, changes in government regulation and policies including environmental regulations and reclamation requirements, receipt of required permits and approvals from governmental authorities, competition from other companies, ability to attract and retain skilled employees and contractors, and changes in foreign currency exchange rates. Further information regarding these and other factors which may cause results to differ materially from those projected in forward-looking statements are included in the Company's filings with securities regulatory authorities. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

DESCRIPTION OF BUSINESS

Rhys Resources Ltd. was incorporated on May 13, 1996 under the Company Act of British Columbia, Canada. The Company is listed on the NEX Board of the TSX Venture Exchange under the symbol RYS.H.

The Company is focused on the acquisition and development of conventional oil and gas projects with low risk drilling opportunities in western Canada.

The Company currently has limited working capital, and has no assurance that additional funding will be available to it. The ability of the Company to continue as a going concern is dependent on the identification of new opportunities, and on obtaining additional financing from its existing or new shareholders. Failure to obtain such additional financing could result in the dissolution of the Company. Management estimates the Company has sufficient working capital to continue operations for the next year.

OVERALL PERFORMANCE

On April 18, 2017, the Company announced it arranged, subject to regulatory approval, a non-brokered private placement of up to 5,000,000 units of the Company at a price of $0.05 per unit for gross proceeds of up to $250,000. Each unit is to consist of one common share and one half of one transferable common share purchase warrant. Each whole warrant will be exercisable at $0.10 for a period of one year.

On April 25, 2017 the Company appointed Steve Vanry as Director and Chief Financial Officer to replace Kiki Smith who resigned both positions on the same day.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL RESOURCES

As at December 31, 2016, the Company's liquidity and capital resources are as follows:

	December 31, 2016	**December 31, 2015**
	$	**$**
Cash	52,266	138,776
Receivables	8,721	4,149
Prepaid expenses	300	12,503
Total current assets	**61,287**	**155,428**
Accounts payable and accrued liabilities	81,395	37,252
Working capital	**(20,108)**	**118,176**

The Company had $52,266 cash on hand at December 31, 2016 (December 31, 2015 - $138,776). The Company had a working capital deficit of $20,108 at December 31, 2016 (December 31, 2015 – surplus of $118,176). The primary use of cash during the year was the funding of operating activities of $57,578 (2015 - $94,417) and purchase of exploration and evaluation assets of $28,932 (2015 - $nil).

The Company currently has no source of operating cash flow, limited financial resources, and has no assurance that additional funding will be available to it in order to remain a going concern. Failure to obtain such additional financing could result in the dissolution of the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

OPERATIONS REVIEW

On June 22, 2016 the Company purchased 128 hectares of land in the Provost area of Alberta (Dina Pool) through a Province of Alberta land sale. The land was previously drilled and produced oil from the Dina formation. To date, the oil recoveries from the pool are low relative to other Dina pools in the area. Rhys plans to exploit the remaining oil utilizing the existing facilities and infrastructure that was installed by the original operator.

On September 14, 2016 the Company purchased 128 hectares of land in the Grande Prairie area of Alberta (Doe Creek) through a Province of Alberta Land sale.

Management is in the process of reviewing other possible acquisitions of oil and gas projects in western Canada.

SELECTED ANNUAL INFORMATION

	December 31 2016	December 31, 2015	December 31, 2014
(a) Loss and comprehensive loss	$	$	$
- total	(118,658)	(99,978)	(336,646)
- per share basic	(0.01)	(0.01)	(0.02)
- per share diluted	(0.01)	(0.01)	(0.02)
(b) Total assets	90,219	155,428	224,004
(c) Working capital	(20,108)	118,176	193,154

RESULTS OF OPERATIONS

The Company's total assets were $90,219 at December 31, 2016 (December 31, 2015 - $155,428). The Company did not generate any revenue from operations. The Company realized a loss and comprehensive loss of $118,658 in the year ended December 31, 2016 or $0.01 per share (2015 – $99,978 or $0.01 per share).

The table below details the significant changes in operating and administrative expenditures for the year ended December 31, 2016 as compared to 2015.

Expenses	**Increase / Decrease in Expenses**	**Explanation for Change**
Consulting fees	Increase of $26,060	Increase is due to accrual of management fees
Project investigation fees	Decrease of $31,870	Decrease is due to expiry of specialized oil and gas analysis software license
Share-based compensation	Increase of $9,306	Increase is due to grant of options and vesting of stock options in 2016

SUMMARY OF QUARTERLY RESULTS

Quarter ended	Loss and comprehensive loss	Loss per share
December 31, 2016	(43,889)	-
September 30, 2016	(22,877)	-
June 30, 2016	(21,660)	-
March 31, 2016	(30,232)	-
December 31, 2015	(30,821)	-
September 30, 2015	(22,401)	-
June 30, 2015	(20,232)	-
March 31, 2015	(26,524)	-

The loss of $43,889 incurred by the Company in the three-months ended December 31, 2016 was higher that each of the prior seven quarters due primarily to the fact that the Company accrued management and consulting fees and issued stock options in Q4 2016. Otherwise expenses incurred in Q4 2016 were in line with the previous seven quarters.

PROPOSED TRANSACTIONS

The Company has not entered into any proposed transactions.

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the year ended December 31, 2016:

a) Paid or accrued management fees included in "consulting fees" of $15,000 (2015 - $nil) to a company controlled by Mark Vanry, the Company's CEO;

b) Paid or accrued rent of $11,500 (2015 - $12,000) to a company related by Mark Vanry, the Company's CEO;

c) Paid or accrued professional fees of $15,000 (2015 - $9,000) and administration fees included in "office and miscellaneous" of $15,000 (2015 - $9,000) to a company related by Steve Vanry, a significant shareholder.

The Company defines its officers as its key management personnel. The compensation costs for key management personnel for the years ended December 31, 2016 and 2015 are as follows:

	2016	**2015**
	$	**$**
Management fees (M. Vanry)	15,000	-
Share based payments (M. Vanry & K. Smith)	2,505	-
	17,505	**-**

Included in accounts payable and accrued liabilities are amounts owing to related parties of $66,938 (2015 - $23,625).

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values because of the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

Financial risk factors

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and price risk.

Credit risk

The Company is exposed to industry credit risks arising from its cash holdings and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. The Company's receivables consist of sales tax recoverable due from the Federal Government of Canada. Management believes that credit risk related to these amounts is nominal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital and financing to continue its operations and discharge its commitments as they become due. The Company is exposed to liquidity risk.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) *Interest rate risk*

The Company has cash balances only.

(b) *Foreign currency risk*

As at December 31, 2016, the Company did not have any balances in foreign currencies.

(c) *Price risk*

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices in relation to its exploration and evaluation assets.

Adoption of new and revised accounting standards and interpretations

The following standards have been published and are effective for annual periods beginning after January 1, 2018:

IFRS 9, Financial Instruments, replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, and includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company has not adopted IFRS 9 in its financial statements for the year ending December 31, 2016.

IFRS 15, Revenue from Contracts with Customers, establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company has not adopted IFRS 15 in its financial statements for the year ending December 31, 2016.

RISKS AND UNCERTAINTIES

Limited Operating History

The Company was restructured and recapitalized but has not yet commenced active operations. As a result, it is difficult to evaluate the Company's prospects, and its future success is more uncertain than if it had a longer or more proven history of operations.

History of Losses

The Company has incurred net losses since inception and as of December 31, 2016, had an accumulated deficit of $5,147,311.

No History of Dividends

Since incorporation, the Company has not paid any cash or other dividends on its common stock and does not expect to pay such dividends in the foreseeable future, as all available funds will be utilized to acquire and finance a new business. The Company will need to achieve profitability prior to any dividends being declared.

Dilution

The Company does not generate any revenues and does not have sufficient financial resources to undertake by itself significant expenditures. The Company has limited financial resources and has financed its operations primarily through the sale of securities such as common shares. The Company will need to continue its reliance on the sale of such securities for future financing, resulting in dilution to the Company's existing shareholders.

The amount of additional funds required will depend largely on the success of the Company's business undertakings.

Further expenditures will depend on the Company's ability to obtain additional financing which may not be available under favourable terms, if at all.

Capital and Liquidity Risk

The amount of financial resources available to invest for the enhancement of shareholder value is dependent upon the size of the treasury, profitable operations, and willingness to utilize debt and issue equity. Due to the size of the Company, financial resources are limited and if the Company exceeds growth expectations or finds investment opportunities it may require debt or equity financing. There is no assurance that the Company will be able to obtain additional financial resources that may be required to successfully finance transactions or compete in its markets on favourable commercial terms.

Dependence on Key Personnel

Loss of certain members of the executive team or key operational leaders of the company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. Recruiting personnel is time consuming and expensive and the competition for a professional is intense. The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

CRITICAL ACCOUNTING 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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments is as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. 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.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation 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.

OUTSTANDING SHARE DATA

The following details the common shares, stock options, and warrants outstanding as of the date of this MD&A:

Common Shares	16,925,534
Stock Options	650,000
Warrants	nil

OTHER MD&A REQUIREMENTS

Additional information relating to the Company may be found on or in:

- SEDAR at www.sedar.com; and
- the Company's financial statements for the year ended December 31, 2016 and 2015.

This MD&A was approved by the Board of Directors of Rhys Resources Ltd. effective April 27, 2017.

