



**King's Bay Resources Corp.**  
**(Formerly King's Bay Gold Corporation)**  
**(An Exploration Company)**

Condensed Interim Financial Statements

Six Months Ended June 30, 2017

(Unaudited - Expressed in Canadian Dollars)

**Notice of No Auditor Review of  
Interim Financial Statements**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these interim financial statements they must be accompanied by a notice indicating that these interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

**King's Bay Resources Corp.**  
(Formerly King's Bay Gold Corporation)  
Condensed Interim Statements of Financial Position  
Unaudited - Expressed in Canadian dollars

	<b>June 30, 2017</b>	December 31, 2016
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 12,069	\$ 359,498
GST receivable	9,917	15,405
Share subscription receivable	-	50,000
Marketable securities (Note 5)	105,135	17,598
Prepaid expenses	28,500	130,500
Assets held for sale (Note 6)	-	100,000
	<b>155,621</b>	673,001
Exploration and evaluation assets (Note 6)	<b>356,267</b>	139,394
	<b>\$ 511,888</b>	\$ 812,395
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 75,933	\$ 53,423
	<b>75,933</b>	53,423
<b>Shareholders' Equity</b>		
Share capital (Note 7)	18,046,554	17,917,249
Share subscriptions received (Note 12)	50,000	-
Reserves (Note 8)	399,073	209,195
Deficit	<b>(18,059,672)</b>	<b>(17,367,472)</b>
	<b>435,955</b>	758,972
	<b>\$ 511,888</b>	\$ 812,395

Approved and authorized by the Board of Directors on August 16, 2017:

*"Kevin Bottomley"*

\_\_\_\_\_  
President, Director

*"Dusan Berka"*

\_\_\_\_\_  
Director

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

**King's Bay Resources Corp.**

(Formerly King's Bay Gold Corporation)

Condensed Interim Statements of Operations and Comprehensive Loss

Unaudited - Expressed in Canadian dollars

	<b>Three months ending June 30, 2017</b>	Three months ending June 30, 2016	<b>Six months ending June 30, 2017</b>	Six months ending June 30, 2016
<b>Expenses</b>				
Accounting and audit fees	\$ -	\$ 200	\$ -	\$ 3,729
Administrative fees (Note 11)	<b>37,500</b>	37,500	<b>75,000</b>	75,000
Advertising and promotion (Note 11)	<b>43,295</b>	16,293	<b>136,398</b>	33,288
Filing fees	<b>5,523</b>	12,268	<b>6,876</b>	22,438
Investor relations	<b>22,500</b>	-	<b>45,000</b>	-
Legal expenses	<b>7,835</b>	10,884	<b>15,395</b>	12,931
Office expenses	<b>310</b>	189	<b>1,113</b>	441
Salaries and consulting fees (Note 9)	<b>46,452</b>	4,351	<b>115,660</b>	4,351
Share-based payments (Note 8)	-	-	<b>232,942</b>	-
Travel and meals	<b>12,319</b>	-	<b>51,353</b>	-
<b>Operating expenses</b>	<b>175,734</b>	81,685	<b>679,737</b>	152,178
<b>Other expenses</b>				
Interest income	-	-	-	20
Gain on sale of exploration assets (Note 6)	-	766	-	766
Unrealized loss marketable securities (Note 7)	<b>(4,873)</b>	(2,000)	<b>(12,463)</b>	(2,000)
<b>Net (income) loss and comprehensive (income) loss for the period</b>	<b>180,607</b>	82,919	<b>692,200</b>	153,392
<b>Basic and diluted loss per share</b>	<b>\$ (0.00)</b>	\$ (0.00)	<b>\$ (0.02)</b>	\$ (0.01)
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>41,406,423</b>	22,013,055	<b>41,028,888</b>	<b>12,937,001</b>

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

**King's Bay Resources Corp.**

(Formerly King's Bay Gold Corporation)

