



(Formerly Esrey Energy Ltd.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Nine Months Ended June 30, 2018 and 2017

(in Canadian dollars)

(Unaudited)

Esrey Resources Ltd.

(Formerly Esrey Energy Ltd.)

(Unaudited)

June 30, 2018

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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	June 30, 2018	September 30, 2017
ASSETS			
Current assets			
Cash and cash equivalents	12(b)	\$ 2,678,780	\$ 4,222,961
Amounts receivable	6(d)	231,903	160,039
Prepaid expenses and other deposits		80,028	65,156
		2,990,711	4,448,156
Non-current assets			
Construction in progress	5	6,459,002	3,310,084
Stockpile material rights	4(c)	4,969,702	4,969,701
Investment in joint ventures		116,835	117,228
		\$ 14,536,250	\$ 12,845,169
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6(d),13	\$ 982,883	\$ 770,818
Loans payable	7	231,786	1,848,747
		1,214,669	2,619,565
Equity			
Share capital	8	117,292,966	115,163,946
Share purchase warrants	8(c)	1,960,356	-
Contributed surplus		13,583,076	13,325,274
Accumulated other comprehensive income		8,117,475	8,036,449
Non-controlling interest	9	(290,121)	(293,966)
Deficit		(127,342,171)	(126,006,099)
		13,321,581	10,225,604
		\$ 14,536,250	\$ 12,845,169

Going concern (Note 2(c))

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

Approved and authorized for issue by the Board on August 29, 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 June 30,		Nine months ended June 30,	
		2018	2017	2018	2017
					Restated (Note 10)
Expenses:					
Depreciation		\$ -	\$ 2,462	\$ -	\$ 7,385
General and administrative expenses		58,843	35,916	206,467	190,641
Salaries and management fees		178,534	138,844	796,291	357,909
Legal, audit and accounting fees		26,090	34,671	160,346	127,996
Share-based payments	8(d)	15,734	-	127,888	-
Travel and business development		60,753	138	99,411	19,189
		(339,954)	(212,031)	(1,390,403)	(703,120)
Other income (expenses):					
Interest income		5,566	2,526	5,477	4,290
Other income		5,167	4,620	12,103	12,449
Loss from investment in joint venture		-	(23)	(393)	(2,678)
Foreign exchange gain (loss)		(38,829)	(118,337)	35,545	113,074
		(28,096)	(111,214)	52,732	127,135
Loss for the period before income tax		(368,050)	(323,245)	(1,337,671)	(575,985)
Income tax expense		-	-	-	-
Net loss for the period		\$ (368,050)	\$ (323,245)	\$ (1,337,671)	\$ (575,985)
Attributable to:					
Non-controlling interest	9	(1,107)	202	(1,599)	(4,586)
Equity shareholders of the Company		(366,943)	(323,447)	(1,336,072)	(571,399)
		\$ (368,050)	\$ (323,245)	\$ (1,337,671)	\$ (575,985)
Other comprehensive (loss) income					
Foreign currency translation income (loss) attributed to non-controlling interest	9	1,503	992	5,444	(3,890)
Foreign currency translation income (loss) for equity shareholders of the Company		107,290	(46,381)	81,026	(208,321)
		\$ (259,257)	\$ (368,634)	\$ (1,251,201)	\$ (788,196)
Loss per share					
Basic and diluted attributable to equity shareholders of the Company	11	\$ (0.00)	\$ (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		-	-	-	-	-	(4,586)	(571,399)	(575,985)
Foreign currency translation		-	-	-	-	(208,321)	(3,890)	-	(212,211)
Balance, June 30, 2017									
(Restated)	10	39,762,771	\$ 110,392,414	\$ -	\$ 13,082,340	\$ 7,999,205	\$ (170,051)	\$ (122,464,996)	\$ 8,838,912
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		-	-	-	-	-	(115,209)	(3,541,103)	(3,656,312)
Foreign currency translation		-	-	-	-	37,244	(8,706)	-	28,538
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)	-	-	-	320,147	-	-	-	320,147
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 - Tranche 2	8(b),8(c)	7,270,000	735,756	718,244	-	-	-	-	1,454,000
Shares issued for finder's fee	8(b),8(c)	158,100	16,000	15,620	-	-	-	-	31,620
Private placement-issuance cost		-	(33,233)	(32,440)	-	-	-	-	(65,672)
Net loss for the period		-	-	-	-	-	(1,599)	(1,336,072)	(1,337,671)
Foreign currency translation		-	-	-	-	81,026	5,444	-	86,470
Balance, June 30, 2018									
		100,175,306	\$ 117,292,966	\$ 1,960,356	\$ 13,583,076	\$ 8,117,475	\$ (290,121)	\$ (127,342,171)	\$ 13,321,581