SCHEDULE C

INTERIM FINANCIAL STATEMENTS OF THE ISSUER FOR THE SIX MONTHS ENDED JUNE 30, 2017

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RHYS RESOURCES LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2017 and 2016

(Unaudited - Expressed in Canadian Dollars)

PAGE

CONTENTS

RHYS RESOURCES LTD.
STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	June 30, 2017	December 31, 2016
	$	$
ASSETS		
Current		
Cash	198,391	52,266
Receivables	4,818	8,721
Prepaid expenses	1,767	300
	204,976	61,287
Exploration and evaluation assets (Note 4)	28,932	28,932
	233,908	**90,219**
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 5)	125,141	81,395
Shareholders' equity		
Share capital (Note 6)	4,285,594	4,047,381
Reserves (Note 6)	1,112,407	1,108,754
Deficit	(5,289,234)	(5,147,311)
	108,767	8,824
	233,908	**90,219**

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
PROPOSED TRANSACTION (Note 12)
SUBSEQUENT EVENTS (Note 13)

Approved and authorized on behalf of the Board:

“Mark Vanry”
Director

“Steve Vanry”
Director

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

RHYS RESOURCES LTD.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

	For the three months ended June 30,		For the six months ended June 30,	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Expenses				
Consulting fees (Note 7)	17,812	2,360	33,312	2,360
Exploration	15,448	-	15,448	-
Interest and bank charges	298	74	371	183
Office and miscellaneous (Note 7)	3,425	4,063	7,315	10,087
Professional fees (Note 7)	29,824	4,036	34,514	7,786
Project investigation costs	34,354	-	34,354	12,203
Rent (Note 7)	2,250	3,000	4,500	6,000
Share-based payment (Notes 6 and 7)	1,577	2,215	3,653	2,215
Shareholder liaison and filing fees	3,388	5,304	3,388	6,910
Transfer agent	1,608	608	5,068	4,148
Loss and comprehensive loss for the period	**(109,984)**	**(21,660)**	**(141,923)**	**(51,892)**
Basic and diluted loss per share	**$ (0.01)**	**$ (0.00)**	**$ (0.01)**	**$ (0.00)**
Weighted average number of common shares outstanding	**18,903,556**	**16,925,534**	**17,920,009**	**16,925,534**

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

RHYS RESOURCES LTD.
STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	For the six months ended June 30, 2017	2016
	$	**$**
Cash flows used in operating activities		
Loss for the period	(141,923)	(51,892)
Item not affecting cash:		
Share-based payment	3,653	2,215
Changes in non-cash working capital items:		
Decrease (increase) in receivables	3,903	(2,167)
Decrease (increase) in prepaid expenses	(1,467)	12,202
Increase in accounts payable and accrued liabilities	41,259	8,970
	(94,575)	(30,672)
Cash flows used in investing activities		
Purchase of exploration and evaluation assets	-	(21,314)
Cash flows provided by financing activities		
Issuance of common shares	250,000	-
Share issue costs	(9,300)	-
	240,700	-
Change in cash for the period	146,125	(51,986)
Cash, beginning of period	52,266	138,776
Cash, end of period	**198,391**	**86,790**

SUPPLEMENTAL CASH FLOW INFORMATION (Note 8)

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

RHYS RESOURCES LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited - Expressed in Canadian Dollars)

	Number of Shares Issued	Capital Stock	Reserves	Deficit	Total Shareholders' Equity
		$	$	$	$
Balance at December 31, 2015	**16,925,534**	**4,047,381**	**1,099,448**	**(5,028,653)**	**118,176**
Share-based payment	-	-	2,215	-	2,215
Loss and comprehensive loss	-	-	-	(51,892)	(51,892)
Balance at June 30, 2016	**16,925,534**	**4,047,381**	**1,101,663**	**(5,080,545)**	**68,499**
Balance at December 31, 2016	**16,925,534**	**4,047,381**	**1,108,754**	**(5,147,311)**	**8,824**
Shares issued	5,000,000	238,213	-	-	238,213
Share-based payment	-	-	3,653	-	3,653
Loss and comprehensive loss	-	-	-	(141,923)	(141,923)
Balance at June 30, 2017	**21,925,534**	**4,285,594**	**1,112,407**	**(5,289,234)**	**108,767**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Rhys Resources Ltd.'s ("the Company") main activities include the acquisition and exploration of exploration and evaluation assets. The Company trades on the NEX Board of the TSX Venture Exchange ("TSXV") under the symbol RYS.H. The Company's head office is located at Suite 912-1112 West Pender St., Vancouver, B.C., V6E 2S1

These condensed interim financial statements have been prepared on a going-concern basis which assumes the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing.

These condensed interim financial statements do not reflect adjustments to the carrying value of assets and liabilities, the reported expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate.

As at June 30, 2017, the Company had an accumulated deficit of $5,289,234 and working capital of $79,835. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee. They do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and, therefore, should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2016, prepared in accordance with IFRS as issued by the IASB.

These condensed interim financial statements were authorized by the audit committee and board of directors of the Company on August 28, 2017.

Basis of presentation

The condensed interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for certain financial assets which are measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The reporting currency of the Company is the Canadian dollar.

Use of 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 period.

2. BASIS OF PRESENTATION (continued)

Use of estimates (continued)

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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments is as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Valuation of share-based payment

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payment. 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.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no significant changes to the Company's accounting policies from those disclosed in the financial statements for the year ended December 31, 2016, except as follows:

Exploration and evaluation assets

The Company changed its policy regarding the capitalization of exploration costs. Exploration costs are now recognized in profit or loss. This change in policy did not have an impact on the condensed interim financial statements.

Adoption of new and revised accounting standards and interpretations

The following standards have been published and are effective for annual periods beginning after January 1, 2018:

IFRS 9, Financial Instruments, replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, and includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company has not adopted IFRS 9 in its condensed interim financial statements for the period ended June 30, 2017.

(Unaudited - Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised accounting standards and interpretations (continued)

IFRS 15, Revenue from Contracts with Customers, establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company has not adopted IFRS 15 in its condensed interim financial statements for the period ended June 30, 2017.

4. EXPLORATION AND EVALUATION ASSETS

	Dina Pool	Doe Creek Pool	Total
	$	$	$
Balance June 30, 2017 and December 31, 2016	**21,314**	**7,618**	**28,932**

On June 22, 2016, the Company purchased land in the Provost area of Alberta (Dina Pool) through a Province of Alberta land sale.

On September 14, 2016, the Company purchased land in the Grande Prairie area of Alberta (Doe Creek) through a Province of Alberta Land sale.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2017	**December 31, 2016**
	$	$
Accounts payable	125,141	72,645
Accrued liabilities	-	8,750
	125,141	**81,395**

6. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

During the six months ended June 30, 2017, the Company issued 5,000,000 units at a price of $0.05 per unit for gross proceeds of $250,000. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of $0.10 per common share until May 25, 2018. Finders' fees of $9,300 were incurred.

No shares were issued during the six months ended June 30, 2016.

(Unaudited - Expressed in Canadian Dollars)

6. SHARE CAPITAL AND RESERVES (continued)

Stock option plan

The Company has a Stock Option Plan (the "Plan") that provides for the issuance of options to directors, officers, employees and consultants of the Company to purchase common shares. The maximum aggregate number of plan shares that may be reserved for issuance under the Plan at any point in time is 10% of the outstanding shares at the time. Vesting is determined at the discretion of the Board of Directors.

For the six months ended June 30, 21017, the Company expensed $3,653 (2016 - $2,215) as share-based payment.

Stock option activities are summarized as follows:

	Number of options	Weighted average exercise price
		$
Outstanding at June 30, 2017 and December 31, 2016	650,000	0.05
Exercisable at June 30, 2017	325,000	0.05

The Company has outstanding options entitling the holder to purchase an aggregate of common shares at June 30, 2017 as follows:

Number of Options	Exercise Price ($)	Expiry Date	Contractual life remaining (years)
650,000	0.05	May 12, 2021	3.87
650,000			

Warrants

Warrant activities are summarized as follows:

	Number of warrants	Weighted average exercise price
		$
Outstanding at December 31, 2016	-	-
Granted	2,500,000	0.10
Outstanding at June 30, 2017	2,500,000	0.10

The Company has outstanding warrants entitling the holder to purchase an aggregate of common shares at June 30, 2017 as follows:

Number of Warrants	Exercise Price ($)	Expiry Date	Contractual life remaining (years)
2,500,000	0.10	May 25, 2018	0.90
2,500,000			

(Unaudited - Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the six months ended June 30, 2017:

a) Paid or accrued consulting fees, of $15,000 (2016 - $nil) to a company controlled by the Company's CEO;

b) Paid or accrued rent of $4,500 (2016 - $6,000) to a company related by the Company's CEO and CFO; and

c) Paid or accrued professional fees of $11,250 (2016 - $7,500) and administration fees, included in office and miscellaneous, of $3,750 (2016 - $7,500) to a company controlled by the Company's CFO.

The Company defines its directors and officers as its key management personnel. The compensation costs for key management personnel for the six months ended June 30, 2017 and 2016 are as follows:

	2017	**2016**
	$	**$**
Consulting fees	15,000	-
Professional fees	6,813	-
Share-based payment	1,252	-
	23,065	**-**

Included in accounts payable and accrued liabilities are amounts owing to related parties of $104,274 (December 31, 2016 - $66,938).

8. SUPPLEMENTAL CASH FLOW INFORMATION

The significant non-cash investing and financing transactions during the six months ended June 30, 2017 consisted of accruing share issue costs of $2,487 in accounts payable and accrued liabilities.

There were no non-cash investing and financing transactions during the six months ended June 30, 2016.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values because of the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

Financial risk factors

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and price risk.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial risk factors (continued)

Credit risk

The Company is exposed to industry credit risks arising from its cash holdings and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. The Company's receivables consist of goods and service tax receivable due from the Federal Government of Canada. Management believes that credit risk related to these amounts is nominal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital and financing to continue its operations and discharge its commitments as they become due. The Company is exposed to liquidity risk.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) *Interest rate risk*

The Company has cash balances only.

(b) *Foreign currency risk*

As at June 30, 2017, the Company did not have any balances in foreign currencies.

(c) *Price risk*

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices in relation to its exploration and evaluation assets.

10. CAPITAL MANAGEMENT

The Company considers its equity as capital. The Company's objective when managing capital is to fund its operations and corporate overhead costs, meet obligations as they come due, and to maintain a flexible capital structure, which optimizes the cost of capital at an acceptable risk. The Company has no earnings and therefore it must finance its activities and corporate overhead costs by the sale of common shares or loans.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, or acquire or dispose of assets. In order to maximize ongoing development efforts, the Company does not pay out dividends.