Condensed Interim Statements of Changes in Equity

For the six months ended June 30, 2017 and 2016

Unaudited - Expressed in Canadian dollars

	Number of Shares	Share Capital \$	Share Subscriptions received \$	Reserves \$	Deficit \$	Total \$
<b>Balance, December 31, 2015</b>	<b>9,922,691</b>	<b>16,103,286</b>	-	<b>1,310</b>	<b>(16,706,747)</b>	<b>(602,151)</b>
Shares issued for cash (Note 7)	18,333,432	919,172	-	-	-	919,172
Share issuance costs	-	(13,733)	-	-	-	(13,733)
Net loss for the period	-	-	-	-	(153,392)	(153,392)
<b>Balance, June 30, 2016</b>	<b>28,256,123</b>	<b>17,008,725</b>	-	<b>1,310</b>	<b>(16,680,139)</b>	<b>149,896</b>
	Number of Shares	Share Capital \$	Share Subscriptions received \$	Reserves \$	Deficit \$	Total \$
<b>Balance, December 31, 2016</b>	<b>40,806,423</b>	<b>17,917,249</b>	-	<b>209,195</b>	<b>(17,367,472)</b>	<b>758,972</b>
Shares issued for properties (Note 6)	400,000	60,000	-	-	-	60,000
Shares subscriptions received (Note 12)	-	-	50,000	-	-	50,000
Options exercised (Note 7 & 8)	200,000	70,064	-	(43,064)	-	27,000
Share issuance costs	-	(759)	-	-	-	(759)
Share-based payments (Note 8)	-	-	-	232,942	-	232,942
Net loss for the period	-	-	-	-	(692,200)	(692,200)
<b>Balance, June 30, 2017</b>	<b>41,406,423</b>	<b>18,046,554</b>	<b>50,000</b>	<b>399,073</b>	<b>(18,059,672)</b>	<b>435,955</b>

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

**King's Bay Resources Corp.**  
(Formerly King's Bay Gold Corporation)  
Condensed Interim Statements of Cash Flows  
For the six months ended June 30, 2017 and 2016  
Unaudited - Expressed in Canadian dollars

	2017	2016
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</b>		
Net loss for the period	\$ (692,200)	\$ (153,392)
Adjustments for items not involving cash:		
Unrealized loss on marketable securities	12,463	2,000
Gain on sale of exploration asset	-	(766)
Share-based compensation	232,942	-
Changes in non-cash operating working capital:		
GST receivable	5,488	(2,757)
Prepaid expenses	102,000	(30,000)
Accounts payable and accrued liabilities	22,510	(675,257)
<b>Net cash flows (used in) operating activities</b>	<b>(316,797)</b>	<b>(860,172)</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</b>		
Proceeds from sale of exploration asset	-	10,000
Exploration and evaluation expenditures	(156,873)	-
<b>Net cash flows from (used in) investing activities</b>	<b>(156,873)</b>	<b>10,000</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:</b>		
Shares issued for cash	77,000	919,172
Share subscriptions received	50,000	-
Share issuance costs	(759)	(13,733)
<b>Net cash flows from investing activities</b>	<b>126,241</b>	<b>905,439</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(347,429)</b>	<b>55,267</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>359,498</b>	<b>1,971</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 12,069</b>	<b>\$ 57,238</b>

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

**King's Bay Resources Corp.**  
(Formerly King's Bay Gold Corporation)  
Notes to the Condensed Interim Financial Statements  
For the six months ended June 30, 2017  
Unaudited - Expressed in Canadian dollars

---

**1. NATURE OF OPERATIONS**

King's Bay Resources Corp. (formerly King's Bay Gold Corporation) ("King's Bay" or the "Company") was incorporated in Canada pursuant to the *Canada Business Corporations Act* on March 20, 1998, and is in the business of acquiring, exploring, developing and evaluating mineral resource properties. The Company is a public company listed on Tier 1 of the TSX Venture Exchange in Canada with the symbol "KBG". The Company changed its name from King's Bay Gold Corporation to King's Bay Resources Corp. was approved by the TSX Venture Exchange on August 14, 2017.

The head office, principal address and registered and records office of the Company are located at Suite 1450 – 789 West Pender, Vancouver, BC, Canada, V6C 1H2.

