



(Formerly Esrey Energy Ltd.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended March 31, 2018 and 2017

(in Canadian dollars)

(Unaudited)

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

(Unaudited)

March 31, 2018

Table of contents

Notice to reader	3
Condensed consolidated interim statements of financial position	4
Condensed consolidated interim statements of comprehensive loss.....	5
Condensed consolidated interim statements of changes in equity	6
Condensed consolidated interim statements of cash flows	7
Notes to the condensed consolidated interim financial statements.....	8-26

NOTICE TO READER

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

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

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Unaudited condensed consolidated interim statements of financial position

(Expressed in Canadian dollars)

	Note	March 31, 2018	September 30, 2017
ASSETS			
Current assets			
Cash and cash equivalents	12(b)	\$ 3,028,573	\$ 4,222,961
Amounts receivable	6(d)	191,166	160,039
Prepaid expenses and other deposits		58,155	65,156
		3,277,894	4,448,156
Non-current assets			
Construction in progress	5	5,296,609	3,310,084
Stockpile material rights	4(c)	4,969,701	4,969,701
Investment in joint ventures		116,839	117,228
		\$ 13,661,043	\$ 12,845,169
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6(d),13	\$ 1,341,581	\$ 770,818
Loans payable	7	227,600	1,848,747
		1,569,181	2,619,565
Equity			
Share capital	8	116,564,792	115,163,946
Share purchase warrants	8(c)	1,249,485	-
Contributed surplus		13,533,144	13,325,274
Accumulated other comprehensive income		8,010,186	8,036,449
Non-controlling interest	9	(290,517)	(293,966)
Deficit		(126,975,228)	(126,006,099)
		12,091,862	10,225,604
		\$ 13,661,043	\$ 12,845,169

Going concern (Note 2(c))

Commitments (Notes 4(c) and 7(b))

Subsequent events (Notes 17)

Approved and authorized for issue by the Board on May 30, 2018.

(Signed) "Paul Larkin"

Director

(Signed) "Pablo Marcet"

Director

See the accompanying notes to these condensed consolidated interim financial statements.

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Unaudited condensed consolidated interim statements of comprehensive loss
(Expressed in Canadian dollars, except per share amounts)

	Note	Three months ended March 31,		Six months ended March 31,	
		2018	2017	2018	2017
					Restated (Note 10)
Expenses:					
Depreciation		\$ -	\$ 2,461	\$ -	\$ 4,923
General and administrative expenses		90,261	74,450	147,624	154,725
Salaries and management fees		329,605	115,490	617,757	219,065
Legal, audit and accounting fees		53,387	60,507	134,256	93,325
Share-based payments	8(d)	35,303	-	112,154	-
Travel and business development		23,837	19,051	38,658	19,051
		(532,393)	(271,959)	(1,050,449)	(491,089)
Other income (expenses):					
Interest (expense) income		(18)	614	(89)	1,764
Other income		3,230	4,533	6,936	7,829
Loss from investment in joint venture		-	(2,219)	(393)	(2,655)
Foreign exchange gain (loss)		31,896	(68,643)	74,374	231,411
		35,108	(65,715)	80,828	238,349
Loss for the period before income tax		(497,285)	(337,674)	(969,621)	(252,740)
Income tax expense		-	-	-	-
Net loss for the period		\$ (497,285)	\$ (337,674)	\$ (969,621)	\$ (252,740)
Attributable to:					
Non-controlling interest	9	(519)	(5,895)	(492)	(4,788)
Equity shareholders of the Company		(496,766)	(331,779)	(969,129)	(247,952)
		\$ (497,285)	\$ (337,674)	\$ (969,621)	\$ (252,740)
Other comprehensive (loss) income					
Foreign currency translation income attributed to non-controlling interest	9	2,910	(10,923)	3,941	(4,882)
Foreign currency translation loss for equity shareholders of the Company		(15,343)	(58,299)	(26,264)	(161,940)
		\$ (509,718)	\$ (406,896)	\$ (991,944)	\$ (419,562)
Loss per share					
Basic and diluted attributable to equity shareholders of the Company	11	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

See the accompanying notes to the unaudited condensed consolidated interim financial statements.

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Unaudited condensed consolidated interim statements of changes in equity

(Expressed in Canadian dollars, except for share amounts)

	Note	Number of shares	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive (loss) income	Non-controlling interest	Deficit	Total equity
Balance, September 30, 2016									
(Restated)	10	39,762,771	\$ 110,392,414	\$ -	\$ 13,082,340	\$ 8,207,526	\$ (161,575)	\$ (121,893,597)	\$ 9,627,108
Net loss for the period		-	-	-	-	-	(4,788)	(247,952)	(252,740)
Foreign currency translation		-	-	-	-	(161,940)	(4,882)	-	(166,822)
Balance, March 31, 2017									
(Restated)	10	39,762,771	\$ 110,392,414	\$ -	\$ 13,082,340	\$ 8,045,586	\$ (171,245)	\$ (122,141,549)	\$ 9,207,546
Acquisition of Power Zinc	4, 8(b)	39,762,769	4,771,532	-	-	-	-	-	4,771,532
Share-based payments	8(d)	-	-	-	242,934	-	-	-	242,934
Net loss for the period		-	-	-	-	-	(115,007)	(3,864,550)	(3,979,557)
Foreign currency translation		-	-	-	-	(9,137)	(7,714)	-	(16,851)
Balance, September 30, 2017									
		79,525,540	\$ 115,163,946	\$ -	\$ 13,325,274	\$ 8,036,449	\$ (293,966)	\$ (126,006,099)	\$ 10,225,604
Share-based payments	8(d)	-	-	-	270,214	-	-	-	270,214
Options exercised	8(d)	496,666	124,428	-	(62,345)	-	-	-	62,083
Private placement - Tranche 1	8(b),8(c)	12,725,000	1,286,068	1,258,932	-	-	-	-	2,545,000
Private placement-issuance cost		-	(9,650)	(9,447)	-	-	-	-	(19,097)
Net loss for the period		-	-	-	-	-	(492)	(969,129)	(969,621)
Foreign currency translation		-	-	-	-	(26,263)	3,941	-	(22,322)
Balance, March 31, 2018									
		92,747,206	\$ 116,564,792	\$ 1,249,485	\$ 13,533,143	\$ 8,010,186	\$ (290,517)	\$ (126,975,228)	\$ 12,091,862

See the accompanying notes to the unaudited condensed consolidated interim financial statements.

