# PACIFIC IMPERIAL MINES INC.

## CONDENSED INTERIM FINANCIAL STATEMENTS

## For the Nine Months Ended March 31, 2018 and 2017

## (Expressed in Canadian Dollars)

## (Unaudited)

## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instruments 51-102, Part 4, subsection 4.3(3)(a) continuous disclosure requirement, if any auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Pacific Imperial Mines Inc. (the "Company") have been prepared by management and approved by the Board of Directors of the Company. These condensed interim financial statements have not been reviewed by the Company's external auditors.

# PACIFIC IMPERIAL MINES INC.

**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Unaudited, Expressed in Canadian dollars)

| | Note | March 31, 2018 $ | June 30, 2017 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | 534,016 | 95,985 |
| GST receivable | | 3,790 | 3,828 |
| Prepaid expenses | | 1,348 | 2,622 |
| | | 539,154 | 102,435 |
| Reclamation deposit | 3 | 7,736 | 7,786 |
| Equipment | 4 | 547 | 705 |
| **Total assets** | | **547,437** | **110,926** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | | 34,734 | 6,243 |
| Due to related parties | 6 | 3,420 | 1,703 |
| Total liabilities | | 38,154 | 7,947 |
| **EQUITY** | | | |
| Share capital | 7 | 4,359,166 | 3,858,839 |
| Contributed surplus | | 2,404,366 | 2,316,594 |
| Deficit | | (6,254,249) | (6,072,453) |
| Total Equity | | 509,283 | 102,980 |
| **Total liabilities and equity** | | **547,437** | **110,926** |

Approved on behalf of the Board of Directors:

***"Roman Shklanka"***
Roman Shklanka,
Director

***"Leo King"***
Leo King,
Director

(The accompanying notes are an integral part of these financial statements)

# PACIFIC IMPERIAL MINES INC.

**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the Three and Nine Months Ended March 31, 2018 and 2017
(Unaudited, Expressed in Canadian dollars)

| | Note | Three months ended March 31, 2018 $ | Three months ended March 31, 2017 $ | Nine months ended March 31, 2018 $ | Nine months ended March 31, 2017 $ |
|---|---|---|---|---|---|
| **Exploration (recovery) costs** | 5 | (1,256) | 15,109 | 35,409 | 169,798 |
| **General and administrative expenses** | | | | | |
| Accounting and audit | | 3,420 | 3,358 | 23,814 | 22,844 |
| Depreciation | 4 | 52 | 75 | 158 | 226 |
| Interest expense | | - | - | - | 51 |
| Legal | | 807 | - | 639 | 5,693 |
| Office and miscellaneous | | 9,632 | 6,168 | 21,740 | 22,748 |
| Share based compensation | 7(c) | 87,772 | - | 87,772 | - |
| Travel and promotion | | 616 | 805 | 9,441 | 11,561 |
| Transfer agent fees | | 1,181 | 944 | 2,823 | 3,100 |
| **Loss before other items** | | 102,224 | 26,459 | 181,796 | 236,021 |
| **Other items** | | | | | |
| Interest income | | (22) | (7) | (50) | (76) |
| Foreign exchange (gain) loss | | (209) | 494 | 50 | 243 |
| **Net loss and comprehensive loss** | | **101,993** | **26,946** | **181,796** | **236,188** |
| **Loss per share, basic and diluted** | | - | - | - | - |
| **Weighted average shares outstanding** | | 58,188,579 | 52,668,968 | 57,778,198 | 49,379,599 |

(The accompanying notes are an integral part of these financial statements)