**2. GOING CONCERN**

The Company has not generated any revenues and has incurred accumulated losses of \$18,059,672 (December 31, 2016 – \$17,367,472) since inception. As at June 30, 2017, the Company has a working capital of \$79,688 (December 31, 2016 – \$619,578). These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to continue operations, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. The conditions described above, cast significant doubt as to the appropriateness of the use of the going concern assumption.

The Company is not expected to be profitable during the ensuing twelve months and therefore must rely on securing additional funds from either debt or equity financings for cash consideration. While the Company is expanding its best efforts to achieve the continued financing, there is no assurance that any such activity will generate sufficient funds for future operations.

**3. BASIS OF PRESENTATION**

**Statement of Compliance**

The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), applicable to the presentation of interim financial statements, including IAS 34, Interim Financial Reporting.

**Basis of Measurement**

These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

**Approval of the Financial Statements**

The financial statements of King's Bay Gold Corporation for the six months ended June 30, 2017, were authorized for issue in accordance with a resolution of the directors on August 16, 2017.

**King's Bay Resources Corp.**  
(Formerly King's Bay Gold Corporation)  
Notes to the Condensed Interim Financial Statements  
For the six months ended June 30, 2017  
Unaudited - Expressed in Canadian dollars

---

**3. BASIS OF PRESENTATION – continued**

**Significant Accounting Judgments, Estimates and Assumptions**

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Estimates and assumptions

In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements includes:

- The recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest;
- The inputs used in assessing the recoverability of deferred tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income;
- The assumptions and inputs used in the Black-Scholes pricing model to calculate the fair value of share based payments;

Management judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies from those involving estimations that have the most significant effect on the amounts recognized in the Company's financial statements are as follows:

- Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic information, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

- Going concern

Significant judgments used in the preparation of these financial statements include, but are not limited to those relating to the assessment of the Company's ability to continue as a going concern.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The policies applied in these condensed interim financial statements are consistent with policies disclosed in Note 4 of the financial statements for the year ended December 31, 2016. These condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2016.



**King's Bay Resources Corp.**  
(Formerly King's Bay Gold Corporation)  
Notes to the Condensed Interim Financial Statements  
For the six months ended June 30, 2017  
Unaudited - Expressed in Canadian dollars

---

**5. MARKETABLE SECURITIES**

During the year ended December 31, 2016, the Company received 200,000 common shares and 200,000 share purchase warrants of Intact Gold Corporation ("Intact") in accordance with the sale agreement of the Blackjack Property.

At June 30, 2017, the shares have a fair value of \$5,000 (December 31, 2016 - \$14,000) and the warrants have a value of \$135 (December 31, 2016 - \$3,598) determined using the Black Scholes valuation method. The Company recognized an unrealized loss of \$12,463 on the investment during the six months ended June 30, 2017 (June 30, 2016 - \$2,000).

**6. EXPLORATION AND EVALUATION ASSETS**

Lynx Lake Copper-Cobalt Property

On October 27, 2016, the Company announced the acquisition of a 100% interest in the Lynx Lake Copper-Cobalt Property, consisting of 66 mineral claims encompassing 20 square kilometers, located in southern Labrador. In consideration, the Company will pay \$100,000 (\$10,000 paid) and issue 900,000 common shares to the vendors (200,000 shares with a fair value of \$22,000) in staged payments. There is a 1.5% Net Smelter Return ("NSR") on future production payable to original vendors. During December 2016, the Company increased the size of the property to 959 claims by staking additional property. As the newly staked claims are considered to be in the area of influence, these claims are also covered by the NSR. The acquisition was approved by the TSX Venture Exchange on January 20, 2017.

Quebec Cobalt Properties

*Ninuk Lake Project:*

The Ninuk Lake Project is located approximately 175 kilometres northeast of Umiujag, Quebec and consists of 19 mineral claims encompassing 2,164 acres. The property was acquired from Zimtu Capital Corp. ("Zimtu") for \$17,000 (paid).