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Unaudited condensed consolidated interim statements of cash flows
(Expressed in Canadian dollars)

	Note	Three months ended March 31,		Six months ended March 31,	
		2018	2017	2018	2017
Operating activities					
Loss before income taxes		\$ (497,284)	\$ (337,674)	\$ (969,621)	\$ (252,740)
Adjustments to net loss for non-cash items					
Depreciation		-	2,461	-	4,923
Share-based payments	8(d)	35,303	-	112,154	-
Interest (expense) income		18	(614)	89	(1,764)
Miscellaneous income		-	-	(8,261)	-
Foreign exchange gain		(31,896)	68,643	(74,374)	(231,411)
Net changes in non-cash working capital items	12	206,111	(102,136)	183,748	(98,755)
		(287,748)	(367,101)	(755,872)	(577,092)
Adjustments to net loss for cash items					
Interest income received		(21)	614	657	1,764
Taxes paid		-	(3,747)	-	(3,747)
Realized foreign exchange loss (gain)		1,333	(1,059)	44,214	(2,727)
		(286,436)	(371,293)	(711,001)	(581,802)
Financing activities:					
Proceeds from exercise of stock options		62,083	-	62,083	-
Proceeds from private placement	8(b)	2,545,000	-	2,545,000	-
Share issue costs		(1,654)	-	(1,654)	-
Loan repayment	7(b)	(26,318)	-	(1,654,958)	-
		2,579,111	-	950,471	-
Investing activities:					
Construction in progress	5, 14	(397,031)	-	(1,374,969)	-
		(397,031)	-	(1,374,969)	-
Foreign exchange effect on cash and cash equivalents		2,783	(119,972)	(58,889)	34,761
Net increase (decrease) in cash and cash equivalents		1,898,427	(491,265)	(1,194,388)	(547,041)
Cash and cash equivalents, beginning of period		1,130,146	6,873,042	4,222,961	6,928,818
Cash and cash equivalents, end of period		\$ 3,028,573	\$ 6,381,777	\$ 3,028,573	\$ 6,381,777

See the accompanying notes to the unaudited condensed consolidated interim financial statements.

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Notes to the unaudited condensed consolidated interim financial statements
(Expressed in Canadian dollars)

1. Nature of operations

Esrey Resources Ltd. (the "Company" or "Esrey") was incorporated on February 24, 2000 in the Province of British Columbia, Canada and changed its name from Esrey Energy Ltd. to Esrey Resources Ltd. on October 16, 2017. The Company's common shares trade under the symbol "ESR" on the TSX Venture Exchange.

The Company was previously engaged in activities related to its oil and gas properties in Papua New Guinea. On July 21, 2017, the Company acquired the rights to take delivery of zinc stockpile material located in Kosovo (Note 4) and is currently focusing on developing processes to efficiently produce zinc and other metals from this and other third party sources.

The address of Esrey's registered office is Suite 250, 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9.

2. Basis of presentation and going concern

(a) *Statement of compliance*

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Standards Interpretations Committee. They have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Company's consolidated financial statements for the year ended September 30, 2017.

The significant accounting policies applied in these financial statements are based on IFRS issued and outstanding policies as of May 30, 2018, the date the Board of Directors approved the financial statements.

(b) *Basis of measurement*

These unaudited condensed consolidated interim financial statements have been prepared on an historical cost basis, and are presented in Canadian dollars, unless otherwise indicated.

The preparation of financial statements in accordance with IFRS requires management to make certain critical accounting estimates and exercise judgment in applying the Company's accounting policies. As a precise determination of many assets and liabilities is dependent upon future events, the preparation of consolidated financial statements for a period involves the use of estimates, which have been made using careful judgment. Actual results may differ from these estimates. The areas involving a higher degree of judgment, complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 of the Company's audited consolidated financial statements for the year ended September 30, 2017.

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Notes to the unaudited condensed consolidated interim financial statements
(Expressed in Canadian dollars)

2. Basis of presentation and going concern (continued)

(c) *Going concern*

These unaudited condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes 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 Company's oil and gas properties in Papua New Guinea have been in the exploration stage and have generated no revenues to date. Due to the ongoing slump in the global oil and gas market, the Company decided in 2016 not to allocate significant resources to these properties until conditions improve sufficiently. If conditions improve sufficiently, the Company will require significant amounts of capital in order to carry out any meaningful activities in Papua New Guinea, including to determine whether commercially economical reserves exist and, if commercially economical reserves exist, to further develop the concessions.

There can be no assurance that funding will be available to the Company when needed or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may not be able to further develop its exploration and evaluation projects. Even if adequate funds are available, there is no guarantee that the Company will meet the work commitments dictated by the terms of the concessions. If the Company does not meet the work commitments dictated by the terms of a concession, and is not able to obtain a variation or extension, the Company risks losing the concession. During the year ended September 30, 2017, the Company unsuccessfully sought alternatives such as farm-out arrangements or the sale of properties in order to generate cash from these properties.

On July 21, 2017, the Company acquired the rights to take delivery of zinc material stockpiles located in Kosovo (Note 4) with a view to develop processes to efficiently produce zinc and other metals from this stockpile and other third party sources. During the three months ended March 31, 2018, the Company commissioned a pilot plant in Macedonia which it is currently using to test and recover zinc and other metals from feed stock located in Macedonia and other Balkan countries. To process such feed stocks commercially, the Company plans to construct a modular zinc recovery plant. The Company has commenced a study to evaluate options and potential capital costs. The Company will require significant amounts of capital in order to build the plant and achieve commercial production.