Given its objectives, the Company determines the amount of capital to be raised and retained based on the scope of operating activities and potential acquisitions management's assessment of the expected availability of acceptably priced capital in future periods.

(Unaudited - Expressed in Canadian Dollars)

10. CAPITAL MANAGEMENT (continued)

There were no changes in the Company's approach to capital management during the six months ended June 30, 2017. The Company is not subject to externally imposed capital requirements.

11. SEGMENTED INFORMATION

The Company operates in one industry, being resource exploration in Canada.

	Canada	Total
December 31, 2016		
Exploration and evaluation assets	$ 28,932	$ 28,932
June 30, 2017		
Exploration and evaluation assets	$ 28,932	$ 28,932

12. PROPOSED TRANSACTION

TNM Cobalt Project

On June 28, 2017, the Company entered into a binding letter agreement for the acquisition of 1121844 BC Ltd. ("1121844"), which will provide the Company with 100% ownership of a mining permit for the TNM Cobalt Project, located in Depapre District, Jayapura Regency, Papua Province, Republic of Indonesia (the "Transaction"), subject to a 2% net smelter returns royalty ("NSR").

Under the provisions of the Transaction, the Company will acquire all of the issued and outstanding securities of 1121844 and 1121844 will become a wholly owned subsidiary of the Company.

1121844 is the sole shareholder of Cobalt Power (Asia) Ltd. ("CPA HK"), a Hong Kong company, which has entered into a conditional sale and purchase of shares agreement (the "Share Purchase Agreement") with PT. Tablasufa Nickel Mining ("TNM") to acquire all of the issued and outstanding securities of TNM. TNM is a private Indonesia company holding an Izin Usaha Pertambangan Operation Production Mining Permit for the TNM Cobalt Project.

Under the terms of the Share Purchase Agreement, the CPA HK is required to grant a 2% NSR on the TNM Cobalt Project and pay US$1,500,000 as follows:

US$50,000 on signing (Note 13);
US$150,000 on or before December 15, 2017;
US$150,000 on or before June 15, 2018;
US$250,000 on or before June 15, 2019; and
US$900,000 on or before June 15, 2020.

The Transaction is an arm's length transaction.

The Transaction would involve the following elements:

a. 1121844 and the Company entering into merger or acquisition transaction under British Columbia corporate law whereby the Company will acquire all of the issued and outstanding securities of 1121844 in consideration of the issuance of an aggregate of 11,000,000 post-Consolidation shares (as defined below) of the Company, which is intended to result in the issuance of one common share of the Company for each 1121844 share held.
b. Prior to the date of closing of the Transaction (the "Closing Date"), the Company will consolidate its currently existing common shares on a four old for one new basis (the "Consolidation");

12. PROPOSED TRANSACTION (continued)

c. Concurrently with the completion of the Transaction, the Company will complete a private placement generating aggregate gross proceeds of not less than $2,000,000 (the "Financing"). (Note 13);
d. In connection with the Transaction, the Company will seek to delist its common shares from the TSXV and list the common shares on the Canadian Securities Exchange ("CSE") such that on the Closing Date, the common shares of the Company would be listed on the CSE.

Loan from the Company to 1121844

The Company shall advance to 1121844, the sum of $25,000 as a non-refundable deposit (the "Deposit"), which Deposit shall be used by 1121844 for the sole purpose of making required payments under the Share Purchase Agreement.

Upon receipt of the approval of the TSXV, the Company shall advance a further amount (the "Secured Advance"), which together with the Deposit will represent in aggregate US$50,000 (Note 13). The Secured Advance shall be used by 1121844 for the sole purpose of making required payments under the Share Purchase Agreement. The Secured Advance will be backed by a promissory note and shall bear interest at 12% per annum.

Pursuant to the Letter Agreement, the Company will have until August 31, 2017 to negotiate the terms of a definitive agreement in order to complete the Transaction.

The closing of the Transaction is subject to a number of conditions, including: (i) the execution by the parties of a definitive agreement in respect of the Transaction, (ii) the approval of the Company's shareholders; (iii) completion of the Consolidation and the Financing; (iv) receipt of all applicable regulatory approvals for the transaction including the approval of the CSE for the listing of the Company's common shares and of the TSXV for the delisting of the Company's common shares; (v) delivery of a title opinion for the TNM Project acceptable to the Company; and (vi) no material adverse change shall have occurred in 1121844.

A finder's fee is payable in connection with the Transaction.

13. SUBSEQUENT EVENTS

Subsequent to June 30, 2017, the Company:

a) advanced US$50,000 for the Secured Advance (Note 12), which was used to make the US$50,000 payment as per the terms of the Share Purchase Agreement (Note 12); and

b) is in the process of completing a private placement of up to 11,428,571 units at $0.35 per unit for gross proceeds of $4,000,000. Each unit will entitle the holder to receive one common share of the Company plus one half of one transferable share purchase warrant. Each whole warrant will entitle the holder to acquire one common share of the Company at an exercise price of $0.50 per share for a period of twenty-four (24) months, subject to an acceleration clause.

SCHEDULE D

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE ISSUER FOR THE SIX MONTHS ENDED JUNE 30, 2017

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INTRODUCTION

This management's discussion and analysis ("MD&A") reports on the financial position and results of operations of Rhys Resources Ltd. (the "Company" or "Rhys") and was prepared and approved by the Board of Directors as at August 28, 2017 and should be read in conjunction with the financial statements and notes thereto for the six months ended June 30, 2017 and 2016 and with the audited financial statements and notes thereto for the years ended December 31, 2016 and 2015. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A is intended to assist the reader's understanding of the Company and its operations, business, strategies, performance and future outlook from the perspective of management. All dollar figures included therein and in the following MD&A are quoted in Canadian dollars unless otherwise indicated. Additional information related to the Company, including its press releases and quarterly and annual reports, is available for view on SEDAR at www.sedar.com.

This MD&A may contain management estimates of anticipated future trends, activities, or results; these are not a guarantee of future performance, since actual results may vary based on factors and variables outside of management's control. Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible to ensure that information disclosed externally, including the financial statements and MD&A, is complete and reliable.

The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's Audit Committee meets with management quarterly to review the financial statement results, including the MD&A, and to discuss other financial, operating and internal control matters. The Audit Committee receives a report from the independent auditors annually, and is free to meet with them throughout the year.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements". Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below and as detailed under RISKS AND UNCERTAINTIES in this MD&A.

Risk factors that could affect the Company's future results include, but are not limited to, risks inherent in hydrocarbon exploration and development and production activities in general, volatility and sensitivity to market prices for oil and gas, changes in government regulation and policies including environmental regulations and reclamation requirements, receipt of required permits and approvals from governmental authorities, competition from other companies, ability to attract and retain skilled employees and contractors, and changes in foreign currency exchange rates. Further information regarding these and other factors which may cause results to differ materially from those projected in forward-looking statements are included in the Company's filings with securities regulatory authorities. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

DESCRIPTION OF BUSINESS

The Company was incorporated on May 13, 1996 under the Company Act of British Columbia, Canada. The Company is listed on the NEX Board of the TSX Venture Exchange ("TSXV") under the symbol RYS.H.

The Company is focused on completing acquisition of the TNM cobalt project located in Indonesia and a concurrent financing.

The Company currently has limited working capital, and has no assurance that additional funding will be available to it. The ability of the Company to continue as a going concern is dependent on the identification of new opportunities, and on obtaining additional financing from its existing or new shareholders. Failure to obtain such additional financing could result in the dissolution of the Company. Management estimates the Company has sufficient working capital to continue operations for the next year.

OVERALL PERFORMANCE

Proposed Acquisition, Reverse Take-over and Financing

On June 28, 2017, the Company entered into a binding letter agreement for the acquisition of 1121844 BC Ltd. ("1121844"), which will provide the Company with 100% ownership of a mining permit for the 5,000 hectare, advanced stage TNM Cobalt Project, located in Depapre District, Jayapura Regency, Papua Province, Republic of Indonesia (the "Transaction"), subject to a 2% net smelter returns royalty ("NSR").

Under the provisions of the Transaction, the Company will acquire all of the issued and outstanding securities of 1121844 and 1121844 will become a wholly owned subsidiary of the Company.

1121844 is the sole shareholder of Cobalt Power (Asia) Ltd. ("CPA HK"), a Hong Kong company, which has entered into a conditional sale and purchase of shares agreement (the "Share Purchase Agreement") with PT. Tablasufa Nickel Mining ("TNM") to acquire all of the issued and outstanding securities of TNM. TNM is a private Indonesia company holding an Izin Usaha Pertambangan Operation Production Mining Permit for the TNM Cobalt Project.

Under the terms of the Share Purchase Agreement, the CPA HK is required to grant a 2% NSR on the TNM Cobalt Project and pay US$1,500,000 as follows:

US$50,000 on signing (paid);
US$150,000 on or before December 15, 2017;
US$150,000 on or before June 15, 2018;
US$250,000 on or before June 15, 2019; and
US$900,000 on or before June 15, 2020.

The Transaction is an arm's length transaction.

The Transaction would involve the following elements:

a. 1121844 and the Company entering into merger or acquisition transaction under British Columbia corporate law whereby the Company will acquire all of the issued and outstanding securities of 1121844 in consideration of the issuance of an aggregate of 11,000,000 post-Consolidation (as defined below) of the Company, which is intended to result in the issuance of one common share of the Company for each 1121844 share held.

OVERALL PERFORMANCE (continued)

Proposed Acquisition, Reverse Take-over and Financing (continued)

b. Prior to the date of closing of the Transaction (the "Closing Date"), the Company will consolidate its currently existing common shares on a four old for one new basis (the "Consolidation");
c. Concurrently with the completion of the Transaction, the Company will complete a private placement generating aggregate gross proceeds of not less than $2,000,000 (the "Financing"). Further details concerning the Financing will be announced once determined;
d. In connection with the Transaction, the Company will seek to delist its common shares from the TSXV and list the common shares on the Canadian Securities Exchange ("CSE") such that on the Closing Date, the common shares of the Company would be listed on the CSE.

