



HINTERLAND METALS INC.

## **HINTERLAND METALS INC.**

### **CONDENSED INTERIM FINANCIAL STATEMENTS**

**Six months ended June 30, 2017**

*The attached condensed interim financial statements have been prepared by the management of Hinterland Metals Inc., and have not been reviewed by an auditor.*

**HINTERLAND METALS INC.**  
**STATEMENT OF FINANCIAL POSITION**  
(Unaudited, in Canadian dollars)

	June 30, 2017	December 31, 2016
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	30,449	78,729
Listed shares	121,125	17,500
Sales tax receivable and other receivables	45,026	44,989
Mining taxes credits receivable	45,485	45,485
Prepaid expenses	1,846	5,536
	243,931	192,239
<b>Non-current</b>		
Exploration and evaluation assets (Note 5)	596,515	573,149
<b>Total assets</b>	<b>840,446</b>	<b>765,388</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	107,072	96,338
<b>Total liabilities</b>	<b>107,072</b>	<b>96,338</b>
<b>EQUITY</b>		
Capital stock (Note 6)	5,469,130	5,469,130
Warrants	68,750	68,750
Contributed surplus	1,211,017	1,152,120
Deficit	(6,015,523)	(6,020,950)
<b>Total equity</b>	<b>733,374</b>	<b>669,050</b>
<b>Total equity and liabilities</b>	<b>840,446</b>	<b>765,388</b>

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

**HINTERLAND METALS INC.**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
(Unaudited, in Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Expenses</b>				
Management and consulting fees	9,900	9,900	19,800	19,800
Investor and shareholder relation expenses	11,823	6,974	20,185	17,528
Professional fees	29,474	8,264	31,182	43,410
Traveling and promotion	3,053	5,267	8,285	6,336
Office expenses	2,197	5,798	7,166	11,866
Exploration	5,672	3,391	6,900	4,629
Stock-based compensation	52,353	-	52,353	20,880
Recovery of bad debt	(3,086)	-	(3,086)	-
Gain on sale of exploration and evaluation assets	(90,524)	-	(116,337)	(68,750)
	20,862	39,594	26,448	55,699
Operating loss	(20,862)	(39,594)	(26,448)	(55,699)
Change in value of listed shares	1,875	12,500	31,875	11,250
<b>Net income (loss) and comprehensive income</b>				
<b>(loss)</b>	<b>(18,987)</b>	<b>(27,094)</b>	<b>5,427</b>	<b>(44,449)</b>
Basic and diluted net loss per share	-	-	-	-
Weighted-average number of common shares	42,269,617	32,924,617	42,269,617	32,924,617

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

**HINTERLAND METALS INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited, in Canadian dollars)

	Number of common shares issued and fully paid	Capital stock \$	Warrants \$	Contributed surplus \$	Deficit \$	Total equity \$
<b>Balance at January 1, 2017</b>	42,269,617	5,469,130	68,750	1,152,120	(6,020,950)	669,050
Net income and comprehensive income	-	-	-	-	5,427	5,427
Stock-based compensation	-	-	-	58,897	-	58,897
<b>Balance at June 30, 2017</b>	<b>42,269,617</b>	<b>5,469,130</b>	<b>68,750</b>	<b>1,211,017</b>	<b>(6,015,523)</b>	<b>733,374</b>
<b>Balance at January 1, 2016</b>	32,924,614	5,146,141	20,800	1,118,336	(5,861,422)	423,855
Net loss and comprehensive loss	-	-	-	-	(44,449)	(44,449)
Stock-based compensation	-	-	-	20,880	-	20,880
<b>Balance at June 30, 2016</b>	<b>32,924,614</b>	<b>5,146,141</b>	<b>20,800</b>	<b>1,139,216</b>	<b>(5,905,871)</b>	<b>400,286</b>

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

**HINTERLAND METALS INC.****STATEMENTS OF CASH FLOW**

(Unaudited, in Canadian dollars)

	Six months ended June 30,	
	2017	2016
	\$	\$
<b>Operating activities</b>		
Net income (loss)	5,427	(44,449)
Items not involving cash		
Stock-based compensation	52,353	20,880
Change in value of listed shares	(31,875)	(11,250)
Gain on sale of exploration and evaluation assets	(116,337)	(68,750)
	(90,432)	(103,569)
Changes in operating assets and liabilities		
Sales tax receivable and other receivables	37,613	(650)
Prepaid expenses	3,690	2,396
Accounts payable and accrued liabilities	(16,557)	36,590
<b>Cash flow from operating activities</b>	<b>(65,686)</b>	<b>(65,233)</b>
<b>Investing activities</b>		
Disposal of listed shares	7,875	-
Acquisition of exploration and evaluation assets	(20,469)	(1,807)
Disposal of exploration and evaluation assets	30,000	50,000
Mining taxes credits cashed	-	1,433
<b>Cash flow from investing activities</b>	<b>17,406</b>	<b>49,626</b>
Net change in cash	(48,280)	(15,607)
Cash, beginning of period	78,729	43,931
<b>Cash, end of period</b>	<b>30,449</b>	<b>28,324</b>
<b>Supplemental disclosure of cash flow information</b>		
Exploration and evaluation assets included in accounts payable and accrued liabilities	32,058	11,103
Stock-based compensation included in exploration and evaluation expenses	6,544	-
Listed shares received as consideration for disposal of exploration and evaluation assets	79,625	18,750

