



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

Condensed Interim Financial Statements

Three Months Ended March 31, 2018

(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

Expressed in Canadian dollars

(Unaudited – prepared by management)

	March 31, 2018	December 31, 2017
Assets		
Current		
Cash	\$ 22,322	\$ 78,596
GST receivable	4,265	20,535
Marketable securities (Note 5)	17	4,017
Prepaid expenses	57,497	99,059
	84,101	202,207
Exploration and evaluation assets (Note 6)	545,842	543,782
	\$ 629,943	\$ 745,989
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 215,075	\$ 172,269
	215,075	172,269
Shareholders' Equity		
Share capital (Note 7)	18,735,365	18,735,365
Reserves (Note 8)	424,250	424,250
Deficit	(18,744,747)	(18,585,895)
	414,868	573,720
	\$ 629,943	\$ 745,989

Approved and authorized by the Board of Directors on May 16, 2018:

*"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

For the three months ended March 31, 2018 and 2017

Expressed in Canadian dollars

(Unaudited – prepared by management)

	2018	2017
Expenses		
Administration fees (Note 11)	\$ 37,500	\$ 37,500
Advertising and promotion (Note 11)	12,256	93,103
Consulting fees and salaries (Note 9)	34,402	69,208
Filing fees	10,782	1,353
Investor relations	37,811	22,500
Legal expenses	10,426	7,560
Office and general expenses	709	803
Share-based payments (Note 8)	-	232,942
Travel and meals	14,326	39,034
	158,212	504,003
Other Income (Expenses)		
Realized loss on sale of marketable securities (Note 5)	(15,640)	-
Unrealized gain on marketable securities (Note 5)	15,000	(7,590)
	(640)	(7,590)
Net loss and comprehensive loss for the period	158,852	511,593
Basic and diluted loss per share	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding		
– basic and diluted	45,559,149	41,101,979

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 three months ended March 31, 2018 and 2017

Expressed in Canadian dollars

(Unaudited – prepared by management)

	Number of Shares	Share Capital \$	Reserves \$	Deficit \$	Total \$
Balance, December 31, 2016	40,806,423	17,917,249	209,195	(17,367,472)	758,972
Shares issued for properties (Note 6)	400,000	60,000	-	-	60,000
Options exercised (Note 7 & 8)	200,000	70,064	(43,064)	-	27,000
Share issuance costs	-	(10)	-	-	(10)
Share-based payments (Note 8)	-	-	232,942	-	232,942
Net loss for the period	-	-	-	(511,593)	(511,593)
Balance, March 31, 2017	41,406,423	18,047,303	399,073	(17,879,065)	567,311
	Number of Shares	Share Capital \$	Reserves \$	Deficit \$	Total \$
Balance, December 31, 2017	48,376,423	18,735,365	424,250	(18,585,895)	573,720
Net loss for the period	-	-	-	(158,852)	(158,852)
Balance, March 31, 2018	48,376,423	18,735,365	424,250	(18,744,747)	414,868

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 three months ended March 31, 2018 and 2017
Expressed in Canadian dollars
(Unaudited – prepared by management)

	2017	2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net loss for the period	\$ (158,852)	\$ (511,593)
Adjustments for items not involving cash:		
Share-based compensation	-	232,942
Unrealized gain on marketable securities	(15,000)	7,590
Realized loss on sale of marketable securities	15,640	-
Changes in non-cash operating working capital:		
GST receivable	16,270	(6,329)
Prepaid expenses	41,562	46,000
Accounts payable and accrued liabilities	42,806	26,425
Net cash flows (used in) operating activities	(82,124)	(204,965)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Proceeds from sale of marketable securities	3,360	-
Exploration and evaluation costs	(2,060)	(110,890)
Net cash flows from (used in) investing activities	1,300	(110,890)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Proceeds from common shares issued for cash	-	77,000
Share issuance costs	-	(10)
Net cash flows from financing activities	-	76,990
INCREASE (DECREASE) IN CASH	(56,274)	(238,865)
Cash and cash equivalents, beginning of period	78,596	359,498
Cash and cash equivalents, end of period	\$ 22,322	\$ 120,633

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 three months ended March 31, 2018
Expressed in Canadian dollars
(Unaudited – prepared by management)

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 \$18,744,747 (December 31, 2017 – \$18,585,895) since inception. As at March 31, 2018, the Company has working capital deficit of \$130,974 (December 31, 2017 – \$29,938 surplus). These 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 Resources Corp. for the three months ended March 31, 2018, were authorized for issue in accordance with a resolution of the directors on May 16, 2018.