# PACIFIC IMPERIAL MINES INC.

**CONDENSED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY**

For the Nine Months Ended March 31, 2018 and 2017

(Unaudited, Expressed in Canadian Dollars, except number of shares)

| | Share Capital | | | | |
|---|---|---|---|---|---|
| | **Number of Shares** | **Amount $** | **Contributed Surplus $** | **Deficit $** | **Total** |
| Balance, June 30, 2016 | 41,541,968 | 3,505,311 | 2,316,594 | (5,768,016) | 53,889 |
| Private placement | 10,947,000 | 273,675 | - | - | 273,675 |
| Shares issued for finder's fees | 180,000 | 4,500 | - | - | 4,500 |
| Share issue costs | - | (15,812) | - | - | (15,812) |
| Net loss for the period | - | - | - | (236,188) | (236,188) |
| **Balance, March 31, 2017** | **52,668,968** | **3,767,674** | **2,316,594** | **(6,004,204)** | **80,064** |
| | | | | | |
| Balance, June 30, 2017 | 57,577,468 | 3,858,839 | 2,316,594 | (6,072,453) | 102,980 |
| Private placement | 11,000,000 | 550,000 | | | 550,000 |
| Finder's fees | - | (28,800) | - | - | (28,800) |
| Share issue costs | - | (20,873) | - | - | (20,873) |
| Share based compensation | - | - | 87,772 | - | 87,772 |
| Net loss for the period | - | - | - | (181,796) | (181,796) |
| **Balance, March 31, 2018** | **68,577,468** | **4,359,166** | **2,404,366** | **(6,254,249)** | **509,283** |

(The accompanying notes are an integral part of these financial statements)

# PACIFIC IMPERIAL MINES INC.

**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**

For the Nine Months Ended March 31, 2018 and 2017

(Unaudited in Canadian dollars)

| | Note | Nine months ended March 31 2018 $ | 2017 $ |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Loss for the period | | (181,796) | (236,188) |
| Adjustments for non-cash items: | | | |
| Depreciation | 4 | 158 | 226 |
| Share based compensation | 7(c) | 87,772 | - |
| Unrealized foreign exchange | | 50 | 63 |
| | | (93,816) | (235,899) |
| Changes in non-cash working capital items: | | | |
| Accounts payable and accrued liabilities | | 28,491 | (98) |
| GST receivable | | 38 | (639) |
| Due to related parties | | 1,717 | 1,499 |
| Prepaid expenses | | 1,274 | (21,183) |
| Net cash used in operating activities | | (62,296) | (256,320) |
| **INVESTING ACTIVITIES** | | | |
| Reclamation deposit | 3 | - | (251) |
| Net cash used in investing activities | | - | (251) |
| **FINANCING ACTIVITIES** | | | |
| Issuance of common shares, net of share issue cost | 7(b) | 500,327 | 262,363 |
| Net cash from financing activities | | 500,327 | 262,363 |
| Increase in cash and cash equivalents | | 438,031 | 5,792 |
| Cash and cash equivalents, beginning of period | | 95,985 | 46,304 |
| **Cash and cash equivalents, end of period** | | **534,016** | **52,096** |

| | | | |
|---|---|---|---|
| Supplemental disclosure of cash flow information: | | | |
| Interest paid in cash | | | 51 |
| Income tax paid in cash | | - | - |
| Finder's fees paid | 7(b) | (49,673) | (22,817) |

(The accompanying notes are an integral part of these financial statements)

## 1. Nature of Business and Going Concern

Pacific Imperial Mines Inc. ("the Company") was incorporated under the British Columbia Business Corporations Act on September 18, 1987. The Company's shares are listed on the TSX Venture Exchange. The Company's principal office is located at Suite 1700, 700 West Pender Street, Vancouver, B.C. Canada V6C 1G8. The principal business of the Company is the identification, evaluation and acquisition of mineral properties, as well as exploration of mineral properties once acquired.

These financial statements of the Company have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has experienced losses since its inception amounting to $6,254,249 as of March 31, 2018 (June 30, 2017 - $6,072,453). The ability of the Company to meet its commitments as they become payable is dependent on the ability of the Company to acquire assets or a business or an interest therein, obtain the necessary financing, and develop assets or operations which will generate cash flows, either as a result of their disposal or from ongoing operations. The Company does not currently have assets or a business capable of generating ongoing cash flows. Although the Company has sufficient cash to meet its current administrative costs, there is no assurance that the Company will be successful in making an acquisition or in raising the necessary financing to do so. These conditions along with other matters indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, adverse conditions may cast significant doubt upon the validity of this assumption.

