



MARITIME RESOURCES CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the Three Months Ended
March 31, 2017

(Expressed in Canadian Dollars)
(Unaudited)



MARITIME RESOURCES CORP.

Notice

Notice of No Auditor Review of the Condensed Interim Financial Statements

The accompanying unaudited condensed interim financial statements of Maritime Resources Corp. ("the Company"), for the three months ended March 31, 2017 have been prepared by management and have not been the subject of a review by the Company's independent auditor.

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MARITIME RESOURCES CORP.

Condensed Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited- Prepared by Management)

	Note	March 31, 2017	December 31, 2016
		(\$)	(\$)
Assets			
Current assets			
Cash	6	22,360	580,510
Receivables		29,659	58,877
Prepaid expenses		8,983	13,807
		61,002	653,194
Exploration and evaluation assets	7	6,004,297	5,826,365
		6,065,299	6,479,559
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	8, 13	324,598	408,143
Loans	9, 13	100,000	100,000
		424,598	508,143
Shareholders' Equity			
Capital Stock	11	8,767,812	8,753,812
Treasury shares	11	(245,000)	(245,000)
Warrants	12	242,126	242,126
Share-based payments reserve	11	675,322	672,427
Royalty reserve	11	210,700	210,700
Deficit		(4,010,260)	(3,662,649)
		5,640,700	5,971,416
		6,065,299	6,479,559

See accompanying notes to the financial statements.

Nature of operations and going concern (Note 1)

Subsequent events (Note 14)

"Douglas Fulcher"

..... Director
Douglas Fulcher

"Allan Williams"

..... Director
Allan Williams

MARITIME RESOURCES CORP.

Condensed Interim Statements of Loss and Comprehensive Loss

For the Three Months Ended March 31

(Expressed in Canadian Dollars)

(Unaudited -- Prepared by Management)

	Note	2017	2016
		(\$)	(\$)
Expenses			
Administration	13	88,227	31,869
Consulting	13	103,000	38,400
Directors' fees	13	13,500	22,500
Financing expense and interest on loans payable	9	2,466	8,851
Investor relations and promotion		129,887	27,263
Professional fees		8,462	(5,118)
Share-based payments	11,13	2,895	1,212
		(348,437)	(124,977)
Interest income		1,398	-
Expenses recoverable		(572)	-
Loss and Comprehensive Loss for the Period		(347,611)	(124,977)
Loss Per Share - basic and diluted		(0.01)	(0.00)
Weighted Average Number of Common Shares Outstanding		52,110,992	37,167,795

See accompanying notes to the financial statements.

MARITIME RESOURCES CORP.

Condensed Interim Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(Unaudited-- Prepared by Management)

	Note	Capital Stock		Treasury Shares	Warrants	Share-based Payments Reserve	Royalty Reserve	Deficit	Total Shareholders' Equity
		Shares (#)	Amount (\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Balance, December 31, 2015		35,867,795	6,088,885	-	-	462,734	-	(2,341,295)	4,210,324
Loss for the period		-	-	-	-	-	-	(124,977)	(124,977)
Shares and warrants issued upon private placements		1,300,000	195,000	-	-	-	-	-	195,000
Share issuance cost		-	(24,791)	-	10,166	-	-	-	(14,625)
Finders' Warrants		-	(65,000)	-	65,000	-	-	-	-
Royalty reserve		-	(13,000)	-	-	-	13,000	-	-
Share-based payments		-	-	-	-	1,212	-	-	1,212
Balance, March 31, 2016		37,167,795	6,181,094	-	75,166	463,946	13,000	(2,466,272)	4,266,934
Loss for the period		-	-	-	-	-	-	(1,262,657)	(1,262,657)
Shares and warrants issued upon private placements	11	21,770,000	3,034,800	-	(10,166)	-	-	-	3,024,634
Share issuance cost		-	(297,956)	-	-	-	-	-	(297,956)
Finders' Warrants		-	(177,126)	-	177,126	-	-	-	-
Royalty reserve		-	13,000	-	-	-	197,700	-	210,700
Treasury shares	11	(1,500,000)	-	(245,000)	-	-	-	-	(245,000)
Share-based payments		-	-	-	-	274,761	-	-	274,761
Transfer of share-based payments expired		-	-	-	-	(66,280)	-	66,280	-
Balance, December 31, 2016		57,437,795	8,753,812	(245,000)	242,126	672,427	210,700	(3,662,649)	5,971,416
Loss for the period		-	-	-	-	-	-	(347,611)	(347,611)
Shares issued for property		100,000	14,000	-	-	-	-	-	14,000
Share-based payments		-	-	-	-	2,895	-	-	2,895
Balance, March 31, 2017		57,537,795	8,767,812	(245,000)	242,126	675,322	210,700	(4,010,260)	5,640,700

See accompanying notes to the financial statements.