King's Bay Resources Corp.
(Formerly King's Bay Gold Corporation)
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2018
Expressed in Canadian dollars
(Unaudited – prepared by management)

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, 2017. These condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2017.

King's Bay Resources Corp.
(Formerly King's Bay Gold Corporation)
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2018
Expressed in Canadian dollars
(Unaudited – prepared by management)

5. MARKETABLE SECURITIES

During the year ended December 31, 2016, the Company received 20,000 post-consolidated common shares and 20,000 post-consolidated share purchase warrants of Intact Gold Corporation (“Intact”) in accordance with the sale agreement of the Blackjack Property.

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.

During the three months ended March 31, 2018, the Company sold 20,000 shares of Intact for gross proceeds of \$3,360 and realized a loss on the sale of \$15,640. At March 31, 2018, the remaining shares have a fair value of \$15 (December 31, 2017 - \$4,017) and the warrants have a value of \$2 (December 31, 2017 - \$2) determined using the Black Scholes valuation method. The Company recognized an unrealized gain of \$15,000 on the investment during the three months ended March 31, 2018 (March 31, 2017 - \$7,590).

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 (\$40,000 paid) and issue 900,000 common shares to the vendors (200,000 shares with a fair value of \$22,000 and 300,000 shares with a fair value of \$28,500) 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 accepted 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 three months ended March 31, 2018

Expressed in Canadian dollars

(Unaudited – prepared by management)

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.

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. During the year ended December 31, 2017, 2 of the 3 claims have lapsed, the Company intends to continue to explore the remaining claim in the upcoming year and has paid all the necessary fees to keep the claim in good standing.

King's Bay Resources Corp.

(Formerly King's Bay Gold Corporation)

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2018

Expressed in Canadian dollars

(Unaudited – prepared by management)

6. EXPLORATION AND EVALUATION ASSETS - continued

The following schedule shows the property costs for the year ended December 31, 2017 and the three months ended March 31, 2018:

	Lynx Lake	Broadback River	Ninuk Lake	Roberge Claims	Trump Island	Hook Bay of Helena Lake	Total
Balance, December 31, 2016	\$90,394	\$ 14,000	\$ 17,000	\$8,000	\$ -	\$10,000	\$139,394
Additions during the year							
Cash	30,000	-	-	-	14,000	-	44,000
Shares	50,500	-	-	-	38,000	-	88,500
Staking	875	-	-	-	-	-	875
Assays	2,233	-	-	-	578	-	2,811
Drilling	60,478	-	-	-	-	-	60,478
Geological costs	153,228	-	-	-	6,700	-	159,928
Supplies and rentals	32,102	-	-	-	1,098	-	33,200
Travel and accommodation	10,540	-	-	-	4,056	-	14,596
Total additions during the year	339,956	-	-	-	64,432	-	404,388
Balance, December 31, 2017	\$430,350	\$ 14,000	\$ 17,000	\$8,000	\$64,432	\$10,000	\$543,782
Additions during the period							
Assays	2,060	-	-	-	-	-	2,060
Total additions during the period	2,060	-	-	-	-	-	2,060
Balance, March 31, 2018	\$432,410	\$ 14,000	\$ 17,000	\$8,000	\$64,432	\$10,000	\$545,842

King's Bay Resources Corp.
(Formerly King's Bay Gold Corporation)
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2018
Expressed in Canadian dollars
(Unaudited – prepared by management)

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:

As at March 31, 2018, the Company had 48,376,423 (December 31, 2017 – 48,376,423) shares issued and outstanding.