There can be no assurance that funding will be available to the Company when needed or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may not be able to develop its zinc operations and achieve commercial production. Even if adequate funds are available, there is no guarantee that the Company will achieve commercial production to generate future cash flows. Although the Company raised gross proceeds of \$3,999,000 in two tranches of a private placement that closed on March 29, 2018 (Note 8(b)) and April 10, 2018 (Note 17), the Company still does not have sufficient funds to fully develop its zinc operations and material uncertainties exist with respect to the recovery of costs previously spent on capital projects and the ability to achieve commercial production. As a result, material uncertainties exist that may cast significant doubt with respect to the Company's ability to continue as a going concern.

Management believes the use of the going concern assumption is appropriate based upon the assumption that the Company will have sufficient cash resources to meet its ongoing obligations as they become due in the normal course of operations. The Company has successfully raised financing in the past and believes that it may be able to raise the necessary financing in the future.

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Notes to the unaudited condensed consolidated interim financial statements
(Expressed in Canadian dollars)

2. Basis of presentation and going concern (continued)

(c) *Going concern* (continued)

These unaudited condensed consolidated interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Therefore, the Company may be required to realize its assets and discharge its liabilities in other than the normal course of business at amounts different from those reflected in the consolidated financial statements.

3. Significant accounting policies

The preparation of these unaudited condensed consolidated interim financial statements is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements for the year ended September 30, 2017, amended, where applicable, by the adoption of the new amended accounting standards outlined below. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2017.

(a) *Application of new and revised IFRS*

Effective October 1, 2017, there were no material new or revised IFRS that were issued by the IASB that were adopted by the Company.

(b) *Future accounting pronouncements*

Certain pronouncements have been issued by the IASB that are mandatory for the Company for accounting years beginning after October 1, 2017 or later years as discussed below.

Accounting standards issued but not yet effective:

- (i) *Amended standard IFRS 2, Share-based Payments*
The amendments to IFRS 2 intend to eliminate diversity in practice related to the classification and measurement of share-based payment transactions. Effective for annual periods on or after January 1, 2018.
- (ii) *Amended standard IFRS 7, Financial Instruments: Disclosures*
The amendments to IFRS 7 outline the disclosures required when initially applying IFRS 9 *Financial Instruments*. Effective for annual periods on or after January 1, 2018.
- (iii) *New standard IFRS 9, Financial Instruments*
This new standard is a replacement of IAS 39 *Financial Instruments: Recognition and Measurement*. Effective for annual periods on or after January 1, 2018.
- (iv) *New standard IFRS 15, Revenue from Contracts with Customers*
IFRS 15 provides guidance on how and when revenue from contracts with customers is to be recognized, along with new disclosure requirements in order to provide financial statement users with more informative and relevant information. Effective for annual periods on or after January 1, 2018.

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Notes to the unaudited condensed consolidated interim financial statements
(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(b) Future accounting pronouncements (continued)

(v) New standard IFRS 16, Leases

IFRS 16 replaces existing lease accounting guidance. All leases will be required to be reported on the statement of financial position unless certain requirements for exclusion are met. Effective for annual periods commencing on or after January 1, 2019.

The Company has not early adopted these new and amended standards and is currently assessing the impact that these standards will have on the financial statements.

4. Asset acquisition

On July 21, 2017, the Company completed the acquisition of 100% of the shares of Power Zinc, a majority-owned subsidiary of PRG Plc. ("PRG"), a private Malta company at arm's length to the Company and its directors and officers at the time of the transaction (the "Acquisition"). As a result of the Acquisition, one of the principals and major shareholders of PRG became a director and a 10.2% shareholder of the Company on July 21, 2017.

The principal assets of Power Zinc included the contractual rights to the zinc Milosheve Stockpile Material (the "MSM") located in Kosovo (Note 4(c)) and the construction in progress of a pilot metal recovery plant located in Macedonia (Note 5). As part of the arrangement with PRG, the Company agreed with PRG that subsequent to the acquisition of Power Zinc, PRG would be contracted to complete the construction of the pilot metal recovery plant already under construction at a total pre-commissioning construction cost of US\$2,500,000 (\$3,120,000) which cost was recorded at September 30, 2017.

(a) Total consideration for the acquisition of Power Zinc was comprised of the following:

Esrey common shares issued (39,762,769) ⁽¹⁾	\$	4,771,532
Cash ⁽²⁾		627,450
Acquisition related costs		198,169
Total consideration	\$	5,597,151

(1) As consideration for the shares of Power Zinc, the Company issued a total of 39,762,769 shares, which shares were broadly distributed to the approximately 100 shareholders of PRG. On completion of the Acquisition, the Company had 79,525,540 shares issued and outstanding. On July 21, 2017, the closing price of Esrey's common shares on the TSX Venture Exchange was \$0.12.

(2) The Company made a cash payment to PRG of US\$500,000 (\$627,450) in April 2017 as part of a verbal agreement to advance cash to PRG to fund the construction of the pilot metal recovery plant prior to the Company's acquisition of Power Zinc. This amount has been included in construction in progress in the statement of cash flows.

(b) The Company concluded that the acquired assets and liabilities did not constitute a business and accordingly the acquisition was accounted for as an asset acquisition. The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Notes to the unaudited condensed consolidated interim financial statements
(Expressed in Canadian dollars)

4. Asset acquisition (continued)

Construction in progress (Note 5)	\$	1,908,970
Stockpile material rights (Note 4(c))		4,969,701
Other current assets ⁽¹⁾		356,125
Short-term promissory note (Note 7(b))		(1,637,645)
Total identifiable net assets acquired	\$	5,597,151

(1) Other current assets at the date of the Acquisition represents cash of Power Zinc held on its behalf by its parent PRG and recorded as a related party receivable. Prior to the acquisition of Power Zinc by the Company, Power Zinc did not have a bank account. Monies advanced to Power Zinc under the terms of the short-term promissory note (Note 7(b)) were paid to PRG.

(c) The stockpile material rights are contractual rights to the delivery of the zinc MSM to the Company for processing or for other uses, including the sale to outside third parties. The rights have no term. At the time of delivery of any portion of the stockpile to a location specified by the Company, the Company is required to pay the owner of the stockpile material a fixed price of US\$60 per tonne delivered. As at March 31, 2018, the Company had not had any MSM material delivered to the Company.