Loan from the Company to 1121844

The Company shall advance to 1121844, the sum of $25,000 as a non-refundable deposit (the "Deposit"), which Deposit shall be used by 1121844 for the sole purpose of making required payments under the Share Purchase Agreement.

Upon receipt of the approval of the TSXV, the Company shall advance a further amount (the "Secured Advance"), which together with the Deposit will represent in aggregate US$50,000 (advanced). The Secured Advance shall be used by 1121844 for the sole purpose of making required payments under the Share Purchase Agreement. The Secured Advance will be backed by a promissory note and shall bear interest at 12% per annum.

Pursuant to the Letter Agreement, the Company will have until August 31, 2017 to negotiate the terms of a definitive agreement in order to complete the Transaction, but anticipates that the definitive agreement will be completed earlier than the deadline specified in the Letter Agreement. The Transaction is expected to close in August 2017, subject to the receipt of required approvals.

The closing of the Transaction is subject to a number of conditions, including: (i) the execution by the parties of a definitive agreement in respect of the Transaction, (ii) the approval of the Company's shareholders; (iii) completion of the Consolidation and the Financing; (iv) receipt of all applicable regulatory approvals for the transaction including the approval of the CSE for the listing of the Company's common shares and of the TSXV for the delisting of the Company's common shares; (v) delivery of a title opinion for the TNM Project acceptable to the Company; and (vi) no material adverse change shall have occurred in 1121844.

A finder's fee is payable in connection with the Transaction.

Following the completion of the Transaction, the Company expects to change its name to 'Pacific Rim Cobalt Corp.' or such other name as the parties may determine. A new trading symbol would also be assigned.

Further to the financing element of the transaction, generating aggregate proceeds of not less than $2,000,000, the Company has arranged a placement of up to 11,428,571 units at $0.35 per unit for gross proceeds of $4,000,000.

OVERALL PERFORMANCE (continued)

Proposed Acquisition, Reverse Take-over and Financing (continued)

Each Unit will entitle the holder to receive one common share of the Company plus one half of one transferable share purchase warrant, each whole warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.50 per share for a period of twenty-four (24) months, subject to accelerated expiry provisions whereby in the event the closing price of the Company's common shares exceeds $0.70 per share for a period of 20 consecutive trading days, at the Company's election, the 24 month period within which the Warrants are exercisable will be reduced and the holders of the Warrants will be entitled to exercise their Warrants for a period of 30 days commencing on the day the Company provides notice of same.

On May 29, 2017, the Company completed a non-brokered private placement of 5,000,000 units of the Company at a price of $0.05 per unit for gross proceeds of $250,000. Each unit consists of one common share and one half of one transferable common share purchase warrant. Each whole warrant is exercisable at $0.10 for a period of one year.

On April 25, 2017, the Company appointed Steve Vanry as Director and Chief Financial Officer to replace Kiki Smith who resigned both positions on the same day.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL RESOURCES

As at June 30, 2017, the Company's liquidity and capital resources are as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
	$	$	$
Cash	198,391	52,266	86,790
Receivables	4,818	8,721	6,317
Prepaid expenses	1,767	300	300
Total current assets	**204,976**	**61,287**	**93,407**
Accounts payable and accrued liabilities	125,141	81,395	46,222
Working capital	**79,835**	**(20,108)**	**47,185**

The sole use of cash during the period was the funding of operating activities of $94,575.

The Company closed a private placement and raised net proceeds of $240,700 from the issuance of 5,000,000 units at a price of $0.05 per unit. Each unit is comprised of one common share and one half of one common share purchase warrant, exercisable at a price of $0.10 per common share until May 25, 2018.

The Company currently has no source of operating cash flow, limited financial resources, and has no assurance that additional funding will be available to it in order to remain a going concern. Failure to obtain such additional financing could result in the dissolution of the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

RESULTS OF OPERATIONS

The Company's total assets were $233,908 at June 30, 2017 (December 31, 2016 - $90,219). The Company did not generate any revenue from operations.

The Company realized a loss and comprehensive loss of $109,984 in the three months ended June 30, 2017 or $0.01 per share (2016 - $21,660 or $0.00 per share). The table below details the significant changes in operating and administrative expenditures for the three months ended June 30, 2017 as compared to 2016.

Expenses	**Change in Expense**	**Explanation for Change**
Consulting fees	Increase of $15,452	Increase is due to consultants used for the proposed acquisition and reverse take-over.
Exploration	Increase of $15,448	Increase is due to the Company beginning exploration on its properties.
Professional fees	Increase of $25,788	The Company has incurred fees as a result of the proposed acquisition and reverse take-over.
Project investigation fees	Increase of $25,788	The Company has incurred fees relating to the work done for the due diligence on the proposed acquisition and reverse take-over.

The Company realized a loss and comprehensive loss of $141,923 in the six months ended June 30, 2017 or $0.01 per share (2016 - $51,892 or $0.00 per share). The table below details the significant changes, not described above, in operating and administrative expenditures for the six months ended June 30, 2017 as compared to 2016.

Expenses	**Change in Expense**	**Explanation for Change**
Consulting fees	Increase of $15,452	Increase is due to accrual of management fees and consultants used for the proposed acquisition and reverse take-over.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	Loss and comprehensive loss	Loss per share
June 31, 2016	(109,984)	(0.01)
March 31, 2017	(31,939)	(0.00)
December 31, 2016	(43,889)	(0.00)
September 30, 2016	(22,877)	(0.00)
June 30, 2016	(21,660)	(0.00)
March 31, 2016	(30,232)	(0.00)
December 31, 2015	(30,821)	(0.00)
September 30, 2015	(22,401)	(0.00)

The loss of $109,984 incurred by the Company in the three-months ended June 30, 2017 was higher than the average of the past seven periods primarily to the fact that the Company is working on a proposed acquisition and reverse take-over. Otherwise expenses incurred in the current period were in line with the previous seven quarters.

PROPOSED TRANSACTIONS

See page 2, Proposed Acquisition, Reverse Take-over and Financing

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the six months ended June 30, 2017:

a) Paid or accrued management fees included in consulting fees of $15,000 (2016 - $nil) to a company controlled by Mark Vanry, the Company's CEO;

b) Paid or accrued rent of $4,500 (2016 - $6,000) to a company related by Mark Vanry and Steve Vanry, the Company's CFO; and

c) Paid or accrued professional fees of $11,250 (2016 - $7,500) and administration fees included in office and miscellaneous of $3,750 (2016 - $7,500) to a company controlled by Steve Vanry.

The Company defines its officers as its key management personnel. The compensation costs for key management personnel for the years ended June 30, 2017 and 2016 are as follows:

	2017	2016
	$	$
Management fees (Mark Vanry)	15,000	-
Professional fees (Steve Vanry)	6,813	-
Share based payments (Mark Vanry)	877	-
Share based payments (Steve Vanry)	275	-
Share based payments (Kiki Smith)	100	-
	23,065	**-**

Included in accounts payable and accrued liabilities are amounts owing to related parties of $104,274 (December 31, 2016 - $66,938).

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values because of the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial risk factors

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and price risk.

Credit risk

The Company is exposed to industry credit risks arising from its cash holdings and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. The Company's receivables consist of goods and service tax receivable due from the Federal Government of Canada. Management believes that credit risk related to these amounts is nominal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital and financing to continue its operations and discharge its commitments as they become due. The Company is exposed to liquidity risk.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances only.

(b) Foreign currency risk

As at June 30, 2017, the Company did not have any balances in foreign currencies.

(c) Price risk

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices in relation to its exploration and evaluation assets.

CHANGE OF ACCOUNTING POLICIES

Exploration and evaluation assets

The Company changed its policy regarding the capitalization of exploration costs. Exploration costs are now recognized in profit or loss. This change in policy did not have an impact on the condensed interim financial statements.

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

The following standards have been published and are effective for annual periods beginning after January 1, 2018:

IFRS 9, Financial Instruments, replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, and includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company has not adopted IFRS 9 in its condensed interim financial statements for the period ended June 30, 2017.

IFRS 15, Revenue from Contracts with Customers, establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company has not adopted IFRS 15 in its condensed interim financial statements for the period ended June 30, 2017.

RISKS AND UNCERTAINTIES

Limited Operating History

The Company was restructured and recapitalized but has not yet commenced active operations. As a result, it is difficult to evaluate the Company's prospects, and its future success is more uncertain than if it had a longer or more proven history of operations.

History of Losses

The Company has incurred net losses since inception and as of June 30, 2017, had an accumulated deficit of $5,289,234.

No History of Dividends

Since incorporation, the Company has not paid any cash or other dividends on its common stock and does not expect to pay such dividends in the foreseeable future, as all available funds will be utilized to acquire and finance a new business. The Company will need to achieve profitability prior to any dividends being declared.

Dilution

The Company does not generate any revenues and does not have sufficient financial resources to undertake by itself significant expenditures. The Company has limited financial resources and has financed its operations primarily through the sale of securities such as common shares. The Company will need to continue its reliance on the sale of such securities for future financing, resulting in dilution to the Company's existing shareholders.

The amount of additional funds required will depend largely on the success of the Company's business undertakings.

RISKS AND UNCERTAINTIES (continued)

Further expenditures will depend on the Company's ability to obtain additional financing which may not be available under favourable terms, if at all.

Capital and Liquidity Risk

The amount of financial resources available to invest for the enhancement of shareholder value is dependent upon the size of the treasury, profitable operations, and willingness to utilize debt and issue equity. Due to the size of the Company, financial resources are limited and if the Company exceeds growth expectations or finds investment opportunities it may require debt or equity financing. There is no assurance that the Company will be able to obtain additional financial resources that may be required to successfully finance transactions or compete in its markets on favourable commercial terms.

Dependence on Key Personnel

Loss of certain members of the executive team or key operational leaders of the company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. Recruiting personnel is time consuming and expensive and the competition for a professional is intense. The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

CRITICAL ACCOUNTING 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 period.

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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments is as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Valuation of share-based payment

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payment. 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.

CRITICAL ACCOUNTING ESTIMATES (continued)

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation 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.