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 June 30,		Nine months ended June 30,	
		2018	2017	2018	2017
Operating activities					
Loss before income taxes		\$ (368,050)	\$ (323,245)	\$ (1,337,671)	\$ (575,985)
Adjustments to net loss for non-cash items					
Depreciation		-	2,462	-	7,385
Share-based payments	8(d)	15,734	-	127,888	-
Interest expense		(5,172)	(2,526)	(5,083)	(4,290)
Gain (loss) from investment in joint venture		(393)	23	-	2,678
Miscellaneous income		-	-	(8,261)	-
Foreign exchange (gain) loss		38,829	118,337	(35,545)	(113,074)
Net changes in non-cash working capital items	12	78,498	(450,036)	262,246	(548,791)
		(240,554)	(654,985)	(996,426)	(1,232,077)
Adjustments to net loss for cash items					
Interest income received		1,289	358	1,946	2,122
Taxes paid (recovered)		-	3,679	-	(68)
Realized foreign exchange loss (gain)		(14,050)	17,249	30,164	14,522
		(253,315)	(633,699)	(964,316)	(1,215,501)
Financing activities:					
Proceeds from exercise of stock options		-	-	62,083	-
Proceeds from private placement	8(b)	1,454,000	-	3,999,000	-
Share issue costs		(32,398)	-	(34,052)	-
Loan repayment	7(b)	(10,005)	-	(1,664,963)	-
		1,411,597	-	2,362,068	-
Investing activities:					
Construction in progress	5, 14	(1,536,392)	-	(2,911,361)	-
Deferred acquisition costs		-	(157,715)	-	(157,715)
		(1,536,392)	(157,715)	(2,911,361)	(157,715)
Foreign exchange effect on cash and cash equivalents		28,317	(270,242)	(30,572)	(235,481)
Net decrease in cash and cash equivalents		(349,793)	(1,061,656)	(1,544,181)	(1,608,697)
Cash and cash equivalents, beginning of period		3,028,573	6,381,777	4,222,961	6,928,818
Cash and cash equivalents, end of period		\$ 2,678,780	\$ 5,320,121	\$ 2,678,780	\$ 5,320,121

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 August 29, 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.

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 nine months ended June 30, 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. However, 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 and April 10, 2018 (Note 8(b)), 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.

In addition to the zinc project, the Company also has oil and gas properties in Papua New Guinea ("PNG"). These properties 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 any 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 PNG, 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 for the Company's oil and gas concessions 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 these concessions. 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.

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.

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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.

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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.

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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 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 MSM to a location specified by the Company, the Company is required to pay the owner of the MSM a fixed price of US\$60 per tonne delivered. As at June 30, 2018, the Company had not had any of the MSM 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 Kosovo. The MSM has been separated into two stockpiles 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

The Company's pilot metal recovery plant, which includes a Company-owned laboratory to test plant samples, is located in Macedonia, and was substantially assembled 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 quarter ended June 30 2018, the Company incurred \$1,014,135 at its pilot metal recovery plant. The bulk of the work during the quarter was focused on operations and process optimization, by-product valorization and waste stream minimization. During the nine months ended June 30, 2018, the Company incurred \$2,956,659 in costs related to the commissioning of the pilot plant and to the optimization studies. These costs have been included in construction in progress. The Company also recorded \$192,259 in construction in progress during the nine months ended June 30, 2018 (year ended September 30, 2017 – \$190,084) relating to the value of stock options granted in August 2017 and March 2018 (Note 8(d)) to employees and consultants involved in the construction, commissioning and optimization 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 the region. To process such feed stocks commercially, the Company plans to construct a modular zinc recovery plant. At this time, the Company is continuing to evaluate feed sources, process options, capital and operating costs and the associated economics.

Esrey Resources Ltd.

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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	
			June 30, 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	
			June 30, 2018	September 30, 2016
EERL Holdings (BVI) Ltd. ("EERL Holdings") (Note 6(c))	Holding Company	BVI	50%	50%

(c) EERL Holdings (BVI) Ltd.

As at June 30, 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 June 30, 2018, the investment in EERL Holdings is \$116,835 (September 30, 2017 – \$117,228).

(d) Included in accounts receivable as at June 30, 2018 and September 30, 2017 is US\$100,000 (June 30, 2018 - \$131,680; 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 June 30, 2018 and September 30, 2017 is US\$126,000 (June 30, 2018 - \$165,917; September 31, 2017 - \$157,248) payable from Telemu to EERL Holdings. The amount is non-interest bearing and has no fixed date of repayment.