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

# HINTERLAND METALS INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Six months ended June 30, 2017

(Unaudited, in Canadian dollars)

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### 1. GENERAL INFORMATION AND NATURE OF OPERATIONS

Hinterland Metals Inc. (the "Company"), incorporated under the Canada Business Corporations Act, is a junior mining exploration company operating in Canada. The address of registered office is 3081, Third Avenue, Whitehorse, Yukon, Y1A 4Z7. The principal place of business is 1740, chemin Sullivan, suite 1100, Val-d'Or, Québec, J9P 7H1. The Company's shares are listed on the TSX Venture Exchange (the "Exchange") under the symbol HMI.

### 2. GOING CONCERN ASSUMPTION

Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated income nor cash flows from its operations. As at June 30, 2017, the Company has a deficit of \$6,015,523 (\$6,020,950 as at December 31, 2016). These material uncertainties cast a significant doubt regarding the Company's going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

The carrying amounts of assets, liabilities and expenses presented in the financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate.

### 3. BASIS OF PREPARATION

These condensed interim financial statements (the "Financial Statements") have been prepared in accordance with *International Financial reporting Standards* ("IFRS") issued by the *International Accounting Standards Board* ("IASB") and interpretations issued by the *International Financial Reporting Interpretations Committee* ("IFRIC"), including *International Accounting Standard* ("IAS") 34, *Interim Financial Reporting*. The Financial Statements should be read in conjunction with the annual financial statements as at December 31, 2016, which have been prepared in accordance with IFRS. The accounting policies, methods of computation and presentation applied in the Financial Statements are consistent with those of the previous financial year. The Board of Directors has approved the Financial Statements on August 11, 2017.

### 4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

When preparing the Financial Statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in the most recent annual financial statements for the year ended December 31, 2016.

**HINTERLAND METALS INC.****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

Six months ended June 30, 2017

(Unaudited, in Canadian dollars)

**5. EXPLORATION AND EVALUATION ASSETS**

	Mining rights	Exploration and evaluation expenses	Total
	\$	\$	\$
Quebec	148,600	436,955	585,555
New Brunswick	3,420	7,040	10,460
<b>Balance, June 30, 2017</b>	<b>152,020</b>	<b>443,995</b>	<b>596,015</b>

	Mining rights	Exploration and evaluation expenses	Total
	\$	\$	\$
Quebec	140,018	429,211	569,229
New Brunswick	3,420	500	3,920
<b>Balance, December 31, 2016</b>	<b>143,438</b>	<b>429,711</b>	<b>573,149</b>

**Details of exploration and evaluation assets for the three months ended June 30, 2017**

Areas of interest	Quebec	Ontario	New Brunswick	Total
	\$	\$	\$	\$
Balance, January 1, 2017	569,229	-	3,920	573,149
Acquisitions of mining rights:				
Staking and maintenance fees	11,769	27,751	-	39,520
Exploration and evaluation expenses:				
Surface exploration	1,200	-	6,540	7,740
Stock-based compensation	6,544	-	-	6,544
	7,744	-	6,540	14,284
Disposal	(3,187)	(27,751)	-	(30,938)
<b>Balance, June 30, 2017</b>	<b>585,555</b>	<b>-</b>	<b>10,460</b>	<b>596,015</b>

# HINTERLAND METALS INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Six months ended June 30, 2017

(Unaudited, in Canadian dollars)

### 5. EXPLORATION AND EVALUATION ASSETS (CONT'D)

#### Details of exploration and evaluation assets for the three months ended December 31, 2016

Areas of interest	Quebec	New Brunswick	Total
	\$	\$	\$
Balance, January 1, 2016	448,088	-	448,088
Acquisitions of mining rights:			
Staking and maintenance fees	40,820	3,420	44,240
Shares issued to vendors	15,000	-	15,000
	55,820	3,420	59,240
Exploration and evaluation expenses:			
Surface exploration	107,100	500	107,600
Taxes credits	(41,779)	-	(41,779)
	65,321	500	65,821
Net additions for the year	121,141	3,920	125,061
<b>Balance, December 31, 2016</b>	<b>569,229</b>	<b>3,920</b>	<b>573,149</b>

#### a) Chilton Cobalt property

On February 27, 2017, the Company sold a 100% interest in the Chilton Cobalt property to CBLT Inc. ("CBLG") (previously known as Green Swan Capital Corp.) for 150,000 units. Each unit is composed of one share of CBLT and one share purchase warrant exercisable at \$0.10 up to March 3, 2019. The 150,000 shares were valued at \$16,500 (based on the closing price on the day of the Exchange approval). The Company retains a 2% Net Smelter Returns royalty on the property. CBLT may purchase one-half (i.e., 1.0%) of the royalty interest for \$1 million cash.