OUTSTANDING SHARE DATA

The following details the common shares, stock options, and warrants outstanding as of the date of this MD&A:

Common Shares	21,925,534
Stock Options	650,000
Warrants	2,500,000

OTHER MD&A REQUIREMENTS

Additional information relating to the Company may be found on or in:
- SEDAR at www.sedar.com;
- the Company's financial statements for the six months ended June 30, 2017 and 2016; and
- the Company's financial statements for the years ended December 31, 2016 and 2016.

This MD&A was approved by the Board of Directors of the Company effective August 28, 2017.

SCHEDULE E

AUDITED FINANCIAL STATEMENTS OF THE TARGET FOR THE PERIOD FROM INCORPORATION ON JUNE 6, 2017 AND ENDED JUNE 30, 2017

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1121844 BC LTD.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Directors of
1121844 B.C. Ltd.

We have audited the accompanying consolidated financial statements of 1121844 B.C. Ltd., which comprise the consolidated statement of financial position as at June 30, 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholder's deficiency and cash flows for the period from incorporation on June 6, 2017 to June 30, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of 1121844 B.C. Ltd. as at June 30, 2017 and its financial performance and its cash flows for the period from incorporation on June 6, 2017 to June 30, 2017 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about 1121844 B.C. Ltd.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

August 28, 2017

1121844 BC LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at June 30,

		2017
ASSETS		
Current		
Prepaids	$	1,573
Acquisition rights (Note 4)		1
	$	1,574
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 5 and 8)	$	13,606
		13,606
SHAREHOLDER'S DEFICIENCY		
Share capital (Note 6)		1
Deficit		(12,033)
		(12,032)
	$	1,574

Nature and of operations and going concern (Note 1)
Proposed transaction (Note 13)
Subsequent event (Note 14)

Approved by:

____
Ranjeet Sundher, Director

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

1121844 BC LTD.
CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

		From incorporation on June 6, 2017 to June 30, 2017
Expenses		
Administration fees	$	1,511
Foreign exchange		(154)
Office and miscellaneous		1,676
Professional fees		9,000
Loss and comprehensive loss for the period	$	(12,033)
Loss per common share – basic and diluted	$	(12,033)
Weighted average number of common shares outstanding – basic and diluted		1

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

1121844 BC LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S DEFICIENCY
(Expressed in Canadian Dollars)

	Share Capital			
	Number of shares	Amount	Deficit	Total
June 6, 2017	-	$ -	$ -	$ -
Issuance of common shares (Note 6)	1	1	-	1
Loss for the period	-	-	(12,033)	(12,033)
June 30, 2017	1	$ 1	$ (12,033)	$ (12,032)

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

1121844 BC LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in Canadian Dollars)

		From incorporation on June 6, 2017 to June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$	(12,033)
Change in non-cash working capital items:		
Prepaids		(1,573)
Accounts payable and accrued liabilities		13,606
Net cash used in operating activities		-
CASH FLOWS FROM INVESTING ACTIVITY		
Acquisition rights		(1)
Net cash used in investing activity		(1)
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from issuance of share capital		1
Net cash provided by financing activity		1
Change in cash		-
Cash, beginning of period		-
Cash, end of period	$	-

Supplemental cash flow information (Note 9)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

1121844 BC Ltd. (the "Company") was incorporated on June 6, 2017 under the Business Corporations Act of British Columbia. The Company is a mineral exploration company with a focus on acquiring, exploring and advancing exploration and evaluation assets in Indonesia. The Company's head office address is 300 - Bellevue Centre, 235 - 15th Street, West Vancouver, BC, V7T 2X1 and the registered and records office address is 2080 - 777 Hornby Street, Vancouver, BC, V6Z 1S4.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. The Company's continuation as a going concern is dependent upon the successful results from its business activities, its ability to obtain profitable operations and generate funds, and/or complete financings sufficient to meet current and future obligations. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

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

Approval of the consolidated financial statements

These consolidated financial statements were authorized by the Director of the Company on August 28, 2017.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information and certain financial assets that are measured at fair value as explained in the significant accounting policies set out in Note 3. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

2. BASIS OF PRESENTATION (cont'd…)

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the Company and of its subsidiary.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiary. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Name of Subsidiary	Jurisdiction of Incorporation	Percentage of Ownership	Principal Activity
Cobalt Pacific (Asia) Limited ("CPA HK")	Hong Kong	100%	Mineral exploration

Significant estimates

The preparation of these consolidated financial statements requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

Recovery of deferred tax assets - Judgment is required in determining whether deferred tax assets are recognized in the consolidated statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction.

2. BASIS OF PRESENTATION (cont'd…)

Significant estimates (cont'd…)

Recovery of deferred tax assets (cont'd…) - To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the consolidated statement of financial position could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recorded any deferred tax assets.

Significant judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

Determination of functional currency - The functional currency of the Company and its subsidiary is the currency of the primary economic environment in which each entity operates. The Company has determined the functional currency of each entity to be the Canadian dollar. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment.

Business combinations under common control - Business combinations under common control ("BCUCC") are business combinations involving entities or businesses under common control, in which all of the combining entities or businesses are ultimately controlled by the same party both before and after the business combination. BCUCC are not within the scope of IFRS 3, *Business combinations*. As the Company is a newly formed entity and control over the Company did not change, the acquisition of CPA HK is accounted for using the continuity of interests method. Under this method, the Company records the assets acquired and liabilities assumed at their carrying amounts on the closing date of the transaction. Financial information for the pre-acquisition period, are presented based on historical combined financial information.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial assets

All financial assets are initially recorded at fair value, and each financial asset is designated upon inception, depending on the purpose for which the asset was acquired, into one of the following four categories:

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial assets (cont'd…)

Fair value through profit or loss – These assets comprise of derivatives and/or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in profit or loss.

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 cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

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. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

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 directly in equity. 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 equity and recognized in profit or loss.

All financial assets except for those 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 any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

All financial liabilities are initially recorded at fair value, and each financial liability is designated upon inception, depending on the purpose for which the liability was incurred, into one of the following two categories.

Fair value through profit or loss – These liabilities are derivatives, including separated embedded derivatives, and/or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial liabilities (cont'd…)

Other financial liabilities – These liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition they are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Share capital

Common shares are classified as shareholders' equity. Incremental costs, net of tax effects, directly attributable to the issue of common shares are recognized as deductions from shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing market price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

Income (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share are calculated by dividing the loss attributable to common shares of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share are computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. There was no dilutive effect for the periods presented.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the consolidated statement of financial position date. Non-monetary items are translated into Canadian dollars at the exchange rate in effect on the respective transaction dates. Revenues and expenses are translated at average rates for the period, except for amortization, which is translated on the same basis as the related asset. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year.

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 party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Income taxes

Deferred tax is provided on all temporary differences at the consolidated statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New standards, interpretations and amendments to existing standards not yet effective

The following standards, amendments to standards and interpretations have been issued but are not effective for annual periods beginning on or after January 1, 2018:

IFRS 9, Financial instruments

This standard addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest, otherwise it is at fair value through profit or loss.

IFRS 15, Revenue from Contracts with Customers:

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts,* IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*.

The Company has not yet assessed the potential impact of the application of these standards, nor determined whether it will adopt the standards early.

4. ACQUISITION OF CPA HK

On June 6, 2017, the Company purchased all the outstanding and issued common shares, being one common share, of CPA HK for $1. CPA HK's sole asset is the right to acquire a company holding a mining permit in Indonesia (Note 13).

(Expressed in Canadian Dollars)

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		From incorporation on June 6, 2017 to June 30, 2017
Accounts payable	$	4,606
Accrued liabilities		9,000
	$	13,606

6. SHARE CAPITAL

Authorized share capital

The Company's authorized capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

Issued share capital

During the period ended June 30, 2017, the Company issued 1 common share at a price of $1.00 per common share for total proceeds of $1.

Stock options

As at June 30, 2017, the Company had not issued any stock options and no stock options are outstanding as at June 30, 2017.

Warrants

As at June 30, 2017, the Company had not issued any warrants and no warrants are outstanding as at June 30, 2017.

(Expressed in Canadian Dollars)

7. INCOME TAXES

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada at June 30, 2017 to income before income taxes.

A reconciliation of the difference is as follows:

		From incorporation on June 6, 2017 to June 30, 2017
Loss before income taxes	$	(12,033)
Expected income tax recovery	$	(3,000)
Change in unrecognized deferred tax assets		3,000
Income tax expense (recovery)	$	-

The significant components of the Company's unrecognized deferred income tax assets and liabilities are as follows:

		From incorporation on June 6, 2017 to June 30, 2017
Non-capital losses	$	3,000
Unrecognized deferred tax assets		(3,000)
Net deferred tax assets	$	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

		2017	Expiry date range
Non-capital losses	$	12,000	2037

Tax attributes are subject to review and potential adjustments by tax authorities.

8. RELATED PARTY TRANSACTIONS

The Company considers key management personnel to consist of its directors and officers. There were no transactions with key management personnel during the period from incorporation on June 6, 2017 to June 30, 2017.

As at June 30, 2017, included in accounts payable and accrued liabilities was $3,633 owing to a director.

9. SUPPLEMENTAL CASH FLOW INFORMATION

There were no non-cash investing and financing transactions during the period from incorporation on June 6, 2017 to June 30, 2017.

10. SEGMENTED INFORMATION

The Company operates in Canada in a single reportable operating segment being the acquisition and exploration of exploration and evaluation assets with a proposed transaction located in Indonesia.

11. FINANCIAL INSTRUMENT RISK

The Company's Director has overall responsibility for the establishment and oversight of the Company's risk management framework. As at June 30, 2017, the Company's risk exposure and the impact on the Company's financial instruments are summarized below:

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. The Company does not have significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is through regular monitoring of cash requirements. When necessary, the Company obtains financing from various investors to ensure all future obligations are fulfilled. The Company does not have any contractual obligations other than the accounts payable and accrued liabilities reported on the consolidated statement of financial position. The Company is exposed to liquidity risk.