In the event the Company is unable to arrange appropriate financing, the carrying value of the Company's assets could be subject to material adjustment. Furthermore, certain market conditions may cast significant doubt upon the validity of the going concern assumption.

These financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

## 2. Summary of Significant Accounting Policies

(a) Basis of presentation

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Accordingly, they do not include all of the information required for annual financial statements under International Financial Reporting Standards ("IFRS") as issued by the IASB and should be read in conjunction with the Company's audited financial statements for the year ended June 30, 2017. These unaudited condensed interim financial statements have been prepared on a historical cost basis except for certain financial instruments carried at fair value and are presented in Canadian dollars.

These condensed interim financial statements were approved by the Company's Board of Directors on May 28, 2018.

(b) Accounting standards issued but not yet applied

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company intends to adopt these standards when they become effective.

The following pronouncements have been issued, but are not yet effective:

*IFRS 9 - Financial Instruments* - In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013 the standard was revised to add the new general hedge accounting requirements. The standard was finalized in July 2014 and was revised to add a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income ("FVTOCI") category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its financial statements.

*IFRS 15 - Revenue from Contracts with Customers* - On May 28, 2014 the IASB issued IFRS 15, "Revenue from contracts with customers". IFRS 15 will replace IAS 11, "Construction contracts", IAS 18, "Revenue", IFRIC 13, "Customer loyalty programmes", IFRIC 15, "Agreements for the construction of real estate", IFRIC 18, "Transfers of assets from customers" and SIC 31, "Revenue - barter transactions involving advertising services". The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time; or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its financial statements.

*IFRS 16 - Leases* - On January 13, 2016 the IASB issued IFRS 16, "Leases". This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

(Unaudited, Expressed in Canadian Dollars)

IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its financial statements.

## 3. Reclamation Deposit

The Company has posted a deposit with the Department of Natural Resources of the State of Utah ("DNR") as security towards future site restoration work. The deposit was posted in relation to the Keg Mountain Property in Utah. The balance will be fully returned to the Company after site inspection is completed.

## 4. Equipment

| | Cost<br>$ | Accumulated depreciation<br>$ | Net book value<br>$ |
|---|---|---|---|
| June 30, 2017 | | | |
| Computer and software | 6,434 | 5,729 | 705 |
| March 31, 2018 | | | |
| Computer and software | 6,434 | 5,887 | 547 |

## 5. Mineral Interests

Eagle Mountain Property, California

The Company has acquired by staking a 100% interest in the Eagle Mountain Lithium prospect located in Inyo County, California, within 15 kilometers of the Nevada border. The property currently consists of 167 placer claim units, each 20 acres in size, totaling approximately 3,340 acres located in the Alkali Flats area, near Death Valley Junction and covering most of the Eagle Mountain salina.

In connection with the acquisition, the Company entered into a consulting and finder's fee agreement with a private corporation, Gold Exploration Management Inc. (the "Consultant"), to provide mineral exploration project management services. Pursuant to the agreement, the Company agreed to pay a consulting fee at US$600 per day and management fee equal to 10% of the cost of all work programs conducted on the Eagle Mountain properties to be identified by the Consultant (the "Properties"), the management fee will be reduced to 5% for work program costs exceeding US$100,000. In addition, the Company paid $7,583 as finder's fee to the Consultant for Properties identified and staked by the Consultant. Furthermore, the Company has granted the Consultant a 1% net smelter returns royalty on the Properties. During the three and nine months ended March 31, 2018, the Company incurred the following exploration costs:

(Unaudited, Expressed in Canadian Dollars)

| | Three months ended March 31, 2018 $ | Nine months ended March 31, 2018 $ | Accumulated total March 31, 2018 $ |
|---|---|---|---|
| Assays and sampling | (1,256) | (1,256) | 21,079 |
| Field expenses | - | - | 1,065 |
| Finder's fees | - | - | 5,183 |
| Geo-physical consultants | - | - | 33,454 |
| Mineral claims and filing fees | - | 33,546 | 187,564 |
| Office | - | - | 908 |
| Project management fees | - | - | 7,262 |
| Property taxes | - | 3,119 | 3,119 |
| Travel | - | - | 1,065 |
| **Total** | **(1,256)** | **35,409** | **260,699** |

## 6. Related Party Balances and Transactions

During the periods ended March 31, 2018 and 2017, the Company had the following transactions with related parties:

(a) Key management compensation

Key management consists of senior officers and directors of the Company; their compensation is as follows:

| | Three Months ended March 30 | | Nine months ended March 31 | |
|---|---|---|---|---|
| | 2018 $ | 2017 $ | 2018 $ | 2017 $ |
| Consulting fees | 3,420 | 3,358 | 4,314 | 9,844 |
| Share based compensation | 87,772 | - | 87,772 | - |
| **Total** | 91,192 | 3,358 | 92,086 | 9,844 |

(b) Due to related parties

As at March 31, 2018 there was $3,420 (June 30, 2017 - $1,703) owing to officers of the company for consulting fees.

Related party amounts are unsecured, non-interest bearing and due on demand. These transactions are measured by the exchange amount that is the amount agreed upon by the transacting parties and are on terms and conditions similar to non-related entities.

(Unaudited, Expressed in Canadian Dollars)

## 7. Share Capital

(a) Authorized: unlimited common shares without par value

(b) Issued and outstanding:

<u>During the nine months ended March 31, 2018:</u>

In March 2018, the Company completed a non-brokered private placement to issue 11,000,000 units of the Company at $0.05 per unit for gross proceeds of $550,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.075 per common share until March 26, 2020. The Company incurred share issue costs of $49,673 which consisted of $28,000 in finders' fees for the private placement.

<u>During the year ended June 30, 2017</u>

In September 2016, the Company completed a non-brokered private placement to issue 10,947,000 common shares at $0.025 per share for gross proceeds of $273,675. The Company incurred share issue costs of $15,811 which consisted of $11,311 in cash and 180,000 common shares at $0.025 per share for $4,500.

In June 2017, the Company completed a non-brokered private placement to issue 4,800,000 common shares of the Company at $0.02 per share for gross proceeds of $96,000. The Company incurred share issue costs of $7,006 which consisted of $4,836 in cash and 108,500 common shares at $0.02 per share for $2,170.

(c) Options

The Company has adopted a stock option plan whereby the Company can grant stock options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding share capital of the Company from time to time.

The following table summarizes the continuity of the Company's stock options issued and outstanding at March 31, 2018:

| | Number of options | Weighted average exercise price |
|---|---|---|
| Balance, June 30, 2016 | 1,875,000 | $0.07 |
| Expired | (875,000) | $0.10 |
| Balance, June 30, 2017 | 1,000,000 | $0.05 |
| Granted | 1,800,000 | $0.05 |
| Forfeited | (150,000) | $0.05 |
| **Balance, March 31, 2018** | **2,650,000** | **$0.05** |

(Unaudited, Expressed in Canadian Dollars)

The following table summarizes the number of stock options outstanding and exercisable at March 31, 2018:

| | | Options Outstanding | | Options Exercisable | |
|---|---|---|---|---|---|
| **Expiry Date** | **Exercise price** | **Number of options** | **Weighted average remaining contractual life in years** | **Number of options** | **Weighted average remaining contractual life in years** |
| October 10, 2019 | $0.05 | 850,000 | 1.28 | 850,000 | 1.28 |
| February 23, 2023 | $0.05 | 1,800,000 | 4.65 | 1,800,000 | 4.65 |
| | | **2,650,000** | **3.57** | **2,650,000** | **3.57** |

On February 23, 2018 1,800,000 stock options with an exercise price of $0.05 were granted to certain consultants, directors and officers of the Company. Options granted all vest immediately and have a life of five years. The fair value of options granted in the period was $87,772 and estimated using the Black-Scholes option-pricing model. The assumptions used in the pricing model were: an expected life of 5 years; annualized volatility of 199%; a risk free interest rate of 2.04%; and zero expected dividend yield.