*Broadback River Cobalt Property*

The Broadback River Project is located 24 kilometres northwest of the Nuinsco Discovery zone and consists of 9 mineral claims encompassing 1,035 acres. The property was acquired from Zimtu for \$14,000 (paid).

*Roberge Cobalt Property*

The Roberge Project is located 2.1 kilometres southeast of Chesterville, Quebec and consists of 3 mineral claims encompassing 443 acres. The property was acquired from Zimtu for \$8,000 (paid).

Trump Island Property

On February 16, 2017, the Company acquired a 100% interest in the Trump Island Property, consisting of 8 mineral claims covering an area of 2 square kilometres, located in north-central Newfoundland. In consideration, the Company will pay \$7,000 (paid) and issue the vendors 200,000 common shares (issued with a fair value of \$38,000). The Property is subject to a 2.0% net smelter return royalty payable by the Company to the Vendors, of which 50% can be repurchased for \$1-million. The agreement was accepted by the TSX Venture Exchange on February 21, 2017.

**King's Bay Resources Corp.**  
(Formerly King's Bay Gold Corporation)  
Notes to the Condensed Interim Financial Statements  
For the six months ended June 30, 2017  
Unaudited - Expressed in Canadian dollars

---

**6. EXPLORATION AND EVALUATION ASSETS - continued**

Menary Gold Project

The Company has entered into several agreements between 2011 to 2013 to acquire a number of claim units in a property known as Menary Gold Project in the Province of Ontario. Throughout 2011 to 2015, the Company has paid \$114,000 and issued 2,050,000 common shares under the agreements. During the year ended December 31, 2016, the Company formalized its decision to sell the property and has reclassified the balance to the assets held for sale as at December 31, 2016. The Company measured the Menary Gold Project at the lower of its carrying amount and fair value less costs to sell being \$100,000 and has impaired the Project of \$16,251 as at December 31, 2016.

On February 23, 2017, the Company entered into an agreement with Destroismaisons CLM Holding Corporation ("CLM") for the sale of the Menary Gold Project. In consideration, the Company received 15% of the issued and outstanding shares of CLM and recorded the investment at the expected return of \$100,000.

Blackjack Property

In 2013, the Company entered into an agreement to acquire an option in a number of claim units known as Gold Hill – Blackjack Property in the townships of Kirkup and Manross in the Kenora Mining District in the Province of Ontario. Throughout 2012 to 2013, the Company has paid \$17,875 and issued 500,000 common shares.

On February 3, 2016, the Company signed an agreement with Intact Gold Corp. ("Intact") for the sale of the Blackjack Property. In consideration, the Company will receive cash of \$10,000 (received), 200,000 post-split common shares of Intact (received and fair valued at \$19,000, see Note 5) within 10 days of TSX Venture approval, and 200,000 post-split purchase warrants of Intact priced at \$0.17 for a term of 24 months from the date of the agreement (received and fair valued at \$7,801, see Note 5). There is a 2% Net Smelter Return ("NSR") on future gold production payable to original vendors. Intact can buy back one half or 1% of the NSR at any time by paying \$1,000,000 to the original vendors.

Halkirk-Watten Claims

In 2004, the Company staked 4 claims, totaling 672 hectares, in an area where microdiamonds had been found. The Company has determined it will not complete any further exploration and has impaired the property.

Hook Bay of Helena Lake

In 2003, the Company staked 2 claims to explore for gold. In 2005, the Company staked one claim and in 2014, the Company staked one additional claim. The current property covers 560 hectares. The Company has determined it will not complete any further exploration and has impaired the property.