11. FINANCIAL INSTRUMENT RISK (cont'd…)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of market price changes:

Foreign currency exchange risk – this risk relates to any changes in foreign currencies in which the Company transacts. The Company is affected by changes in exchange rates between the Canadian dollar and foreign currencies. The Company does not invest in derivatives to mitigate these risks.

Interest rate risk – this risk relates to the change in the borrowing rates of the Company. The Company is not exposed to interest rate risk as it does not have any significant financial instruments with interest rates.

Price risk – this risk relates to fluctuations in equity prices. The Company is not exposed to price risk as its common shares are not publicly traded at this time.

Fair value hierarchy

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's accounts payable and accrued liabilities are classified as other financial liabilities. The fair value of accounts payable and accrued liabilities approximates their carrying value because of the short-term nature of this instrument.

12. CAPITAL MANAGEMENT

The Company defines capital as items within shareholder's deficiency. The Company's objectives when managing capital are to identify, pursue, and complete the exploration and development of mineral properties, to maintain financial strength, to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All financing, including equity and debt, are analyzed by management and approved by the Director. The Company does not have any externally imposed capital requirements. There has been no significant change in the Company's objectives, policies, and processes for managing its capital during the year ended June 30, 2017.

13. PROPOSED TRANSACTION

TNM Cobalt Project

On June 28, 2017, the Company entered into a binding letter agreement for its sale to Rhys Resources Ltd. ("Rhys"), a public company listed on the TSX Venture Exchange ("TSXV"), which will provide Rhys with 100% ownership of a mining permit for the TNM Cobalt Project, located in Depapre District, Jayapura Regency, Papua Province, Republic of Indonesia (the "Transaction"), subject to a 2% net smelter returns royalty ("NSR").

Under the provisions of the Transaction, Rhys will acquire all of the issued and outstanding securities of the Company and the Company will become a wholly owned subsidiary of Rhys.

CPA HK has entered into a conditional sale and purchase of shares agreement (the "Share Purchase Agreement") with PT. Tablasufa Nickel Mining ("TNM") to acquire all of the issued and outstanding securities of TNM. TNM is a private Indonesia company holding an Izin Usaha Pertambangan Operation Production Mining Permit for the TNM Cobalt Project.

Under the terms of the Share Purchase Agreement, the Company is required to grant a 2% NSR on the TNM Cobalt Project and pay US$1,500,000 as follows:

US$50,000 on signing (Note 14);
US$150,000 on or before December 15, 2017;
US$150,000 on or before June 15, 2018;
US$250,000 on or before June 15, 2019; and
US$900,000 on or before June 15, 2020.

The Transaction is an arm's length transaction.

13. PROPOSED TRANSACTION (cont'd…)

The Transaction would involve the following elements:

a. The Company and Rhys entering into a merger or acquisition transaction under British Columbia corporate law whereby Rhys will acquire all of the issued and outstanding securities of the Company in consideration of the issuance of an aggregate of 11,000,000 post-Consolidation (as defined below) of Rhys, which is intended to result in the issuance of one common share of Rhys for each share held of the Company.
b. Prior to the date of closing of the Transaction (the "Closing Date"), Rhys will consolidate its currently existing common shares on a four old for one new basis (the "Consolidation");
c. Concurrently with the completion of the Transaction, Rhys will complete a private placement generating aggregate gross proceeds of not less than $2,000,000 (the "Financing"); and
d. In connection with the Transaction, Rhys will seek to delist its common shares from the TSXV and list the common shares on the Canadian Securities Exchange ("CSE") such that on the Closing Date, the common shares of Rhys would be listed on the CSE.

<u>Loan from Rhys to CPA</u>

Rhys shall advance to the Company, the sum of $25,000 as a non-refundable deposit (the "Deposit"), which Deposit shall be used by the Company for the sole purpose of making required payments under the Share Purchase Agreement.

Upon receipt of the approval of the TSXV, Rhys shall advance a further amount (the "Secured Advance"), which together with the Deposit will represent in aggregate US$50,000 (Note 14). The Secured Advance shall be used by the Company for the sole purpose of making required payments under the Share Purchase Agreement. The Secured Advance will be backed by a promissory note and shall bear interest at 12% per annum.

Pursuant to the Letter Agreement, Rhys will have until August 31, 2017 to negotiate the terms of a definitive agreement in order to complete the Transaction.

The closing of the Transaction is subject to a number of conditions, including: (i) the execution by the parties of a definitive agreement in respect of the Transaction, (ii) the approval of Rhys shareholders; (iii) completion of the Consolidation and the Financing; (iv) receipt of all applicable regulatory approvals for the transaction including the approval of the CSE for the listing of the Rhys common shares and of the TSXV for the delisting of the Rhys common shares; (v) delivery of a title opinion for the TNM Project acceptable to Rhys; and (vi) no material adverse change shall have occurred in the Company.

A finder's fee is payable in connection with the Transaction.

14. SUBSEQUENT EVENT

Subsequent to June 30, 2017, Rhys made the US$50,000 payment to TNM on behalf of the Company as per the terms of the Share Purchase Agreement and of the Secured Advance (Note 13).

SCHEDULE F

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE TARGET FOR THE PERIOD FROM INCORPORATION ON JUNE 6, 2017 AND ENDED JUNE 30, 2017

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INTRODUCTION

This management's discussion and analysis ("MD&A") reports on the financial position and results of operations of 1121844 BC Ltd. (the "Company" or "1121844") and was prepared and approved by the Director as at August 28, 2017 and should be read in conjunction with the consolidated financial statements and notes thereto for the period from incorporation on June 6, 2017 to June 30, 2017. This MD&A is intended to assist the reader's understanding of the Company and its operations, business, strategies, performance and future outlook from the perspective of management. All dollar figures included therein and in the following MD&A are quoted in Canadian dollars unless otherwise indicated. Additional information related to the Company, including its press releases and quarterly and annual reports, is available for view on SEDAR at www.sedar.com.

This MD&A may contain management estimates of anticipated future trends, activities, or results; these are not a guarantee of future performance, since actual results may vary based on factors and variables outside of management's control. Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible to ensure that information disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable.

MANAGEMENT'S RESPONSIBILITY

The Company's management is responsible for the preparation and presentation of the consolidated financial statements and the MD&A. The financial statements have been prepared in accordance with International Financial Accounting Standards ("IFRS") as issued by the International Accounting Standards Board. This MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements". Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below and as detailed under RISKS AND UNCERTAINTIES in this MD&A.

Risk factors that could affect the Company's future results include, but are not limited to, risks inherent in cobalt exploration and development and production activities in general, volatility and sensitivity to market prices for cobalt, changes in government regulation and policies including environmental regulations and reclamation requirements, receipt of required permits and approvals from governmental authorities, competition from other companies, ability to attract and retain skilled employees and contractors, and changes in foreign currency exchange rates. Further information regarding these and other factors which may cause results to differ materially from those projected in forward-looking statements are included in the Company's filings with securities regulatory authorities. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

DESCRIPTION OF BUSINESS

The Company was incorporated on June 6, 2017 under the Business Corporations Act of British Columbia.

The Company is focused on completing acquisition of the TNM Cobalt Project located in Indonesia.

The Company currently has limited working capital, and has no assurance that additional funding will be available to it. The ability of the Company to continue as a going concern is dependent on the identification of new opportunities, and on obtaining additional financing from its existing or new shareholders. Failure to obtain such additional financing could result in the dissolution of the Company.

OVERALL PERFORMANCE

Proposed transaction

On June 28, 2017 the Company entered into a binding letter agreement for its sale to Rhys Resources Ltd. ("Rhys"), which will provide Rhys with 100% ownership of a mining permit for the TNM Cobalt Project, located in Depapre District, Jayapura Regency, Papua Province, Republic of Indonesia (the "Transaction"), subject to a 2% net smelter returns royalty ("NSR").

Under the provisions of the Transaction, Rhys will acquire all of the issued and outstanding securities of the Company (the "Securities") and the Company will become a wholly owned subsidiary of Rhys.

CPA HK has entered into a conditional sale and purchase of shares agreement (the "Share Purchase Agreement") with PT. Tablasufa Nickel Mining ("TNM") to acquire all of the issued and outstanding securities of TNM. TNM is a private Indonesia company holding an Izin Usaha Pertambangan Operation Production Mining Permit for the TNM Cobalt Project.

Under the terms of the Share Purchase Agreement, the Company is required to grant a 2% NSR on the TNM Cobalt Project and pay US$1,500,000 as follows:

US$50,000 on signing (paid);
US$150,000 on or before December 15, 2017;
US$150,000 on or before June 15, 2018;
US$250,000 on or before June 15, 2019; and
US$900,000 on or before June 15, 2020.

The Transaction is an arm's length transaction.

The Transaction would involve the following elements:

a. The Company and Rhys entering into a merger or acquisition transaction under British Columbia corporate law whereby Rhys will acquire all of the issued and outstanding securities of the Company in consideration of the issuance of an aggregate of 11,000,000 post-Consolidation (as defined below) of Rhys, which is intended to result in the issuance of one common share of Rhys for each share held of the Company.
b. Prior to the date of closing of the Transaction (the "Closing Date"), Rhys will consolidate its currently existing common shares on a four old for one new basis (the "Consolidation");
c. Concurrently with the completion of the Transaction, Rhys will complete a private placement generating aggregate gross proceeds of not less than $2,000,000 (the "Financing"); and
d. In connection with the Transaction, Rhys will seek to delist its common shares from the TSX Venture Exchange ("TSXV") and list the common shares on the Canadian Securities Exchange ("CSE") such that on the Closing Date, the common shares of Rhys would be listed on the CSE.

OVERALL PERFORMANCE (cont'd…)

Proposed transaction (cont'd…)

Loan from Rhys to the Company

Rhys shall advance to the Company, the sum of $25,000 as a non-refundable deposit (the "Deposit"), which Deposit shall be used by the Company for the sole purpose of making required payments under the Share Purchase Agreement.