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

7. Loans payable

(a) Loan

As at June 30, 2018, the Company's subsidiary, Telemu, has a loan payable due to EERL Holdings of \$231,786 (September 30, 2017 - \$220,107). The loan is denominated in US dollars (June 30, 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 were 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 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 were 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. On completion of the private placement, the Company had 101,175,306 shares issued and outstanding.

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8. Share capital (continued)

(b) Issuance of shares (continued)

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.

(c) Share purchase warrants

The following warrants are outstanding as at June 30, 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
Private Placement - April 10, 2018	7,270,000	\$0.40	April 10, 2023
Warrants issued as finders' fee	158,100	\$0.40	April 10, 2023
Balance, June 30, 2018	20,153,100	\$0.40	

In connection with the March 29, 2018 and April 10, 2018 private placements of units (Note 8(b)), 12,725,000 and 7,428,100 warrants were issued respectively. 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 nine months ended June 30, 2018 and year ended September 30, 2017 were as follows:

	June 30, 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	\$0.16	4,183,000	\$0.125
Exercised	(496,666)	\$0.125	-	-
Forfeited	(1,018,334)	\$0.10	(66,500)	\$0.10
Balance, end of the period	6,224,500	\$0.12	7,099,500	\$0.11

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8. Share capital (continued)

(d) Share options (continued)

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 nine months ended June 30, 2018 was \$320,147 (September 30, 2017 - \$242,934), of which \$192,259 was capitalized to construction in progress (September 30, 2017 - \$190,084) (Note 5).

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 nine months ended June 30, 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 June 30, 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	393,333	\$0.15	October 5, 2022
50,000	16,666	\$0.24	March 1, 2023
6,224,500	4,848,499		

The weighted average exercise price of options exercisable at June 30, 2018 is \$0.12 per share (September 30, 2017 - \$0.11 per share). The weighted average remaining life of exercisable options is 2.91 years (September 30, 2017 - 3.02 years).

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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		(1,599)
Foreign exchange translation		5,444
Balance, June 30, 2018	\$	(290,121)

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:

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	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 nine months ended June 30, 2017, the Company incorrectly reported a net loss of \$2,884,978. As a result of the matter discussed above, the Company has restated its results by \$2,308,993 to now present a net loss of \$575,985 for the period.

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 June 30,		Nine months ended June 30,	
	2018	2017	2018	2017
Weighted average number of ordinary shares	99,298,195	39,762,771	86,261,718	39,762,771
Effect of dilutive securities:				
Share purchase warrants	19,401,944	-	6,488,779	-
Stock options	2,600,091	389,886	2,102,014	194,343
Diluted weighted average number of ordinary shares	121,300,230	40,152,657	94,852,511	39,957,114
Net loss attributable to equity shareholders	(366,943)	(323,447)	\$ (1,336,072)	\$ (571,399)
Loss per share - basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)

As at June 30, 2018, the Company had 16,410,806 (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 and share purchase warrants were based on quoted market prices for the periods during which the options and share purchase warrants were outstanding.

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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 June 30,		Nine months ended June 30,	
	2018	2017	2018	2017
Amounts receivable and GST recoverable	\$ (15,572)	\$ 142,471	\$ (28,004)	\$ 186,422
Promissory note	-	(671,350)	-	\$ (671,350)
Prepaid expenses and other deposits	-	16,857	8,156	(26,801)
Accounts payable and accrued liabilities	94,070	61,986	282,094	(37,062)
Net changes in non-cash working capital items	\$ 78,498	\$ (450,036)	\$ 262,246	\$ (548,791)
Relating to:				
Operating activities	78,498	(450,036)	262,246	(548,791)
Investing activities	-	-	-	-
Net changes in non-cash working capital items	\$ 78,498	\$ (450,036)	\$ 262,246	\$ (548,791)

(b) At June 30, 2018, the Company had cash of \$1,088,780 (September 30, 2017 – \$1,009,327) and cash equivalents of \$1,590,000 (September 30, 2017 – \$3,213,634).

(c) Other non-cash transactions that occurred during the three and nine months ended June 30, 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 nine months ended June 30, 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

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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 June 30,		Nine months ended June 30,	
		2018	2017	2018	2017
Management fees		\$ 135,712	\$ 40,398	353,442	120,007
General and administrative expenses		14,457	5,231	27,327	34,091
Travel and business development		43,953	42,637	82,611	54,275
Consulting fees		6,000	6,000	18,000	18,000
Construction of pilot metal recovery plant (Notes 4 and 5)	(i)	369,893	-	1,782,023	-

- (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 recovery plant and to assist the Company in designing a hydro-metallurgical zinc processing plant. The fees for PRG's services under this arrangement were US\$180,000 per month until March 31, 2018 and were reduced to US\$284,141 (\$369,896) for the quarter ended June 30, 2018. The contract was terminated on June 30, 2018.