MARITIME RESOURCES CORP.

Condensed Interim Statements of Cash Flows

For the Three Months Ended March 31

(Expressed in Canadian Dollars)

(Unaudited-- Prepared by Management)

	2017	2016
	(\$)	(\$)
Operating Activities		
Loss for the period	(347,611)	(124,977)
Items not involving cash:		
Share-based payments	2,895	1,212
Financing expense and interest	2,466	8,851
	(342,250)	(114,914)
Changes in non-cash working capital:		
Receivables	29,218	393
Prepaid expenses	4,825	-
Accounts payable and accrued liabilities	(86,012)	9,208
	(51,969)	9,601
Cash Used in Operating Activities	(394,219)	(105,313)
Investing Activities		
Exploration and evaluation expenditures	(163,932)	(67,240)
Cash Used in Investing Activities	(163,932)	(67,240)
Financing Activities		
Securities issued for cash	-	195,000
Share issuance costs	-	(14,625)
Cash Provided by Financing Activities	-	180,375
Change in cash for the Period	(558,150)	7,822
Cash, Beginning of Period	580,510	2,119
Cash, End of Period	22,360	9,941
Supplemental disclosure :		
Cash paid for taxes	-	-
Supplemental disclosure of non-cash financial and investing activities:		
Fair value of shares issued for property	14,000	-
Fair value of broker warrants	-	10,166
Exploration and evaluation assets included in accounts payable and accrued liabilities	29,608	22,365

See accompanying notes to the financial statements.

MARITIME RESOURCES CORP.

Notes to the Condensed Interim Financial Statements
For the Three Months Ended March 31, 2017
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

1. NATURE OF OPERATIONS AND GOING CONCERN

Maritime Resources Corp. (the “Company” or “Maritime”) was incorporated under the *Business Corporations Act* (British Columbia) on May 14, 2007. The principal activities of the Company are the exploration of resource properties in Green Bay, Newfoundland and Labrador, Canada. The Company is considered to be in the exploration stage.

The address of the Company’s corporate office and principal place of business is Suite 615 – 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6.

These condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these condensed 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.

The Company’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate the acquisition of, participation in or interest in new properties, assets or business opportunities, and raise additional funds by way of equity financings. Any acquisition may be subject to shareholder and regulatory approval and obtaining the necessary financing. Should the Company be unable to complete such a transaction, its ability to raise sufficient financing to maintain operations may be impaired. The available funds are insufficient to continue operations for the ensuing year. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be successful in doing so in the future. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

These condensed interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed interim financial statements have been prepared on a historical basis, using the accrual basis of accounting except for cash flow information. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company’s audited financial statements as at and for the year ended December 31, 2016. Accordingly accounting policies applied are the same as those applied in the Company’s annual audited financial statements which are filed on SEDAR at www.sedar.com.

These condensed interim financial statements were authorized for issue by the Board of Directors on May 30, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements have been prepared using the historical cost basis, except for financial instruments which are stated at fair value. Accounting policies applied are the same as those applied in the Company’s annual audited financial statements.

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(a) Use of estimates and judgment

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical judgments exercised in the application of accounting policies and estimates having the most significant effects on the amounts recognized in these condensed interim financial statements include:

Judgement:

Economic recoverability and profitability of future economic benefits of exploration and evaluation assets – Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits, including geological and other technical information, a history of conversion of mineral deposits with similar characteristics to its properties, evaluation of permitting and environmental issues and other such factors.

Royalty reserve - Royalty reserve includes proceeds received from royalty units, repayable from future production. As future production is not determinable, the royalty units have been classified as capital in nature.