The MSM is contained in a storage area located near the village of Milosheve, approximately eight kilometers north of Pristina, Kosovo. The MSM originated from stockpile dumps related to zinc processing activities in the Kosovo area. The MSM has been separated into two stockpiles, the large one covering approximately 9,000m² and 1,000m², for a total area of one hectare. The average height of the stockpiled material is approximately 2.5m. The estimated total volume of the stockpile material is approximately 25,000m³. Based on stockpile volume calculations and sampling results, the Company estimates an exploration target of between 100,000 and 120,000 tonnes at a zinc grade ranging between 22% and 24%. The potential tonnages and grades are conceptual in nature. There has been insufficient exploration to define a current mineral resource and it is uncertain if further exploration will result in the MSM being delineated as a mineral resource. Laboratory testing to date indicate that commercial recovery of zinc using acid leaching is potentially viable.

5. Construction in progress

During the quarter ended March 31, 2018, the Company completed the commissioning of a pilot metal recovery plant which could have a potential throughput of 1,800 tonnes per annum. The pilot metal recovery plant, which included a Company-owned laboratory to test plant samples, had been substantially constructed by September 30, 2017 by PRG Plc., whose principal is a director and shareholder of the Company, at a cost of US\$2,500,000 (Cdn.\$3,120,000) (Note 4), which cost was recorded at September 30, 2017. During the six months ended March 31, 2017, the Company incurred \$1,828,465 in costs related to the commissioning of the pilot metal recovery plant. These costs have been included in construction in progress. In addition, the Company also recorded \$158,060 in construction in progress during the six months ended March 31, 2018 (year ended September 30, 2017 – \$190,084) relating to the value of stock options granted in August 2017 (Note 8(d)) to consultants who are involved in the construction and commissioning of the pilot metal recovery plant and laboratory facilities.

The Company is using the pilot metal recovery plant to test and recover zinc and other materials from feed stock located in Macedonia and other Balkan countries. To process such feed stocks commercially, the Company plans to construct a modular zinc recovery plant. At this time, the Company has commenced a study to evaluate options and potential capital costs.

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Notes to the unaudited condensed consolidated interim financial statements
(Expressed in Canadian dollars)

6. Subsidiaries and joint venture

(a) Subsidiaries

Name of subsidiary	Principal activity	Place of incorporation and operation ⁽¹⁾	Proportion of ownership interest and voting power held at	
			March 31, 2018	September 30, 2017
LNG Energy (BC) Ltd. ("LNG BC")	Holding Company	BC	100%	100%
LNG Exploration Ltd. ("LNG Exploration")	Holding Company	BC	100%	100%
LNG Energy (PNG) Limited ("LNG PNG")	Operating Company	PNG	100%	100%
LNG Energy No. 2 Limited ("LNG No. 2")	Operating Company	PNG	100%	100%
Basin Tishomingo Holdings Inc. ("BTH")	Holding Company	Delaware	100%	100%
EERL (BVI) Ltd. ("EERL BVI")	Holding Company	BVI	100%	100%
Evolution Petroleum Corporation ("EPC")	Holding Company	BVI	100%	100%
Esrey Zinc Holdings Ltd. ("EZH")	Holding Company	Barbados	100%	100%
Esrey Zinc Sales Ltd. ("EZX")	Holding Company	Barbados	100%	100%
Power Zinc Limited ("Power Zinc")	Operating Company	Malta	100%	100%
Esrey Zinc Macedonia DOOEL ("EZM")	Operating Company	Macedonia	100%	0%
Power Zinc LLC ("PZL")	Operating Company	Kosovo	100%	0%
Telemu No. 18 Limited ("Telemu")	Operating Company	PNG	84.25% ⁽²⁾	84.25% ⁽²⁾

(1) The following abbreviations have been used: British Columbia ("BC"), Papua New Guinea ("PNG"), British Virgin Islands ("BVI").

(2) The Company has a direct 68.5% ownership interest and holds an additional 15.75% through its interest in EERL Holdings (BVI) Ltd.

(b) Joint ventures

Name of joint venture	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held on	
			December 31, 2017	September 30, 2016
EERL Holdings (BVI) Ltd. ("EERL Holdings") (Note 6(c))	Holding Company	BVI	50%	50%

(c) EERL Holdings (BVI) Ltd.

As at March 31, 2018, the Company holds a 50% interest in EERL Holdings. The remaining 50% ownership is owned by a third party. EERL Holdings owns 31.5% of Telemu. As at March 31, 2018, the investment in EERL Holdings is \$116,839 (September 30, 2017 – \$117,228).

(d) Included in accounts receivable as at March 31, 2018 and September 30, 2017 is US\$100,000 (March 31, 2018 - \$128,940; September 30, 2017 - \$124,800) from EERL Holdings. The amount is non-interest bearing and has no fixed date of repayment.

Included in accounts payable and accrued liabilities as at March 31, 2018 and September 30, 2017 is US\$126,000 (March 31, 2018 - \$162,464; September 31, 2017 - \$157,248) payable from Telemu to EERL Holdings. The amount is non-interest bearing and has no fixed date of repayment.

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Notes to the unaudited condensed consolidated interim financial statements
(Expressed in Canadian dollars)

7. Loans payable

(a) Loan

As at March 31, 2018, the Company's subsidiary, Telemu, has a loan payable due to EERL Holdings of \$227,600 (September 30, 2017 - \$220,107). The loan is denominated in US dollars (March 31, 2018 and September 30, 2017 – US\$176,400), is non-interest bearing and has no fixed date of repayment.

(b) Promissory Note

On June 25, 2017, prior to the acquisition by Esrey (Note 4), Power Zinc entered into a short-term unsecured promissory note payable totaling up to US\$1,500,000 with Eiger Holding AG ("Eiger"), a private Swiss company at arm's length to PRG, Power Zinc and its directors and officers. Amounts outstanding under the promissory note were guaranteed by PRG, were non-interest bearing, and were repayable by Power Zinc by October 20, 2017. The outstanding balance of the promissory note on September 30, 2017 was US\$1,305,000 (\$1,628,640 at September 30, 2017). On November 7, 2017, the Company repaid Eiger US\$1,305,000 (\$1,668,442).