Upon receipt of the approval of the TSXV, Rhys shall advance a further amount (the "Secured Advance"), which together with the Deposit will represent in aggregate US$50,000. The Secured Advance shall be used by the Company for the sole purpose of making required payments under the Share Purchase Agreement. The Secured Advance will be backed by a promissory note and shall bear interest at 12% per annum.

Pursuant to the Letter Agreement, Rhys will have until August 31, 2017 to negotiate the terms of a definitive agreement in order to complete the Transaction.

The closing of the Transaction is subject to a number of conditions, including: (i) the execution by the parties of a definitive agreement in respect of the Transaction, (ii) the approval of Rhys shareholders; (iii) completion of the Consolidation and the Financing; (iv) receipt of all applicable regulatory approvals for the transaction including the approval of the CSE for the listing of the Rhys common shares and of the TSXV for the delisting of the Rhys common shares; (v) delivery of a title opinion for the TNM Project acceptable to Rhys; and (vi) no material adverse change shall have occurred in the Company.

A finder's fee is payable in connection with the Transaction.

Subsequent to June 30, 2017, Rhys made the US$50,000 payment to TNM on behalf of the Company as per the terms of the Share Purchase Agreement and of the Secured Advance

Selected Annual Information

The following table sets out selected annual financial information for the financial period from incorporation on June 6, 2017 to June 30, 2017. The financial data has been audited in accordance with Canadian Auditing Standards:

Period Ended		**From incorporation on June 6, 2017 to June 30, 2017**
Revenue	$	Nil
Loss from continuing operations	$	(12,033)
- per share[(1)]	$	(12,033)
Loss and comprehensive loss	$	(12,033)
- per share [(1)]	$	(12,033)
Total assets	$	1,574
Total non-current financial liabilities	$	Nil
Cash dividends declared - per common share	$	Nil

1. Fully diluted loss per share was not calculated as there are no outstanding options or warrants.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL RESOURCES

As at June 30, 2017, the Company's liquidity and capital resources are as follows:

		June 30, 2017
Prepaids	$	1,574
Total current assets	$	1,574
Accounts payable and accrued liabilities	$	13,606
Working capital	$	(12,032)

The Company currently has no source of operating cash flow, limited financial resources, and has no assurance that additional funding will be available to it in order to remain a going concern. Failure to obtain such additional financing could result in the dissolution of the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

RESULTS OF OPERATIONS

The Company's total assets were $1,574 at June 30, 2017. The Company did not generate any revenue from operations.

The Company realized a loss and comprehensive loss of $12,033 in the period from incorporation on June 6, 2017 to June 30, 2017 or $12,033 per share. The table below details the significant changes in operating and administrative expenditures for the period from incorporation on June 6, 2017 to June 30, 2017.

Expenses	Expense	Explanation for expense
Administration fees	$1,511	Fees consist of the costs incurred from the administration of setting up a new company.
Office and miscellaneous	$1,676	Fees consist of the cost to incorporate the company.
Professional fees	$9,000	Fees consist of audit accrual for the period from incorporation on June 6, 2017 to June 30, 2017.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	Loss and comprehensive loss	Loss per share
June 30, 2017	(12,033)	(12,033)

RELATED PARTY TRANSACTIONS

The Company did not enter into any transactions with related parties during the period from incorporation on June 6, 2017 to June 30, 2017.

Included in accounts payable and accrued liabilities are amounts owing to related parties of $3,633 for reimbursement of expenses.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 **-** Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 **-** Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's accounts payable and accrued liabilities are classified as other financial liabilities. The fair value of accounts payable and accrued liabilities approximates their carrying value because of the short-term nature of this instrument.

Financial risk factors

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and price risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company does not have significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is through regular monitoring of cash requirements. When necessary, the Company obtains financing from various investors to ensure all future obligations are fulfilled. The Company does not have any contractual obligations other than the accounts payable and accrued liabilities reported on the consolidated statement of financial position. The Company is exposed to liquidity risk.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of market price changes:

Foreign currency exchange risk – this risk relates to any changes in foreign currencies in which the Company transacts. The Company is affected by changes in exchange rates between the Canadian dollar and foreign currencies. The Company does not invest in derivatives to mitigate these risks.

Interest rate risk – this risk relates to the change in the borrowing rates of the Company. The Company is not exposed to interest rate risk as it does not have any significant financial instruments with interest rates.

Price risk – this risk relates to fluctuations in equity prices. The Company is not exposed to price risk as its common shares are not publicly traded at this time.

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

The following standards have been published and are effective for annual periods beginning after January 1, 2018:

IFRS 9, Financial instruments

This standard addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest, otherwise it is at fair value through profit or loss.

IFRS 15, Revenue from Contracts with Customers:

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts,* IAS 18, *Revenue,* IFRIC 13, *Customer Loyalty Programs,* IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers,* and SIC-31, *Revenue – Barter Transactions involving Advertising Service*.

The Company has not yet assessed the potential impact of the application of these standards, nor determined whether it will adopt the standards early.

RISKS AND UNCERTAINTIES

Limited Operating History

The Company was restructured and recapitalized but has not yet commenced active operations. As a result, it is difficult to evaluate the Company's prospects, and its future success is more uncertain than if it had a longer or more proven history of operations.

History of Losses

The Company has incurred net losses since inception and as of June 30, 2017, had an accumulated deficit of $12,033.

No History of Dividends

Since incorporation, the Company has not paid any cash or other dividends on its common stock and does not expect to pay such dividends in the foreseeable future, as all available funds will be utilized to acquire and finance a new business. The Company will need to achieve profitability prior to any dividends being declared.

Dilution

The Company does not generate any revenues and does not have sufficient financial resources to undertake by itself significant expenditures. The Company has limited financial resources and has financed its operations primarily through the sale of securities such as common shares. The Company will need to continue its reliance on the sale of such securities for future financing, resulting in dilution to the Company's existing shareholders.

The amount of additional funds required will depend largely on the success of the Company's business undertakings.

Further expenditures will depend on the Company's ability to obtain additional financing which may not be available under favourable terms, if at all.

Capital and Liquidity Risk

The amount of financial resources available to invest for the enhancement of shareholder value is dependent upon the size of the treasury, profitable operations, and willingness to utilize debt and issue equity. Due to the size of the Company, financial resources are limited and if the Company exceeds growth expectations or finds investment opportunities it may require debt or equity financing. There is no assurance that the Company will be able to obtain additional financial resources that may be required to successfully finance transactions or compete in its markets on favourable commercial terms.

Dependence on Key Personnel

Loss of certain members of the executive team or key operational leaders of the company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. Recruiting personnel is time consuming and expensive and the competition for a professional is intense. The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

CRITICAL ACCOUNTING ESTIMATES

The preparation of these consolidated financial statements requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

Recovery of deferred tax assets - Judgment is required in determining whether deferred tax assets are recognized in the consolidated statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the consolidated statement of financial position could be impacted.

OUTSTANDING SHARE DATA

The following details the common shares, stock options, and warrants outstanding as of the date of this MD&A:

Common Shares	1
Stock Options	Nil
Warrants	Nil

OTHER MD&A REQUIREMENTS

Additional information relating to the Company may be found on or in:

- SEDAR at www.sedar.com; and
- the Company's financial statements for the period from incorporation on June 6, 2017 to June 30, 2017.

This MD&A was approved by the Director of the Company effective August 28, 2017.

SCHEDULE G

PRO FORMA FINANCIAL STATEMENTS OF THE RESULTING ISSUER AS AT JUNE 30, 2017

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RHYS RESOURCES LTD.

PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

(Unaudited - Expressed in Canadian Dollars)

RHYS RESOURCES LTD.
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	Rhys Resources Ltd. as at June 30, 2017	1121844 BC Ltd. as at June 30, 2017	Notes	Pro forma Adjustments	Pro forma Consolidated
	$	$		$	$
ASSETS					
Current assets					
Cash	198,391	-	3(a)	(154,000)	
			3(b)	4,473,281	
			3(b)	(262,621)	
			3(d)	(1,950,000)	2,305,051
Receivables	4,818	-		-	4,818
Prepaid expenses	1,767	1,573		-	3,340
	204,976	1,573		2,106,660	2,313,209
Acquisitions rights	-	1	3(d)	(1)	-
Exploration and evaluation assets	28,932	-	3(d)	1,950,000	
			3(d)	1	1,978,933
	233,908	1,574		4,056,660	4,292,142
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	125,141	13,606		-	138,747
	125,141	13,606		-	138,747
SHAREHOLDERS' EQUITY					
Share capital	4,285,594	1	3(a)	(4,285,594)	
			3(a)	1,918,484	
			3(b)	4,473,281	
			3(b)	133,175	
			3(b)	(395,796)	
			3(b)	(79,320)	6,049,825
Reserves	1,112,407	-	3(a)	(1,112,407)	
			3(b)	79,320	
			3(c)	91,089	
			3(e)	8,695	179,104
Deficit	(5,289,234)	(12,033)	3(a)	5,289,234	
				(2,063,501)	(2,075,534)
	108,767	(12,032)		4,056,660	4,153,395
	233,908	1,574		4,056,660	4,292,142

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

RHYS RESOURCES LTD.
PRO FORMA CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

	Rhys Resources Ltd. for the six months ended June 30, 2017	1121844 BC Ltd. from incorporation on June 6, 2017 to June 30, 2017	Notes	Pro forma Adjustments	Pro forma Consolidated
	$	$		$	$
Expenses					
Administration fees	-	1,511		-	1,511
Consulting fees	33,312	-		-	33,312
Exploration expenditures	15,448	-		-	15,448
Foreign exchange	-	(154)		-	(154)
Interest and bank charges	371	-		-	371
Office and miscellaneous	7,315	1,676		-	8,991
Professional fees	34,514	9,000		-	43,514
Project investigation costs	34,354	-		-	34,354
Rent	4,500	-		-	4,500
Share-based payment	3,653	-	3(c)	91,089	94,742
Shareholder liaison and filing fees	3,388	-		-	3,388
Transfer agent	5,068	-		-	5,068
	(141,923)	(12,033)		(91,089)	(245,045)
Listing fee	-	-	3(a)	(1,972,412)	(1,972,412)
Loss and comprehensive loss for the period	(141,923)	(12,033)		(2,063,501)	(2,217,457)

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

1. PROPOSED TRANSACTION

Rhys Resources Ltd. (TSX-V: RYS.H) ("Rhys") and 1121844 BC Ltd. ("1121844"), have entered into a share exchange agreement, dated August 31, 2017, for the acquisition of 1121844, which will provide Rhys with the indirect right to acquire 100% ownership of a mining permit for the TNM Cobalt Project, located in Depapre District, Jayapura Regency, Papua Province, Republic of Indonesia, subject to a 2% net smelter returns royalty ("NSR") (the "Transaction"). Under the provisions of the Transaction, Rhys will acquire all of the issued and outstanding securities of 1121844 and 1121844 will become a wholly owned subsidiary of Rhys. 1121844 is the sole shareholder of Cobalt Power (Asia) Ltd. ("CPA HK"), a Hong Kong company, which has entered into a conditional sale and purchase of shares agreement with PT. Tablasufa Nickel Mining ("TNM") to acquire all of the issued and outstanding securities of TNM. TNM is a private Indonesia company holding an Izin Usaha Pertambangan Operation Production Mining Permit for the TNM Cobalt Project.