Estimates:

Valuation of share-based payments, agent compensation and finders' warrants – The Company uses the Black-Scholes Pricing Model for valuation of *share*-based payments, agent compensation and finders' warrants, which requires the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's results and equity reserves.

Income taxes – In assessing the probability of realizing deferred tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax position taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

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While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operation and cash flows.

(b) Functional and presentation currency

The Company's functional and presentation currency is the Canadian dollar.

(c) Segmented information

The Company has one operating segment, mineral exploration and development, and operates in one geographical segment, being Canada.

(d) Exploration and evaluation assets ("E&E")

Once the legal right to explore a property has been obtained, costs directly related to E&E expenditures are recognized and capitalized, in addition to the acquisition costs, net of recoveries, on a property-by-property basis. These direct expenditures include such costs as materials used, surveying costs, drilling costs and payments made to contractors during the exploration phase. Costs not directly attributable to E&E activities, including general administrative overhead costs, are expensed in the period in which they occur.

From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments and government assistance are recorded as property costs or recoveries when the payments are made or received.

If economically recoverable ore reserves are developed, capitalized costs of the related property will be reclassified as mining assets and will be amortized using the unit-of-production method. When a property is deemed to no longer have commercially viable prospects to the Company, E&E expenditures in respect of the project are deemed to be impaired. As a result those E&E costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses E&E assets for impairment at each statement of financial position date or whenever facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. A cash-generating unit is the smallest identifiable group of E&E assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Although the Company has taken steps to verify title to the properties in which it has an interest in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee that title to the properties will not be challenged or impugned. Property title may be affected by undetected defects, be subject to unregistered prior agreements, transfers or land claims, or be non-compliant with regulatory requirements.

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(e) New accounting standards

The Company has adopted the following new standard, along with any consequential amendments, prior to or effective January 1, 2017. These changes were made in accordance with the applicable transitional provisions, and did not impact the Company's condensed interim financial statements.

- IAS 7, "Statement of Cash Flows" (amended standard): is effective for annual periods beginning on or after January 1, 2017,
- IAS 12, "Income Taxes" (amended standard): is effective for annual periods beginning on or after January 1, 2017.

Accounting Standards Issued but not yet in Effect

- IFRS 2, "Share-based payment" (amended standard) is effective for annual periods beginning on or after January 1, 2018.
- IFRS 9, "Financial Instruments: Classification and Measurement": is effective for annual periods beginning on or after January 1, 2018.
- IFRS 15, "Revenue from Contracts and Customers": the effective date of adoption has been deferred to January 1, 2018 (with earlier application permitted).
- IFRS 16, "Leases": is effective for annual periods beginning on or after January 1, 2019.

The Company is currently evaluating the impact of these new and amended standards on its financial statements. The impact is not expected to have a material impact on the statements of financial position or results of operations of the Company.

4. FINANCIAL INSTRUMENTS

The Company has classified its cash as FVTPL (using level 1 of the fair value hierarchy); receivables (excluding tax arrangements) as loans and receivables; and accounts payable and accrued liabilities and loans as other financial liabilities.

The carrying values of cash, receivables, accounts payable and loans approximate their fair values due to the short-term maturity of these financial instruments.

5. FINANCIAL RISK MANAGEMENT

(a) Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk with respect to its cash and receivables. The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts.

The Company manages credit risk with respect to its cash by maintaining demand deposits with a major Canadian financial institution; however, this exposes the Company's cash to concentration of credit risk as all amounts are held at a single institution.

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(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company is exposed to liquidity risk.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to foreign currency risk as its monetary assets and liabilities are denominated in Canadian dollars.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to other price risk.

There were no changes in the Company's approach to managing the above risks.

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6. CASH

	March 31, 2017	December 31, 2016
	(\$)	(\$)
Cash	22,360	580,510

7. EXPLORATION AND EVALUATION ASSETS

The following table shows the activity by category of exploration expenditures for the period ended March 31, 2017:

	Green Bay (\$)	Whisker Valley (\$)	Total (\$)
Balance, December 31, 2016	5,826,365	-	5,826,365
			-
Additions during the period:			
Acquisition costs	-	39,000	39,000
Exploration costs:			
Geology and engineering	90,199	-	90,199
Geochemistry	3,341	-	3,341
Property	36,939	910	37,849
Other	7,543	-	7,543
	138,021	39,910	177,932
Balance at March 31, 2017	5,964,386	39,910	6,004,297

Green Bay

During 2010, the Company acquired a 50% interest in the Green Bay mineral property located in central Newfoundland, and in 2011 acquired the remaining 50% interest, such that the Company has a 100% interest in the property, subject to a 2% net smelter return royalty on future production from the property with the exception of production from the Orion deposit.