As part of the terms of the promissory note, Power Zinc entered into an exclusive sales and marketing agreement with Eiger which binds Power Zinc to appointing Eiger as the exclusive sales and marketing agent for all metal production from the MSM or metal production arising from the application of existing zinc refinery design, build, and commissioning engineering created by Power Zinc (the "Application of Engineering Technology"). Compensation to Eiger shall be a gross sales revenue percentage of 3% on all zinc products and 40% on all other products from the MSM, and 1% on all zinc products and 10% on all other products from projects or operations where the Application of Engineering Technology is employed.

8. Share capital

(a) Authorized

Unlimited number of common shares with no par value.

(b) Issuance of shares

Private Placement

On March 29, 2018, the company closed the first tranche of a non-brokered private placement pursuant to which it issued 12,725,000 units at a price of \$0.20 per unit for gross proceeds of \$2,545,000. Each unit consists of one common share and one share purchase warrant. Each warrant gives the holder the right to acquire a further common share of the Company at a price of \$0.40 for a term of five years. The securities issued are subject to a hold period expiring July 30, 2018. On April 10, 2018, the Company closed the second and final tranche of the non-brokered private placement (Note 17).

Acquisition of Power Zinc

On July 21, 2017, the Company completed the acquisition of 100% of the shares of Power Zinc, a majority-owned subsidiary of PRG Plc. (Note 4). As consideration for the shares of Power Zinc, the Company issued a total of 39,762,769 shares recorded at the then quoted market price of \$0.12 per share, which shares were broadly distributed to the approximately 100 shareholders of PRG. On completion of the acquisition, the Company had 79,525,540 shares issued and outstanding.

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Notes to the unaudited condensed consolidated interim financial statements
(Expressed in Canadian dollars)

8. Share capital (continued)

(c) Share purchase warrants

The following warrants are outstanding as at March 31, 2018 and as at September 30, 2017:

	Number of warrants	Exercise price	Expiry date
Balance, September 30, 2017	-		
Private Placement - March 29, 2018	12,725,000	\$0.40	March 29, 2023
Balance, March 31, 2018	12,725,000	\$0.40	

In connection with the March 29, 2018 private placement of units (Note 8(b)), 12,725,000 warrants were issued. Each warrant gives the holder the right to acquire a further common share of the Company at a price of \$0.40 for a term of five years. The expiry of the Warrants may however be accelerated at the election of the Company in circumstances where, at any time following 4 months from the issuance of the Warrants, the closing price of the Company's shares on the TSX Venture Exchange is equal to or greater than \$0.75 for 20 consecutive trading days. In such case, the Company may give notice to the holders of the Warrants that the Warrants will expire 30 days following such notice.

(d) Share options

The changes in share options during the six months ended March 31, 2018 and year ended September 30, 2017 were as follows:

	March 31, 2018		September 30, 2017	
	Number of Options	Average Exercise Price	Number of Options	Average Exercise Price
Balance, beginning of the period	7,099,500	\$0.11	2,983,000	\$0.10
Granted	640,000	\$0.15	4,183,000	\$0.125
Exercised	(496,666)	\$0.125	-	-
Forfeited	(1,018,334)	\$0.16	(66,500)	\$0.10
Balance, end of the period	6,224,500	\$0.12	7,099,500	\$0.11

On March 1, 2018, the Company granted 50,000 stock options to an employee of the Company exercisable at \$0.24 per share and expiring on March 1, 2023. One-third of these options vested immediately, one-third will vest on September 1, 2018, and one-third will vest on March 1, 2019.

On October 5, 2017, the Company granted 590,000 stock options to a director and a consultant of the Company exercisable at \$0.15 per share and expiring on October 5, 2022. One-third of these options vested immediately, one-third vested on April 5, 2018, and one-third will vest on October 5, 2018.

Share-based payments associated with these options for the six months ended March 31, 2018 was \$270,214 (September 30, 2017 - \$242,934), of which \$158,060 was capitalized to construction in progress (September 30, 2017 - \$190,084) (Note 5).

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Notes to the unaudited condensed consolidated interim financial statements
(Expressed in Canadian dollars)

8. Share capital (continued)

(d) Share options (continued)

The fair value of the options granted is estimated at the time of the grant using the Black-Scholes option pricing model with the following assumptions:

	October 5, 2017	March 1, 2018
Exercise price per option	\$0.15	\$0.24
Share price at date of grant	\$0.15	\$0.24
Expected life	5 years	5 years
Risk-free interest rate	1.75%	1.99%
Dividend yield	Nil	Nil
Expected volatility	211.94%	212.92%
Estimated fair value per option	\$0.15	\$0.24

During the six months ended March 31, 2018, 496,666 options were exercised at a price of \$0.125 and 220,000, 550,000 and 248,334 stock options were forfeited at an exercise price of \$0.12, \$0.095 and \$0.125 respectively.

The following table summarizes information about outstanding and exercisable options at March 31, 2018.

Options outstanding	Options exercisable	Exercise price	Expiry date
639,500	639,500	\$0.12	January 8, 2019
1,507,000	1,507,000	\$0.095	April 2, 2020
3,438,000	2,292,000	\$0.125	August 9, 2022
590,000	196,666	\$0.15	October 5, 2022
50,000	16,666	\$0.24	March 1, 2023
6,224,500	4,651,832		

The weighted average exercise price of options exercisable at March 31, 2018 is \$0.12 per share (September 30, 2017 - \$0.11 per share). The weighted average remaining life of exercisable options is 3.11 years (September 30, 2017 – 3.02 years).

9. Non-controlling interest

The Company has an 84.25% interest in Telemu, an oil and gas company incorporated and operating in PNG. 15.75% of Telemu's equity and total comprehensive loss is allocated to the non-controlling interest using the indirect method. The non-controlling interest is comprised of the following amounts:

Balance, September 30, 2016	\$	(161,575)
Non-controlling interests' share of Telemu's loss		(119,795)
Foreign exchange translation		(12,596)
Balance, September 30, 2017	\$	(293,966)
Non-controlling interests' share of Telemu's loss		(492)
Foreign exchange translation		3,941
Balance, March 31, 2018	\$	(290,517)

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Notes to the unaudited condensed consolidated interim financial statements
(Expressed in Canadian dollars)

10. Restatement of prior period amounts

In 2014, the Company made the decision to exit its operations in Poland which were held through its subsidiary, Kaynes Capital S.a.r.l. ("Kaynes") as its Wegrow concession expired in 2014. In 2015, the Company withdrew from its Polish investment in Saponis which held the Slupsk concession, and together with its joint venture partner San Leon Energy Plc, the Company relinquished the Ilawa concession. During 2016, the Company dissolved Kaynes.