# King's Bay Resources Corp.

(Formerly King's Bay Gold Corporation)

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2017

Unaudited - Expressed in Canadian dollars

## 6. EXPLORATION AND EVALUATION ASSETS - continued

The following schedule shows the property costs for the six months ended June 30, 2017 and the year ended December 31, 2016:

	Lynx Lake	Broadback River	Ninuk Lake	Roberge Claims	Trump Island	Hook Bay of Helena Lake	Menary Gold	Halkirk- Watten	Blackjack	Total
<b>Balance, December 31, 2015</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$10,000	\$116,251	\$ 26	\$36,035	\$162,312
Additions during the year										
Cash	10,000	14,000	17,000	8,000	-	-	-	-	-	49,000
Staking	56,875	-	-	-	-	-	-	-	-	56,875
Assays	250	-	-	-	-	-	-	-	-	250
Geological expense	1,050	-	-	-	-	-	-	-	-	1,050
Reports	18,150	-	-	-	-	-	-	-	-	18,150
Travel and accommodation	4,069	-	-	-	-	-	-	-	-	4,069
<b>Total additions during the year</b>	<b>90,394</b>	<b>14,000</b>	<b>17,000</b>	<b>8,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>129,394</b>
Proceeds received for sale	-	-	-	-	-	-	-	-	(36,801)	(36,801)
Impairment	-	-	-	-	-	-	-	(26)	-	(26)
Gain on sale of property	-	-	-	-	-	-	-	-	766	766
Reclassified to assets held for sale	-	-	-	-	-	-	(116,251)	-	-	(116,251)
<b>Balance, December 31, 2016</b>	<b>\$90,394</b>	<b>\$ 14,000</b>	<b>\$ 17,000</b>	<b>\$8,000</b>	<b>\$ -</b>	<b>\$10,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$139,394</b>
Additions during the period										
Cash	-	-	-	-	14,000	-	-	-	-	14,000
Shares	22,000	-	-	-	38,000	-	-	-	-	60,000
Staking	875	-	-	-	-	-	-	-	-	875
Geological costs	141,998	-	-	-	-	-	-	-	-	141,998
<b>Total additions during the period</b>	<b>164,873</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>216,873</b>
<b>Balance, June 30, 2017</b>	<b>\$255,267</b>	<b>\$ 14,000</b>	<b>\$ 17,000</b>	<b>\$8,000</b>	<b>\$52,000</b>	<b>\$10,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$356,267</b>

**King's Bay Resources Corp.**  
(Formerly King's Bay Gold Corporation)  
Notes to the Condensed Interim Financial Statements  
For the six months ended June 30, 2017  
Unaudited - Expressed in Canadian dollars

---

**7. SHARE CAPITAL**

- a) Authorized: Unlimited Class A common voting shares with no par value, and  
Unlimited Class B common non-voting shares with no par value
- b) Issued and Outstanding:

On July 6, 2016, the shares of the Company were consolidated on the basis of ten (10) pre-consolidation Shares for one (1) post-consolidation Share (the "**Consolidation**"). Upon the Consolidation becoming effective, a total of 28,256,123 Shares, subject to adjustments for rounding, were issued and outstanding.

As at June 30, 2017, the Company had 41,406,423 (December 31, 2016 – 40,806,423) shares issued and outstanding.

**During the six months ended June 30, 2017:**

On January 18, 2017, 200,000 shares were issued at \$0.11 in connection with the Lynx Lake Property Agreement (see Note 6).

On February 28, 2017, 200,000 shares were issued at \$0.19 in connection with the Trump Island Property Agreement (see Note 6).

On March 1, 2017, 200,000 stock options priced at \$0.135 were exercised for gross proceeds of \$27,000.

**During the year ended December 31, 2016:**

On April 26, 2016, the Company closed the first tranche of a private placement of 15,383,432 common shares at a price of \$0.05 per share for proceeds of \$771,672.

On May 27, 2016, the Company closed the second and final tranche of a private placement of 2,950,000 common shares at a price of \$0.05 per share for proceeds of \$147,500.

The Company paid finder's fees totaling \$ 27,373 total for both tranches.

On December 30, 2016, the Company closed a non-brokered private placement of 12,516,700 Units at a price of \$0.075 per Unit for gross proceeds of \$938,753. Each unit consists of one common share and one share purchase warrant. Each Warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.12 per share for a period of 24 months from closing. The shares will be subject to a four-month hold period from the date of closing. The fair value of the common share component of the Units at the date of issuance was \$0.09 being equal to market price therefore the Company allocated the entire proceeds to common shares and \$nil to warrants. In connection with the closing of the private placement, the Company paid finder's fees totaling \$16,589 and 33,600 Units with fair value of \$2,520.