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Whisker Valley (“Whisker”)

On February 27, 2017, the Company entered into an agreement to acquire a 100% interest in the Whisker Valley (“Whisker”) property in Newfoundland, Canada, under the following terms:

	Cash payments	Shares in the capital of the Company	Minimum exploration expenditures on the Property
	(\$)	(#)	(\$)
Upon approval ⁽¹⁾	25,000 (paid)	100,000 ⁽²⁾	Nil
March 22, 2018	20,000	150,000	100,000
March 22, 2019	30,000	200,000	250,000
March 22, 2020	50,000	250,000	300,000
March 22, 2021	75,000	300,000	500,000
March 22, 2022	100,000	500,000	500,000
	300,000	1,500,000	1,650,000

(1) Received March 22, 2017

(2) Issued March 23, 2017 for value of \$14,000

The property is subject to a 2.5 % NSR, of which 1% can be purchased for \$1,000,000 on or before the end of the second anniversary of commercial production.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2017	December 31, 2016
	(\$)	(\$)
Accounts payable	211,083	253,046
Accrued liabilities	17,780	17,780
Interest payable ⁽¹⁾	22,904	20,438
Due to related parties (note 13)	72,831	116,879
	324,598	408,143

(1) Interest payable at March 31, 2017 of \$22,904 (December 31, 2016: \$20,438) is due to a party related by virtue of common directorship (Note 13)

9. LOANS

At March 31, 2017, in respect of a loan (principal of \$100,000 bearing interest of 8% per annum), the Company had accrued interest of \$22,904 (December 31, 2016: \$20,438) owing to the lender (Note 13).

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	Principal (\$)	Value of bonus shares (\$)	Amortized values of bonus shares (\$)	Principle (net of unamortized value of bonus shares) (\$)	Accrued interest (\$)	Total (\$)
2014 Notes	100,000 ⁽¹⁾	(13,333)	13,333	100,000	22,904	122,904

(1) \$100,000 provided by a party related to the Company by way of common directorship

10. CAPITAL MANAGEMENT

The Company defines capital as all components of shareholders' equity and debt obligations. The Board of Directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company does not pay dividends and is not subject to any externally imposed capital requirements.

The Company raises capital through the issuance of its share capital and promissory notes to fund operations, and the identification and evaluation of exploration assets. Although the Company has been successful at raising funds in the past through issuance of common shares, there can be no assurance that it will continue to be able to do so in the future.

There were no changes to the Company's approach to capital management during the period ended March 31, 2017. The Company is not subject to any externally imposed capital restrictions.

11. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value

(b) Issued

- **Offerings**

During the three months ended March 31, 2017:

The Company issued 100,000 shares, valued at \$14,000, in connection with the Whisker property.

During fiscal 2016:

The Company completed three private placements for a total of 23,070,000 units (collectively, the "Offerings"), all with the same terms, by way of non-brokered private placements of units ("Equity Units") As a condition of the Offerings, all participants acquiring Equity Units were provided the option to purchase a streaming royalty ("Royalty Unit") as described below.

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The Offerings were comprised of Equity Units at \$0.14 per Equity Unit, with each Equity Unit consisting of one common share and one half of one non-transferable share purchase warrant (“Warrant”). Each whole Warrant attached to the Equity Units will entitle the holder to purchase one additional common share at a price of \$0.20 per common share for 36 months following closing.

Finders’ fees in cash together with Finder/Broker Warrants (“Finders’ Warrants”), which have the same terms as the Warrants attached to the Equity Units, were paid on portions of the placements (note 11(c)).

- **Royalty units**

During the three months ended March 31, 2017:

There were no royalty units issued during the period.

During fiscal 2016:

The purchaser of the Offerings were provided the option to purchase Royalty Units that will return 100% of the original investment made by the purchasers, and is to be paid out of production from the Company’s Green Bay project (“Project”).