In 2015, the Company relinquished its oil and gas leases in the USA. During 2016, the Company dissolved a number of its USA subsidiaries including LNG Energy US Inc., BWB Exploration LLC, and Evolution Oil Group LLC.

As described in Note 4(h) of the Company's consolidated financial statements for the year ended September 30, 2017, the Company considers the disposal of an entity for accounting for the related other comprehensive income (OCI) to be when the oil and gas activities have substantively ceased, the operations are inactive, and there are no immediate plans to recommence activities.

During the preparation of the consolidated financial statements for the year ended September 30, 2017, the Company determined that the corresponding foreign currency translation amounts related to the entities noted above had not been removed from OCI and recognized as a realized foreign exchange gain or loss in net loss in the consolidated statements of loss for the years ended September 30, 2014 and September 30, 2015. Accordingly, the Company recorded the following amounts to restate accumulated other comprehensive income (loss) and deficit as at September 30, 2015 in these consolidated financial statements:

	Accumulated other comprehensive income (loss)		Deficit	
Poland	\$	2,862,364	\$	(2,862,364)
U.S.A.		(2,412,175)		2,412,175
	\$	450,189	\$	(450,189)

The effect of the restatement on the consolidated statements of financial position as at September 30, 2015 and September 30, 2016 is as follows:

	September 30, 2016			September 30, 2015		
	As reported	Adjustment	Restated	As reported	Adjustment	Restated
Accumulated other comprehensive income	\$ 7,757,337	\$ 450,189	\$ 8,207,526	\$ 7,959,259	\$ 450,189	\$ 8,409,448
Deficit	(121,443,408)	(450,189)	(121,893,597)	(120,077,257)	(450,189)	(120,527,446)

For the six months ended March 31, 2017, the Company incorrectly reported a net loss of \$2,561,924. As a result of the matter discussed above, the Company has restated its results by \$2,309,184 to now present a net loss of \$252,740 for the period.

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Notes to the unaudited condensed consolidated interim financial statements
(Expressed in Canadian dollars)

11. Loss per share

The weighted average number of ordinary shares for the purposes of diluted (loss) income per share reconciles to the weighted average number of ordinary shares used in the calculation of basic (loss) income per share as follows:

	Three months ended March 31,		Six months ended March 31,	
	2018	2017	2018	2017
Weighted average number of ordinary shares	79,961,419	39,762,771	79,743,480	39,762,771
Effect of dilutive securities				
Stock options	2,600,091	167,335	2,321,072	77,937
Diluted weighted average number of ordinary shares	82,561,510	39,930,106	82,064,552	39,840,708
Loss attributable to equity shareholders	(423,985)	(331,779)	\$ (896,348)	\$ (247,952)
Loss per share - basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

As at March 31, 2018, the Company had 2,330,760 (September 30, 2017 – 4,034,251) potential ordinary shares that are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted loss per share.

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding.

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Notes to the unaudited condensed consolidated interim financial statements
(Expressed in Canadian dollars)

12. Supplemental cash flow disclosure

(a) The following tables provide further information with regards to the changes in non-cash working capital disclosed in the statement of cash flows:

	Three months ended March 31,		Six months ended March 31,	
	2018	2017	2018	2017
Amounts receivable and GST recoverable	\$ (12,719)	\$ 29,851	\$ (12,432)	\$ 43,951
Prepaid expenses and other deposits	2,719	(51,316)	8,156	(43,658)
Accounts payable and accrued liabilities	216,111	(80,671)	188,024	(99,048)
Net changes in non-cash working capital items	\$ 206,111	\$ (102,136)	\$ 183,748	\$ (98,755)
Relating to:				
Operating activities	206,111	(102,136)	183,748	(98,755)
Investing activities	-	-	-	-
Net changes in non-cash working capital items	\$ 206,111	\$ (102,136)	\$ 183,748	\$ (98,755)

(b) At March 31, 2018, the Company had cash of \$3,028,573 (September 30, 2017 – \$1,009,327) and cash equivalents of \$nil (September 30, 2017 – \$3,213,634).

(c) Other non-cash transactions that occurred during the three and six months ended March 31, 2018 are disclosed in Notes 6(c), 6(d) and 13(a)(i).

13. Related party transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Balances and transactions between the Company and its joint ventures are disclosed in Note 6. Details of the transactions between the Company and other related parties are disclosed below.

(a) Trading transactions

During the six months ended March 31, 2018 and 2017, the Company's related parties consisted of (a) private companies owned by executive officers and directors and (b) a private company owned by a family member of one of the Company's directors, as follows:

	Nature of transactions
TRG Resources Ltd.	Management
Jazz Financial Ltd.	Management
Maluti Services Limited	Management
	General and administrative, and travel and business development
PRG Plc.	Construction of pilot metal recovery plant
Pangea Management Corp.	Consulting

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Notes to the unaudited condensed consolidated interim financial statements
(Expressed in Canadian dollars)

13. Related party transactions (continued)

(a) Trading transactions (continued)

The Company incurred the following fees and expenses in the normal course of operations in connection with companies owned by key management and directors and their relatives.

	Note	Three months ended March 31,		Six months ended March 31,	
		2018	2017	2018	2017
Management fees		\$ 83,149	\$ 39,703	217,730	79,609
General and administrative expenses		6,677	15,178	12,870	28,860
Travel and business development		23,837	11,638	38,658	11,638
Consulting fees		6,000	6,000	12,000	12,000
Construction of pilot metal recovery plant (Notes 4 and 5)	(i)	696,444	-	1,412,130	-

- (i) As disclosed in Notes 4 and 5, as part of the arrangement with PRG, the Company agreed with PRG that subsequent to the acquisition of Power Zinc, PRG would complete the construction of the pilot metal recovery plant in Macedonia already under construction at a total estimated pre-commissioning construction cost of US\$2,500,000 (\$3,120,000). As at the date of Acquisition, PRG and Power Zinc had spent US\$1,521,212 (\$1,908,970) on the pilot metal recovery plant which they had funded through a promissory note from Eiger (Note 7(b)) and advance cash payments from the Company of US\$500,000 (\$627,450) (Note 4(a)).