**King's Bay Resources Corp.**  
(Formerly King's Bay Gold Corporation)  
Notes to the Condensed Interim Financial Statements  
For the six months ended June 30, 2017  
Unaudited - Expressed in Canadian dollars

**7. SHARE CAPITAL** - continued

**Warrants**

A summary of the Company's outstanding warrants as at June 30, 2017 and December 31, 2016 are as follows:

	<b>June 30, 2017</b>		<b>December 31, 2016</b>	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
<b>Balance, beginning of period</b>	<b>12,550,300</b>	<b>\$ 0.12</b>	-	<b>\$ -</b>
Issued	-	-	12,550,300	0.12
<b>Balance, end of period</b>	<b>12,550,300</b>	<b>\$ 0.12</b>	<b>12,550,300</b>	<b>\$ 0.12</b>

There are 33,600 finders' warrants included in the outstanding number of warrants as at June 30, 2017 and December 31, 2016. The weighted average remaining contractual life of the outstanding warrants as at June 30, 2017 is 1.50 years (December 31, 2016 – 2.00 years).

**8. SHARE-BASED PAYMENTS**

**Options**

The Company has a Stock Option Plan (the "Plan") under which it is authorized to grant options to directors, officers, consultants or employees of the Company. At the Company's Annual and Special General Meeting on July 19, 2017, the shareholders approved the "2017 Stock Option Plan", and set the number of options granted under the Plan to not exceed 10% of the issued and outstanding shares. Options granted to employees vest fully on grant. Options issued to investor relations consultants vest in stages over 12 months with one quarter of the options vesting in any three month period.

On April 1, 2016, the Company cancelled the remaining 800,000 options that were issued to former directors and officers of the Company.

On October 27, 2016, the Company granted 2,800,000 stock options priced at \$0.075, expiring in 2 years. Of the total granted, 1,900,000 were issued to directors and officers of the Company and 900,000 were granted to the Company's consultants.

On February 1, 2017, the Company granted 816,128 stock options priced at \$0.135, exercisable for a period of two years. On March 1, 2017, 200,000 of these options were exercised for gross proceeds of \$27,000

**King's Bay Resources Corp.**  
(Formerly King's Bay Gold Corporation)  
Notes to the Condensed Interim Financial Statements  
For the six months ended June 30, 2017  
Unaudited - Expressed in Canadian dollars

**8. SHARE-BASED PAYMENTS - continued**

**Options – continued**

The following is a summary of movements in the number of share options outstanding and their related weighted average exercise prices under the Company's stock option plan for the six months ended June 30, 2017 and the year ended December 31, 2016:

	<b>June 30, 2017</b>		<b>December 31, 2016</b>	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
<b>Balance, beginning of period</b>	<b>2,800,000</b>	<b>\$ 0.075</b>	<b>800,000</b>	<b>\$ 0.10</b>
Cancelled	-	-	(800,000)	0.10
Exercised	(200,000)	0.135	-	-
Granted	816,128	0.135	2,800,000	0.075
<b>Balance, end of period</b>	<b>3,416,128</b>	<b>\$ 0.086</b>	<b>2,800,000</b>	<b>\$ 0.075</b>

The weighted average remaining contractual life of the outstanding stock options as at June 30, 2017 is 1.37 years (December 31, 2016 – 1.82 years).

The fair value of the options issued during the period was calculated as of the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Risk-free interest rate	0.77%	0.72%
Expected life in years	2 years	2 years
Expected volatility	244%	409%
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The Company recorded \$232,942 (June 30, 2016 - \$Nil) of share-based payments during the six months ended June 30, 2017.