Total royalties payable from the Royalty Units (“Royalty Payment”) are capped at an amount equal to the total Equity Units and Royalty Units purchased. Royalty Payments will be made annually beginning on the first anniversary of the date of commencement of commercial production for the Project. Royalty Payments will be funded solely from 10% of annual net cash flow from the Project, with net cash flow representing net production revenues realized from the Project after deduction of all Project operating and debt servicing costs. At the option of the Company, Royalty Payments will be paid either in cash or in gold.

During fiscal 2016 the Company issued Royalty Units in conjunction with the Offerings. The Royalty Units had a price of \$0.01 per Royalty Unit, and, subject to written consent of the Company, may be assigned or transferred in their entirety only. The proceeds received in relation to the Royalty Unit has been recorded as a Royalty Reserve within Equity. The likelihood of the Project going into production cannot be determined at this time.

Closings of the Offerings, including Royalty Units, during fiscal 2016 occurred as follows:

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	Offering #1	Offering #2	Offering #3	Total
Closing Date	February 12, 2016	April 22, 2016	July 20, 2016	
<u>Offerings:</u>				
Gross Proceeds Received	\$182,000	\$737,800	\$2,310,000	\$3,229,800
Equity Unit Price	\$0.14	\$0.14	\$0.14	
Shares Issued	1,300,000	5,270,000	16,500,000	23,070,000
Warrants Issued	650,000	2,635,000	8,249,998	11,534,998
Warrant Exercise Price	\$0.20	\$0.20	\$0.20	
Warrant Expiry Date	February 12, 2019	April 22, 2019	July 20, 2019	
<u>Royalty Units:</u>				
Gross Proceeds Received	\$ 13,000	\$ 52,700	\$ 145,000	\$ 210,700
Royalty Unit Price	\$0.01	\$0.01	\$0.01	
Royalty Units Issued	1,300,000	5,270,000	14,500,000	21,070,000
Finders' Fees				
Cash	\$16,350	\$58,481	\$247,916	\$322,747
Finders' Warrants (Note 12)	97,500	382,875	1,190,700	1,671,075
Exercise Price	\$0.20	\$0.20	\$0.20	
Expiry Date	February 12, 2019	April 22, 2019	July 20, 2019	

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• *Option and Share Purchase Agreement with Commander*

On February 12, 2015 as amended April 6, 2016, Commander Resources Ltd. (“Commander”) and Maritime entered into an option and shares purchase agreement (the “Option and Share Purchase Agreement”) pursuant to which Maritime, or its nominees (the “Maritime Group”), has the option to purchase, in stages, a total of 10,000,000 of the 11,440,000 common shares of Maritime owned by Commander; should Maritime elect to acquire any of the shares, that acquisition will be subject to regulatory approval. Maritime and Commander also entered into a voting trust agreement (the “Voting Trust Agreement”), whereby Commander will vote its remaining shares with management of the Company for the duration of the Option and Share Purchase Agreement. Any shares not purchased pursuant to the terms of the Option and Share Purchase Agreement, as amended, will automatically be released from the provisions of the Voting Trust Agreement.

Pursuant to the amended Option and Share Purchase Agreement, Maritime will identify third parties to purchase shares as follows:

- **Tranche 1:** 2,000,000 shares at a price of \$0.18 per share on or before February 28, 2015 (completed).
- **Tranche 2:** 2,000,000 shares at a price of \$0.14 per share; 1,000,000 on or before April 30, 2016 (completed) and 1,000,000 on or before August 31, 2016 (completed by the Company included in treasury shares).
- **Tranche 3:** Up to 2,000,000 shares @ \$0.21 per share on or before August 31, 2016 (500,000 purchased by the Company – included in treasury shares⁽²⁾).
- **Tranche 4:** Up to 2,000,000 shares, plus any carry forward shares⁽²⁾, at a price of \$0.25 per share⁽¹⁾ between August 31, 2016 and February 28, 2017. Tranche has not yet been completed and therefore 3,500,000 shares (2,000,000 Tranche 4 shares and 1,500,000 Tranche 3 carry forward shares) are no longer subject to the Option and Share Purchase Agreement.⁽³⁾
- **Tranche 5:** Up to 2,000,000 at a price of \$0.30⁽¹⁾ between February 28, 2017 and August 31, 2017⁽³⁾.