The fee amounts for PRG's construction services at the time PRG became a related party from date of Acquisition to September 30, 2017 were \$1,211,030, which was comprised of \$492,985, \$356,125, and \$361,920 as follows: (a) cash payments of US\$405,000 (\$492,985) made by the Company to PRG, (b) US\$283,788 (\$356,125) of cash of Power Zinc held (Note 4(b)) on its behalf by its parent PRG at Acquisition and (c) non-interest bearing accounts payable due to PRG of US\$290,000 (\$361,920) at September 30, 2017, which amounts were paid in November 2017.

The pilot metal recovery plant had been substantially constructed by September 30, 2017 but had not yet been commissioned. Effective October 1, 2017, the Company entered into a services contract with PRG to manage and operate the pilot metal processing plant and to assist the Company in designing a hydro-metallurgical zinc processing plant. The fees for PRG's services under this arrangement are US\$180,000 per month. The contract was terminated on March 31, 2018.

During the quarter ended March 31, 2018, the Company completed the commissioning of a pilot metal recovery plant with a potential throughput of 1,800 tonnes per annum. During the six months ended March 31, 2018, the Company incurred \$1,828,465 in costs related to the commissioning of the pilot metal recovery plant (Note 5). These costs have been included in construction in progress. Of this amount, \$673,344 was paid to PRG during the period and \$738,786 was owing to PRG as at March 31, 2018, for a total of \$1,412,130.

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Notes to the unaudited condensed consolidated interim financial statements
(Expressed in Canadian dollars)

13. Related party transactions (continued)

(b) Compensation of key management personnel

The remuneration of directors and other key members of management personnel during the three and six months ended March 31, 2018 and 2017 were as follows:

	Note	Three months ended March 31,		Six months ended March 31,	
		2018	2017	2018	2017
Remuneration	(i)	\$ 208,691	\$ 39,703	419,534	\$ 79,609
Directors' fees		5,311	6,000	10,811	24,000
Share-based payments	(ii)	84,964	-	156,244	-
		\$ 298,966	\$ 45,703	\$ 586,589	\$ 103,609

- (i) Remuneration includes management fees disclosed in Note 13(a). The amount also includes termination fees of \$150,786 (US\$120,000 – US\$60,000 in the three months ended December 31, 2017 and US\$60,000 in the three months ended March 31, 2018) paid to a former officers of the Company.
- (ii) Share-based payments are the fair value of options granted to key management personnel.

At March 31, 2018, the Company's subsidiary, Telemu, had a loan payable of \$227,600 to EERL Holdings (September 30, 2017 - \$220,107) (Note 7(a)).

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three and six months ended March 31, 2018 and 2017. Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable and accrued liabilities at March 31, 2018 included directors' fees of \$6,239 (September 30, 2017 - \$2,739).

14. Segmented information

Geographic Information

The Company's assets by geographic areas as at March 31, 2018 and September 30, 2017 are as follows:

	March 31, 2018			
	Papua New Guinea	Kosovo and Macedonia	Canada	Total
Cash and cash equivalents	\$ 583,323	\$ 471,755	\$ 1,973,495	\$ 3,028,573
Other current assets	13,851	33,832	201,638	249,321
Construction in progress	-	5,296,609	-	5,296,609
Stockpile material rights	-	4,969,701	-	4,969,701
Investment in joint venture	-	-	116,839	116,839
	\$ 597,174	\$ 10,771,897	\$ 2,291,972	\$ 13,661,043

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Notes to the unaudited condensed consolidated interim financial statements
(Expressed in Canadian dollars)

14. Segmented information (continued)

	September 30, 2017			
	Papua New Guinea	Kosovo and Macedonia	Canada	Total
Cash and cash equivalents	\$ 571,834	\$ -	\$ 3,651,127	\$ 4,222,961
Other current assets	13,528	-	211,667	225,195
Construction in progress	-	3,310,084	-	3,310,084
Stockpile material rights	-	4,969,701	-	4,969,701
Investment in joint ventures	-	-	117,228	117,228
	\$ 585,362	\$ 8,279,785	\$ 3,980,022	\$ 12,845,169

The Company's expenses and income by geographic area for the three and six months ended March 31, 2018 and 2017 are as follows:

	Six months ended March 31, 2018					
	Papua New Guinea	United States	Barbados	Kosovo & Macedonia	Canada	Total
Net (loss) income	\$ 94,236	\$ 7,262	\$ (35,723)	\$ (127,421)	\$ (907,975)	\$ (969,621)
Attributable to						
Non-controlling interest	\$ (492)	\$ -	\$ -	\$ -	\$ -	\$ (492)
Equity shareholders of the Company	94,728	7,262	(35,723)	(127,421)	(907,975)	(969,129)
	\$ 94,236	\$ 7,262	\$ (35,723)	\$ (127,421)	\$ (907,975)	\$ (969,621)

	Three months ended March 31, 2018					
	Papua New Guinea	United States	Barbados	Kosovo & Macedonia	Canada	Total
Net (loss) income	\$ 87,519	\$ 6,837	\$ (17,269)	\$ (123,594)	\$ (450,778)	\$ (497,285)
Attributable to						
Non-controlling interest	\$ (519)	\$ -	\$ -	\$ -	\$ -	\$ (519)
Equity shareholders of the Company	88,038	6,837	(17,269)	(123,594)	(450,778)	(496,766)
	\$ 87,519	\$ 6,837	\$ (17,269)	\$ (123,594)	\$ (450,778)	\$ (497,285)

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Notes to the unaudited condensed consolidated interim financial statements
(Expressed in Canadian dollars)