**King's Bay Resources Corp.**  
(Formerly King's Bay Gold Corporation)  
Notes to the Condensed Interim Financial Statements  
For the six months ended June 30, 2017  
Unaudited - Expressed in Canadian dollars

---

**9. RELATED PARTY TRANSACTIONS**

During the six months ended June 30, 2017 and 2016, the Company incurred the following transactions to officers or directors of the Company or companies with common directors:

	<b>June 30, 2017</b>	<b>June 30, 2016</b>
<b>Key management compensation</b>	<b>\$</b>	<b>\$</b>
Salaries and benefits	101,000	-
Total	101,000	-

  

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>Amounts due to related parties</b>	<b>\$</b>	<b>\$</b>
Kevin Bottomley (a)	-	2,245
Bradley Hoepfner (b)	-	957
Due to related parties included in accounts payable	-	3,202

- a) Kevin Bottomley is the President, CEO, and a director
- b) Bradley Hoepfner is a director

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties. The amounts due are unsecured, non-interest bearing, and have no specific terms of repayment.

**10. FINANCIAL RISK MANAGEMENT**

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balances. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada.

(b) 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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

**King's Bay Resources Corp.**  
(Formerly King's Bay Gold Corporation)  
Notes to the Condensed Interim Financial Statements  
For the six months ended June 30, 2017  
Unaudited - Expressed in Canadian dollars

---

**10. FINANCIAL RISK MANAGEMENT** - continued

(b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances and is not exposed to any significant interest rate risk.

(c) Capital management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at June 30, 2017, the Company's shareholders' equity was \$435,955 (December 31, 2016 – \$758,972). The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has not generated any revenues and cash flows since its inception; therefore, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of working capital and shareholders' equity. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. The Company is not subject to externally imposed capital requirements.

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

(d) Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

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.



**King's Bay Resources Corp.**  
(Formerly King's Bay Gold Corporation)  
Notes to the Condensed Interim Financial Statements  
For the six months ended June 30, 2017  
Unaudited - Expressed in Canadian dollars

**10. FINANCIAL RISK MANAGEMENT** – continued

The following is an analysis of the Company's financial assets measured at fair value as at June 30, 2017 and December 31, 2016:

	As at June 30, 2017		
	Level 1	Level 2	Level 3
Cash	\$ 12,069	\$ -	\$ -
Marketable securities	\$ 105,135	\$ -	\$ -
Total	\$ 117,204	\$ -	\$ -
	As at December 31, 2016		
	Level 1	Level 2	Level 3
Cash	\$ 359,498	\$ -	\$ -
Marketable securities	\$ 17,598	\$ -	\$ -
Total	\$ 377,096	\$ -	\$ -

**11. COMMITMENTS**

On January 1, 2016, the Company signed a Management Services Agreement with Zimtu Capital Corp. ("Zimtu") to provide management and administrative services at a rate of \$12,500 per month for one year. On December 1, 2016, the Company renewed the agreement for an additional twelve months.

On October 5, 2016, the Company signed a special corporate development and marketing agreement with Zimtu to provide services, including, but not limited to, business development, strategic planning, marketing, financial services, research, and communication products, at a rate of \$9,500 per month for one year.

On January 31, 2017, the Company signed a consulting agreement with Oropass Ltd. "Oropass" to provide consulting services at a rate of \$1,000 per month for one year.

On June 15, 2017, the Company signed a consulting agreement with Greg Worobec to provide consulting services at a rate of \$1,500 per month.

**12. SUBSEQUENT EVENTS**

On July 14, 2017, the Company completed a first tranche of a non-brokered, non-flow through private placement (the "NFT Private Placement") of 2,500,000 units (each, a "Unit") at a price of \$0.10 per Unit for gross proceeds of \$250,000 and a non-brokered, flow-through private placement (the "FT Private Placement") of 530,000 flow-through shares (each, a "FT Share") at a price of \$0.125 per FT Share for gross proceeds of \$66,250 (collectively, the "Private Placements"). The Company intends to close the second and final tranche of the Private Placements before the end of August, 2017. The NFT Private Placement consisted of one common share of the Company and one non-transferable common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder to purchase one common share of the Company at a price of \$0.15 until July 14, 2019. In connection with the Financing, the Company paid cash finder's fees of \$4,800 to certain finders. The Company intends to use the proceeds of the Offering for exploration expenditures on their 100% owned Lynx Lake Copper-Cobalt property in Labrador, the Trump Island property in Newfoundland as well as working capital.