For the nine months ended March 31, 2018 the Company recognized a share based compensation expense of $87,772 (2017 - $Nil).

(d) Warrants

The following table summarizes the Company's warrants at March 31, 2018:

| | **Number of warrants** | **Weighted average exercise price** |
|---|---|---|
| Balance, June 30, 2016 and 2017 | 12,700,000 | $0.10 |
| Granted | 6,076,000 | $0.075 |
| **Balance, March 31, 2018** | **18,776,000** | **$0.09** |

(Unaudited, Expressed in Canadian Dollars)

Details of share purchase warrants outstanding at March 31, 2018:

| Expiry Date | Exercise Price | Number of warrants | Weighted average remaining contractual life in years |
|---|---|---|---|
| May 12, 2019 | $0.10 | 12,700,000 | 1.12 |
| March 26, 2020 | $0.075 | 6,076,000 | 1.99 |
| **Balance, March 31, 2018** | **$0.09** | **18,776,000** | **1.40** |

The weighted average exercise price of warrants outstanding and exercisable at March 31, 2018 is $0.09 (June 30, 2017 – $0.10).

Warrants issued on March 26, 2018 are subject to a four-month hold period and may not be exercised until July 27, 2018. The Company may accelerate the expiry date if the common shares of the Company trade at a closing price of greater than $0.15 per common share for a period of 20 consecutive days at any time after four months and one day after the closing date of the private placement.

## 8. Management of Capital

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 protect its ability 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 does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises of equity.

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.

The Company's investment policy is to invest its cash in financial instruments with financial institutions with terms to maturity selected to match expected timing of expenditures from continuing operations.

## 9. Financial Instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company's financial instruments consist of cash, reclamation bonds, accounts payable and amounts due to related parties.

(Unaudited, Expressed in Canadian Dollars)

The following table summarizes information regarding the carrying values of the Company's financial instruments:

| | **March 31, 2018 $** | **June 30, 2017 $** |
|---|---|---|
| Assets as FVTPL (i) | 534,016 | 95,985 |
| Other financial liabilities (ii) | 38,154 | 7,946 |

(i) Cash and cash equivalents
(ii) Accounts payable, accrued liabilities, and amounts due to related parties

*Fair Value*

The estimated fair values of cash, accounts payable and amounts due to related parties approximate their respective carrying values due to their short periods to maturity. For fair value estimates, the Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – Significant unobservable inputs which are supported by little or no market activity.

The following table sets forth the Company's financial assets measured at fair value by level on a recurring basis within the fair value hierarchy:

| | **Level 1 $** | **Level 2 $** | **Level 3 $** | **Total $** |
|---|---|---|---|---|
| March 31, 2018 | | | | |
| Cash | 534,016 | - | - | 534,016 |
| June 30, 2017 | | | | |
| Cash | 95,985 | - | - | 95,985 |

The Company's risk exposures and the related potential impact on the Company's financial instruments are summarized below:

*Credit Risk*

The Company is not exposed to significant credit risk. The Company limits exposure to credit risk by maintaining its cash with financial institutions.

*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 manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

The Company monitors its ability to meet its short-term administrative expenditures by raising additional funds through share issuances when required. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed commercial paper.

*Foreign Exchange Risk*

As at March 31, 2018 the Company has non-financial instrument assets of $7,736 denominated in USD and is not exposed to significant foreign exchange risk. The Company does not actively manage this risk.

*Interest Rate Risk*

The Company is not exposed to significant interest rate risk.