The Transaction is an arm's length transaction.

Under the terms of the Transaction, Rhys and 1121844 will enter into a merger or acquisition transaction under British Columbia corporate law whereby Rhys will acquire all of the issued and outstanding securities of 1121844 in consideration of the issuance of an aggregate of 11,000,000 post-Consolidation shares (as defined below) of Rhys, which is intended to result in the issuance of one common share of Rhys for each 1121844 share held. Prior to the date of closing of the Transaction (the "Closing Date"), Rhys will consolidate its currently existing common shares on a four old for one new basis (the "Consolidation"). 475,000 options of Rhys, of which 237,500 had not vested were cancelled; 237,500 had vested, were adjusted to reflect the consolidation, and have 90 days to be exercised, after which, they will be cancelled. 150,000 options, of which 75,000 have vested, of Rhys were adjusted to reflect the consolidation. All outstanding warrants of Rhys were adjusted to reflect the consolidation. Concurrent with the completion of the Transaction, Rhys will complete a private placement (the "Financing"). In connection with the Transaction, Rhys will seek to delist its common shares from the TSX Venture Exchange ("TSXV") and list the common shares on the Canadian Securities Exchange ("CSE") such that on the Closing Date, the common shares of Rhys would be listed on the CSE.

On closing of the Transaction, Rhys will change its name to Pacific Rim Cobalt Corp. and will have 29,642,688 common shares outstanding. The former shareholders of 1121844 will obtain control of Rhys and, as such, the transaction is considered a purchase of Rhys by 1121844 and is accounted for as a reverse takeover.

The closing of the Transaction is subject to a number of conditions, including: (i) the execution by the parties of a definitive agreement in respect of the Transaction, (ii) the approval of Rhys' shareholders; (iii) completion of the Consolidation and the Financing; (iv) receipt of all applicable regulatory approvals for the transaction including the approval of the CSE for the listing of Rhys' common shares and of the TSXV for the delisting of Rhys' common shares; (v) delivery of a title opinion for the TNM Project acceptable to Rhys; and (vi) no material adverse change shall have occurred in 1121844. There can be no assurance that the transaction will be completed.

2. BASIS OF PRESENTATION

The unaudited pro forma consolidated financial statements of Rhys Resources Ltd. give effect to the Transaction as described above. In substance, the Transaction involves 1121844 shareholders obtaining control of Rhys. The unaudited pro forma consolidated financial statements give effect to the acquisition of the outstanding common shares of 1121844 by Rhys as a reverse takeover. In accordance with IFRS 2 – "Share-based Payment", Rhys does not constitute a business for accounting purposes. 1121844 is deemed to be the acquiring company and its assets, liabilities, equity and historical operating results are included at their historical carrying values. The net assets of Rhys will be recorded at fair value as at the Transaction date with any excess recorded as a listing expense. All of Rhys' deficit and other equity balances prior to the Transaction are eliminated, with the exception of reserves related to the continued options.

The accompanying unaudited pro forma consolidated financial statements have been compiled for illustrative purposes by management to give effect to the Transaction as if it had been completed on June 30, 2017.

(Unaudited - Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (cont'd)

The unaudited pro forma consolidated financial information is intended, for illustrative purposes only, to reflect the financial position that will exist following the Transaction, and the statement of loss and comprehensive loss that may be obtained in the future. Actual amounts recorded should the Transaction take place will likely differ from those recorded in the unaudited pro forma consolidated financial information. Any potential synergies that may be realized and integration costs that may be incurred upon consummation of the Transaction have been excluded from the unaudited pro forma consolidated financial information.

The unaudited pro forma consolidated financial statements should be read in conjunction with the June 30, 2017 unaudited condensed interim financial statements of Rhys and the audited June 30, 2017 consolidated financial statements of 1121844.

The unaudited pro forma consolidated financial statements of Rhys have been compiled from, and include:

- Rhys unaudited condensed interim financial statements for the six months ended June 31, 2017;
- 1121844 audited consolidated financial statements for the period from incorporation on June 6, 2017 to June 30, 2017; and
- The additional information set out in Notes 3, 4, and 5 of these unaudited consolidated pro forma financial statements.

3. UNAUDITED PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

The unaudited pro forma consolidated statement of financial position gives effect to the completion of the Transaction incorporating the assumptions within Note 1, as if it had occurred on the date presented, being June 30, 2017. The unaudited pro forma consolidated statement of loss and comprehensive loss gives effect to the Transaction as if it occurred on January 1, 2017.

The unaudited pro forma consolidated financial statements have been prepared based on the following assumptions:

a) As consideration to acquire 100% of the shares of 1121844, Rhys will issue 11,000,000 common shares to 1121844. A finder's fee of $154,000 will be paid on the Closing Date.

The preliminary allocation of estimated consideration transferred is subject to change and is summarized as follows:

Purchase price		
Fair value of Rhys shares (5,481,384 post-consolidated common shares at $0.35 per share)	$	1,918,484
Cash for finder's fee		154,000
Fair value of options and warrants		8,695
		2,081,179
Allocation of purchase price		
Cash	$	198,391
Receivables		4,818
Prepaid expenses		1,767
Exploration and evaluation assets		28,932
Accounts payable and accrued liabilities		(125,141)
Charge related to public company listing		1,972,412
		2,081,179

(Unaudited - Expressed in Canadian Dollars)

3. UNAUDITED PRO FORMA ASSUMPTIONS AND ADJUSTMENTS (cont'd)

b) Concurrent with the Transaction, Rhys will raise gross proceeds of $4,473,281 through the issuance of 12,780,804 units. Each unit will be priced at $0.35 and each unit will include one common share and one-half of one share purchase warrant. Each warrant shall entitle the holder to purchase an additional common share at a price of $0.50 for a period of two years. Finders' fees are to be cash commission of 7% of the unit financing, or $262,621, units of 380,500, valued at $133,175, and broker warrants of 7% of the units sold, or 367,621, valued at $79,320 using the Black-Scholes option pricing model with the following assumptions: exercise price of $0.50, expected life of two years, expected volatility of 139%, risk free rate of return of 1.09% and a dividend yield of $nil. The finders' fees have been included in equity as share issue costs.

c) Rhys will issue 1,650,000 stock options to directors, officers, and consultants of Rhys, valued at $364,355 using the Black-Scholes option pricing model with the following assumptions: exercise price of $0.46, expected life of two years, expected volatility of 139%, risk free rate of return of 1.09% and a dividend yield of $nil. The options vest 25% at grant and 25% every six months thereafter. $91,089 has been recorded as share-based payment.

d) Rhys will exercise all options payments to acquire the rights to the TNM Cobalt Project for $1,950,000 (USD $1,500,000). An exchange rate of 1.3 has been applied to the conversion of USD to CAD. The acquisition rights of $1 are reclassified to exploration and evaluation assets.

e) The fair value of the outstanding Rhys options and warrants totaled $8,695.

4. SHARE CAPITAL AND RESERVES

As a result of the Transaction, the share capital as at June 30, 2017 in the unaudited pro forma consolidated financial statements is comprised of the following:

	Notes	Number of Shares	Share Capital	Reserves
			$	$
Authorized				
Unlimited common shares without par value				
Issued				
Beginning balance		-	1	-
Common shares of Rhys as at June 30, 2017		21,925,534	4,285,594	1,112,407
Consolidation of shares 4:1		(16,444,150)	-	-
Elimination of pre-acquisition Rhys share capital		-	(4,285,594)	-
Elimination of pre-acquisition Rhys reserves		-	-	(1,103,712)
Equity issued per reverse takeover of 1121844	3a	11,000,000	1,918,484	-
Shares issued for cash	3b	12,780,804	4,473,281	-
Units issued as share issue costs	3b	380,500	133,175	-
Share issue costs	3b	-	(395,796)	-
Warrants issued as share issue cost	3b	-	(79,320)	79,320
Stock options issued	3c	-	-	91,089
		29,642,688	6,049,825	179,104

5. INCOME TAX

The pro forma effective statutory Canadian income tax rate applicable to the consolidated operations subsequent to the completion of the Transaction is approximately 26%.

CERTIFICATE OF THE ISSUER

The foregoing contains full, true and plain disclosure of all material information relating to the Issuer. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia

this 19th day of October, 2017.

/s/ "Ranjeet Sundher"

Ranjeet Sundher

Chief Executive Officer and Director

/s/ "Steve Vanry"

Steve Vanry

Chief Financial Officer and Director

/s/ "Sean Bromley"

Sean Bromley

Director

/s/ "J. Garry Clark"

J. Garry Clark

Director

CERTIFICATE OF THE TARGET

The foregoing contains full, true and plain disclosure of all material information relating to the Target It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia

this 19th day of October, 2017.

/s/ "Ranjeet Sundher"

Ranjeet Sundher

President and Sole Director