#### b) Skyfall

In April 2017, the Company staked the Skyfall Gold property located 75 km south of Chapais Quebec in the Urban-Barry Greenstone Belt.

#### c) Gowganda Cobalt property

In March 2017, the Company staked the Gowganda property located 85 km northwest of Cobalt, Ontario. On May 5, 2017, the Company signed an agreement to sell the Gowganda property to CBLT Inc. for \$67,650 cash and 562,500 units valued at \$50,625 (based on the closing price on the day of the Exchange approval). Each unit is composed of one share of CBLT and one share purchase warrant exercisable at \$0.10 up to November 12, 2018. The Company retains a 2% net smelter returns royalty on the property. CBLT may purchase one-half of the royalty interest for \$1 million cash.

#### d) Tak property

On January 11, 2017, the Company sold to Eureka Resources Inc. ("Eureka") its 25% interest in the Tak property located in Yukon for 125,000 shares of Eureka valued at \$12,500.



# HINTERLAND METALS INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Six months ended June 30, 2017

(Unaudited, in Canadian dollars)

### 6. CAPITAL STOCK

#### 6.1 Warrants

Warrants outstanding:

Number of shares to be issued	Exercise price	Expiry date
	\$	
900,000	0.10	May 27, 2018 <sup>(1)</sup>
590,000	0.10	June 13, 2018 <sup>(1)</sup>
7,750,000	0.10	August 17, 2018
920,000	0.10	September 7, 2018
<b>10,160,000</b>		

(1) On May 17, 2016, the Exchange approved a 2 year extension on the warrants that were due to expire on May 27, 2016 and June 13, 2016.

#### 6.2 Broker warrants

Broker warrants outstanding:

Number of shares to be issued	Exercise price	Expiry date
	\$	
343,000	0.05	August 17, 2018
<b>343,000</b>		

#### 6.3 Stock options

The Company's incentive stock option plan (the "Plan") was approved in 2004 and renewed by shareholders on June 13, 2017.

On June 15, 2017, the Company granted 1,800,000 stock options to directors and officers at an exercise price of \$0.05 for five years. These options were granted at an exercise price higher than the closing market value of the shares the day preceding the grant date and vest immediately. Total fair value of these options amounts to \$58,897 as stock-based compensation expense, the offsetting credit being recorded in contributed surplus. The assumptions used include a share price at date of grant of \$0.035, an interest rate without risk of 1.15%, an expected life of the options of 5 years, no expected dividend yield, an estimated volatility of 170.8% and results in a fair value per option of \$0.03272. The underlying expected volatility was determined by reference to historical data of the Company's share on the Exchange over the previous 5 years.

# HINTERLAND METALS INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Six months ended June 30, 2017

(Unaudited, in Canadian dollars)

### 6. CAPITAL STOCK (CONT'D)

A summary of changes in the Company's stock options outstanding and exercisable is presented below:

	Six months ended June 30, 2017		Year ended December 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
<b>Balance – beginning of period</b>	2,000,000	0.05	631,250	0.64
Granted	1,800,000	0.05	2,400,000	0.05
Expired	-	-	(631,250)	0.64
Forfeited	-	-	(400,000)	0.05
<b>Balance – end of period</b>	<b>3,800,000</b>	<b>0.05</b>	<b>2,000,000</b>	<b>0.05</b>

Stock options outstanding and exercisable:

Number of options outstanding and exercisable	Exercise price	Expiry date
	\$	
2,000,000	0.05	March 31, 2021
1,800,000	0.05	June 15, 2022
<b>3,800,000</b>		

### 7. SUBSEQUENT EVENT

On July 2, 2017, the Company entered into a sale and purchase agreement with Australia based Zeus Minerals Corp. ("Zeus") whereby the Company has agreed to sell its 30% interest in the Belleterre property located in the Timiskaming area of Quebec. The consideration is \$21,000 comprised of \$10,500 cash and \$10,500 in fully paid common shares of Zeus calculated using the volume weighted average price of the shares on the Australian Stock Exchange over the 10 trading days prior to the share issuance.