During the nine months ended June 30, 2018, the Company incurred \$2,956,659 in costs related to the commissioning of the pilot metal recovery plant and to optimization studies (Note 5). These costs have been included in construction in progress. Of this amount, \$1,394,845 was paid to PRG during the period and \$374,157 was owing to PRG as at June 30, 2018, for a total of \$1,782,023.

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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 nine months ended June 30, 2018 and 2017 were as follows:

	Note	Three months ended June 30,		Nine months ended June 30,	
		2018	2017	2018	2017
Remuneration	(i)	\$ 135,712	\$ 40,398	555,246	\$ 120,007
Directors' fees		4,000	6,000	14,811	30,000
Share-based payments	(ii)	28,320	-	184,564	-
		\$ 168,032	\$ 46,398	\$ 754,621	\$ 150,007

- (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 June 30, 2018, the Company's subsidiary, Telemu, had a loan payable of \$231,786 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 nine months ended June 30, 2018 and 2017. Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable and accrued liabilities at June 30, 2018 included directors' fees of \$2,739 (September 30, 2017 - \$2,739).

14. Segmented information

Geographic Information

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

	June 30, 2018			
	Papua New Guinea	Kosovo and Macedonia	Canada	Total
Cash and cash equivalents	\$ 576,309	\$ 466,881	\$ 1,635,590	\$ 2,678,780
Other current assets	13,963	90,751	207,217	311,931
Construction in progress	-	6,459,002	-	6,459,002
Stockpile material rights	-	4,969,702	-	4,969,702
Investment in joint venture	-	-	116,835	116,835
	\$ 590,272	\$ 11,986,336	\$ 1,959,642	\$ 14,536,250

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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 nine months ended June, 2018 and 2017 are as follows:

	Nine months ended June 30, 2018					
	Papua New Guinea	United States	Barbados	Kosovo & Macedonia	Canada	Total
Net (loss) income	\$ (31,019)	\$ 16,727	\$ (40,279)	\$ (151,867)	\$ (1,131,233)	\$ (1,337,671)
Attributable to						
Non-controlling interest	\$ (1,599)	\$ -	\$ -	\$ -	\$ -	\$ (1,599)
Equity shareholders of the Company	(29,420)	16,727	(40,279)	(151,867)	(1,131,233)	(1,336,072)
	\$ (31,019)	\$ 16,727	\$ (40,279)	\$ (151,867)	\$ (1,131,233)	\$ (1,337,671)

	Three months ended June 30, 2018					
	Papua New Guinea	United States	Barbados	Kosovo & Macedonia	Canada	Total
Net (loss) income	\$ (4,240)	\$ 9,465	\$ (4,556)	\$ (24,446)	\$ (344,273)	\$ (368,050)
Attributable to						
Non-controlling interest	\$ (1,107)	\$ -	\$ -	\$ -	\$ -	\$ (1,107)
Equity shareholders of the Company	(3,133)	9,465	(4,556)	(24,446)	(344,273)	(366,943)
	\$ (4,240)	\$ 9,465	\$ (4,556)	\$ (24,446)	\$ (344,273)	\$ (368,050)

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14. Segmented information (continued)

	Nine months ended June 30, 2017				
	Papua New Guinea				
	Guinea	Poland	United States	Canada	Total
Net loss	\$ (102,386)	\$ -	\$ (182,582)	\$ (291,017)	\$ (575,985)
Attributable to					
Non-controlling interest	\$ (4,586)	\$ -	\$ -	\$ -	\$ (4,586)
Equity shareholders of the Company	(97,800)	-	(182,582)	(291,017)	(571,399)
	\$ (102,386)	\$ -	\$ (182,582)	\$ (291,017)	\$ (575,985)

	Three months ended June 30, 2017				
	Papua New Guinea				
	Guinea	Poland	United States	Canada	Total
Net loss	\$ (105,117)	\$ -	\$ (175,587)	\$ (42,541)	\$ (323,245)
Attributable to					
Non-controlling interest	\$ 202	\$ -	\$ -	\$ -	\$ 202
Equity shareholders of the Company	(105,319)	-	(175,587)	(42,541)	(323,447)
	\$ (105,117)	\$ -	\$ (175,587)	\$ (42,541)	\$ (323,245)

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.

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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.

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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 June 30, 2018 and September 30, 2017.

June 30, 2018			
	Less than 1 year	1 - 5 years	Total
Accounts payable and accrued liabilities	\$ 982,883	\$ -	\$ 982,883
Loans payable (Note 7(b))	231,786	-	231,786
Total	\$ 1,214,669	\$ -	\$ 1,214,669

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)).

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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.