During the year ended December 31, 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.

On July 14, 2017, the Company completed the 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 NFT Private Placement consists 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.

On August 30, 2017, the Company completed the second and final tranche of the NFT Private Placement, consisting of 615,000 Units at a price of \$0.10 per Unit for gross proceeds of \$61,500 and the FT Private Placement, consisting of 200,000 FT Shares at a price of \$0.125 per FT Share for gross proceeds of \$25,000. The NFT Private Placement consists of one common share of the Company and one non-transferable common share purchase warrant. Each Warrant will entitle the holder to purchase one common share of the Company at a price of \$0.15 until August 30, 2019.

On September 18, 2017, the Company completed a non-brokered, private placement of 2,175,000 units (each, a "Unit") at a price of \$0.10 per Unit for gross proceeds of \$217,500. Each Unit consists 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 September 18, 2019.

On October 4, 2017, 300,000 shares were issued at \$0.095 in connection with the Lynx Lake Property Agreement (see Note 6).

On November 29, 2017, 500,000 stock options priced at \$0.075 were exercised for gross proceeds of \$37,500.

On December 1, 2017, 150,000 stock options priced at \$0.075 were exercised for gross proceeds of \$11,250.

King's Bay Resources Corp.
(Formerly King's Bay Gold Corporation)
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2018
Expressed in Canadian dollars
(Unaudited – prepared by management)

7. SHARE CAPITAL - continued

Warrants

A summary of the Company's outstanding warrants as at March 31, 2018 and December 31, 2017 are as follows:

	March 31, 2018		December 31, 2017	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	17,840,300	\$ 0.13	12,550,300	\$ 0.12
Issued	-	-	5,290,000	0.15
Balance, end of period	17,840,300	\$ 0.13	17,840,300	\$ 0.13

The following share purchase warrants were outstanding and exercisable as at December 31, 2017 and 2016:

Expiry Date	Weighted Average Contractual Life (Years)	Exercise Price	March 31, 2018 Number of Warrants	December 31, 2017 Number of Warrants
December 30, 2018	0.75	\$0.12	12,550,300	12,550,300
July 14, 2019	1.29	\$0.15	2,500,000	2,500,000
August 30, 2019	1.42	\$0.15	615,000	615,000
September 18, 2019	1.47	\$0.15	2,175,000	2,175,000
Total Outstanding and exercisable	1.18	\$0.13	17,840,300	17,840,300

There are 33,600 finders' warrants included in the outstanding number of warrants expiring on December 30, 2018.

King's Bay Resources Corp.
(Formerly King's Bay Gold Corporation)
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2018
Expressed in Canadian dollars
(Unaudited – prepared by management)

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 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.

On September 21, 2017, the Company granted 1,325,000 stock options priced at \$0.10, expiring in 5 years. Of the total granted, 825,000 were issued to directors and officers of the Company, 150,000 to an employee of the Company, and 350,000 were granted to the Company’s consultants.

On November 29, 2017, 500,000 stock options priced at \$0.075 were exercised for gross proceeds of \$37,500.

On December 1, 2017, 150,000 stock options priced at \$0.075 were exercised for gross proceeds of \$11,250.

During the year ended December 31, 2017, a total of 550,000 options priced at \$0.075 were cancelled due to the resignation of a director and a consultant during the year.

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 year ended December 31, 2017 and the three months ended March 31, 2018:

	March 31, 2018		December 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	3,541,128	\$ 0.09	2,800,000	\$ 0.075
Cancelled	-	-	(550,000)	0.075
Exercised	-	-	(850,000)	0.09
Granted	-	-	2,141,128	0.113
Balance, end of period	3,541,128	\$ 0.09	3,541,128	\$ 0.09

King's Bay Resources Corp.
(Formerly King's Bay Gold Corporation)
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2018
Expressed in Canadian dollars
(Unaudited – prepared by management)

8. SHARE-BASED PAYMENTS - continued

Options – continued

The following stock options were outstanding and exercisable as at December 31, 2017 March 31, 2018:

Expiry Date	Weighted Average	Exercise Price	March 31, 2018	December 31, 2017
	Contractual Life (Years)		Number of Options	Number of Options
October 27, 2018	0.58	\$0.075	1,600,000	1,600,000
February 2, 2019	0.84	\$0.135	616,128	616,128
September 27, 2022	4.48	\$0.10	1,325,000	1,325,000
Total Outstanding and exercisable	1.88	\$0.09	3,541,128	3,541,128

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:

	March 31, 2018	December 31, 2017
Risk-free interest rate	N/A	0.77 – 1.80%
Expected life in years	N/A	2 – 5 years
Expected volatility	N/A	334 - 397%
Expected dividend yield	N/A	0%
Estimated forfeiture rate	N/A	0%

The Company recorded \$nil (March 31, 2017 - \$232,942) of share-based payments during the three months ended March 31, 2018.

9. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2018 and 2017, the Company incurred the following transactions to officers or directors of the Company or companies with common directors:

	March 31, 2018	March 31, 2017
Key management compensation	\$	\$
Salaries and benefits	15,000	51,000
Total	15,000	51,000

	March 31, 2018	December 31, 2017
Amounts due to related parties	\$	\$
Kevin Bottomley (a)	8,500	8,500
Due to related parties included in accounts payable	8,500	8,500

King's Bay Resources Corp.
(Formerly King's Bay Gold Corporation)
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2018
Expressed in Canadian dollars
(Unaudited – prepared by management)

9. RELATED PARTY TRANSACTIONS - continued

- a) Kevin Bottomley is the President, CEO, and 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.

- (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 March 31, 2018, the Company's shareholders' equity was \$414,868 (December 31, 2017 – \$573,720). 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.

King's Bay Resources Corp.
(Formerly King's Bay Gold Corporation)
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2018
Expressed in Canadian dollars
(Unaudited – prepared by management)

10. FINANCIAL RISK MANAGEMENT - continued

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.

The following is an analysis of the Company's financial assets measured at fair value as at March 31, 2018 and December 31, 2017:

	As at March 31, 2018		
	Level 1	Level 2	Level 3
Cash	\$ 22,322	\$ -	\$ -
Marketable securities	\$ 17	\$ -	\$ -
Total	\$ 22,339	\$ -	\$ -
	As at December 31, 2017		
	Level 1	Level 2	Level 3
Cash	\$ 78,596	\$ -	\$ -
Marketable securities	\$ 4,017	\$ -	\$ -
Total	\$ 82,613	\$ -	\$ -

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 expiring November 30, 2016, and then renewed on December 1, 2016, for an additional twelve months. The agreement was subsequently renewed on December 1, 2017 for a further 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.

King's Bay Resources Corp.
(Formerly King's Bay Gold Corporation)
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2018
Expressed in Canadian dollars
(Unaudited – prepared by management)

12. LIABILITY AND INCOME TAX EFFECT ON FLOW-THROUGH SHARES

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds, less the qualified expenditures made to date, represent the funds received from flow-through share issuances that have not been spent.

On July 14, 2017, the Company issued 530,000 shares on a flow-through basis at \$0.125 per share (see Note 7) for proceeds of \$66,250, and recognized a liability on flow-through shares of \$18,550. At December 31, 2017, the Company has incurred \$66,250 of qualified expenditures and the flow-through proceeds were renounced on December 31, 2017.

On August 30, 2017, the Company issued 200,000 shares on a flow-through basis at \$0.125 per share (see Note 7) for proceeds of \$25,000, and recognized a liability on flow-through shares of \$6,000. At December 31, 2017, the Company has incurred \$25,000 of qualified expenditures and the flow-through proceeds were renounced on December 31, 2017.

	Issued on July 14, 2017	Issued on August 30, 2017	Total
Balance, December 31, 2016	\$ -	\$ -	\$ -
Liability incurred on flow-through shares issued	18,550	6,000	24,550
Settlement of flow-through share liability on incurring expenses	<u>(18,550)</u>	<u>(6,000)</u>	<u>(24,550)</u>
Balance, December 31, 2017	\$ -	\$ -	\$ -