14. Segmented information (continued)

	Six months ended March 31, 2017					
	Papua New Guinea		Poland	United States	Canada	Total
Net income (loss)	\$ 2,731	\$ -	\$ -	\$ (6,995)	\$ (248,476)	\$ (252,740)
Attributable to						
Non-controlling interest	\$ (4,788)	\$ -	\$ -	\$ -	\$ -	\$ (4,788)
Equity shareholders of the Company	7,519	-	(6,995)	(248,476)	(247,952)	
	\$ 2,731	\$ -	\$ (6,995)	\$ (248,476)	\$ (252,740)	

	Three months ended March 31, 2017					
	Papua New Guinea		Poland	United States	Canada	Total
Net loss	\$ (71,583)	\$ -	\$ -	\$ (73,192)	\$ (192,899)	\$ (337,674)
Attributable to						
Non-controlling interest	\$ (5,895)	\$ -	\$ -	\$ -	\$ -	\$ (5,895)
Equity shareholders of the Company	(65,688)	-	(73,192)	(192,899)	(331,779)	
	\$ (71,583)	\$ -	\$ (73,192)	\$ (192,899)	\$ (337,674)	

15. Capital management

The Company manages, as capital, the components of shareholders' equity. The Company's objectives when managing capital are to (i) safeguard its ability to continue as a going concern in order to develop its newly acquired zinc project and to keep its remaining oil and gas interests in good standing, and (ii) to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its 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 issue new equity if available on favorable terms, enter into joint venture arrangements on its zinc projects, sell or option its oil and gas properties for cash, or borrow, acquire or dispose of assets.

The Company's policy is to invest its cash in highly liquid, interest-bearing, fully guaranteed bank-sponsored instruments with maturities of a year or less from the date of acquisition. The Company is not subject to externally imposed capital requirements.

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Notes to the unaudited condensed consolidated interim financial statements
(Expressed in Canadian dollars)

16. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and loans payable.

(a) Fair value of financial instruments

(i) Fair value estimation of financial instruments

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount for cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities on the statement of financial position approximate their fair value due to the short-term to maturities of these financial instruments.

The carrying amount for loans payable approximates its fair value due to the short-term to maturity of this financial instrument.

(b) Financial risk management

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity and funding risk, and market risk. There have been no substantive changes in the Company's exposure to financial instrument risk, the Company's objectives, policies and processes for managing those risks or the methods used to measure them from previous years.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The overall objective of the Board is to set policies that seek to reduce the Company's risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

(i) Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk arises principally from the Company's cash and cash equivalents and amounts receivable. Cash and cash equivalents consist of cash on hand, deposits in major banks that are considered to be creditworthy, and highly liquid investments with an original maturity date of less than one year. Amounts receivable are comprised primarily of amounts due from a related party (Note 6(d)) and GST receivables from the government of Canada. The carrying values of the financial assets represent the maximum credit exposure.

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Notes to the unaudited condensed consolidated interim financial statements
(Expressed in Canadian dollars)

16. Financial instruments (continued)

(b) Financial risk management (continued)

(ii) Liquidity and funding risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and cash equivalents, which are invested in business accounts and are available on demand.

Funding risk is the risk that the Company may not be able to raise financing in a timely manner and on terms acceptable to management. There is no assurance that such financing will be available when, and if, the Company requires additional financing (Note 2(c)).

In the normal course of business, the Company enters into contracts and performs business activities that give rise to commitments for future minimum payments. The following table summarizes the Company's significant remaining contractual maturities for financial liabilities at March 31, 2018 and September 30, 2017.

March 31, 2018			
	Less than 1 year	1 - 5 years	Total
Accounts payable and accrued liabilities	\$ 1,341,581	\$ -	\$ 1,341,581
Loans payable (Note 7(b))	227,600	-	227,600
Total	\$ 1,569,181	\$ -	\$ 1,569,181

September 30, 2017			
	Less than 1 year	1 - 5 years	Total
Accounts payable and accrued liabilities	\$ 770,818	\$ -	\$ 770,818
Loans payable	1,848,747	-	1,848,747
Total	\$ 2,619,565	\$ -	\$ 2,619,565

The Company is party to two agreements which give rise to potential future financial liabilities. The amounts of the liabilities are currently undeterminable and depend on a number of factors, including the tonnes of MSM stockpile material delivered to the Company (Note 4(c)) and the tonnes of zinc and other metals produced from a full-scale metal processing plant that the Company intends to construct (Note 7(b)).

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

Notes to the unaudited condensed consolidated interim financial statements
(Expressed in Canadian dollars)

16. Financial instruments (continued)

(b) Financial risk management (continued)

(iii) Market risk

The Company is subject to normal market risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

(1) Interest rate risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company has minimal exposure to interest rate fluctuations on its cash and cash equivalent balances due to current low market interest rates. The amounts due to related parties and the loans payable are non-interest bearing.

(2) Foreign currency risk

Some of the Company's exploration expenditures, certain acquisition costs, operating expenses and loans and accounts payable are denominated in the US dollar, Papua New Guinea kina, Macedonian denar and European Euro. The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and the US dollar, Papua New Guinea kina, Macedonian denar and European Euro. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

17. Subsequent event

Private Placement

On April 10, 2018, the Company closed the second and final tranche of a non-brokered private placement (Note 8(b)) pursuant to which it issued 7,270,000 units at a price of \$0.20 per unit for gross proceeds of \$1,454,000. The Company also issued a finder's fee of 158,100 units to third party finders in connection with the closing of the second tranche. The securities issued will be subject to a hold period expiring August 11, 2018.

Combined with the first tranche (but not including the finders' fee units), the Company issued an aggregate of 19,995,000 units for total gross proceeds of \$3,999,000.

Each unit consists of one common share and one share purchase warrant. Each warrant gives the holder the right to acquire a further common share of the Company at a price of \$0.40 for a term of five years. The expiry of the Warrants may however be accelerated at the election of the Company in circumstances where, at any time following 4 months from the issuance of the Warrants, the closing price of the Company's shares on the TSX Venture Exchange is equal to or greater than \$0.75 for 20 consecutive trading days. In such case, the Company may give notice to the holders of the Warrants that the Warrants will expire 30 days following such notice.