(1) Prices are subject to price fluctuation, being the greater of the option price and 85% of the volume weighted average price of the common shares for the 10 trading days prior to the applicable option exercise date.

(2) Any shares not purchased in a particular tranche are carried forward to the next tranche, under the terms of the new tranche, subject to a minimum of 500,000 shares were repurchased in original tranche. Carry forward can only occur once per option.

(3) The Company is negotiating with Commander to extend the terms of the Option and Share Purchase Agreement.

On August 31, 2016, the Company completed the purchase of a total of 1,500,000 shares at a total cost of \$245,000 (1,000,000 shares at \$0.14 per share; 500,000 shares at \$0.21 per share).

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(c) Stock options

The Company has a “rolling” stock option plan for its directors, officers, employees and consultants. The terms of the plan provide for options to be granted to a maximum of 10% of the issued and outstanding common shares of the Company at the time of grant of the stock options. The exercise price of each option shall not be less than the minimum price permitted by the policies of the TSX Venture Exchange (“TSX-V”), and the options may be granted for a maximum term of ten years from the date of grant. The Company records the fair value of all options granted using the Black-Scholes model as share-based payment expense over the vesting period of the options. Vesting terms are determined by the Board of Directors.

A summary of the Company’s stock options as at March 31, 2017 and December 31, 2016 and changes during the periods then ended follows:

	Number of Options (#)	Weighted Average (\$)
Outstanding, December 31, 2015	3,505,000	0.178
Outstanding, March 31, 2016	3,505,000	0.178
Granted	2,400,000	0.250
Expired	(400,000)	0.160
Outstanding, December 31, 2016	5,505,000	0.209
Outstanding, March 31, 2017	5,505,000	0.209
Exercisable March 31, 2017	5,455,000	0.209

The Company has estimated the forfeiture rate to be 0.00%. Expected volatility was determined based on the historical movements in the closing price of the Company’s, or comparable companies’, stocks for a length of time to the expected life of each option.

The following weighted average assumptions were used for the Black-Scholes option pricing model for options granted as follows:

	2016
Risk-free interest rate	0.59%
Expected dividend yield	Nil
Expected stock price volatility	120%
Expected option life in years	5

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As at March 31, 2017, stock options outstanding with a weighted average remaining contractual life of 3.39 years were as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
(#)	(#)	(\$)	
200,000	200,000	0.175	26-Apr-17
500,000	500,000	0.200	21-Jan-18
420,000	420,000	0.280	29-May-19
200,000	200,000	0.150	15-Oct-19
1,785,000	1,785,000	0.150	13-Nov-20
2,400,000	2,350,000	0.250	29-Jul-21
5,505,000	5,455,000		

12. WARRANTS

During the year ended December 31, 2016, the Company in connection with the Offerings, issued warrants allowing for the purchase of up to, in the aggregate, 13,206,073 common shares, including warrants to finders allowing for the purchase of up to, in the aggregate, 1,671,075 common shares, which finders' warrants were valued at \$242,126 using the Black-Scholes model with the following weighted average assumptions:

	2016
Risk-free interest rate	0.46%
Expected dividend yield	Nil
Expected stock price volatility	119.18%
Expected option life in years	3

A summary of the status of the warrants, with a weighted average life of 2.22 years as at March 31, 2017 follows:

	Number of Warrants	Expiry Date	Price
	(#)		(\$)
Private placements			
- Offering #1	650,000	12-Feb-19	0.20
- Offering #1 - Finders' warrants	97,500	12-Feb-19	0.20
- Offering #2	2,635,000	22-Apr-19	0.20
- Offering #2 - Finders' warrants	382,875	22-Apr-19	0.20
- Offering #3	8,249,998	20-Jul-19	0.20
- Offering #3 - Finders' warrants	1,190,700	20-Jul-19	0.20
Outstanding and exercisable, December 31, 2016 and March 31, 2017	13,206,073		

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13. RELATED PARTY TRANSACTIONS

(a) Services

Effective July 1, 2014 the Company entered into arrangement with an administration and exploration services contractor (“AESC”) in which a director is a shareholder, pursuant to which it receives office, administrative and exploration services. For the periods ended March 31, 2017 and 2016, the Company was charged the following:

	For the Three Months Ended March 31	
	2017	2016
Rent	\$32,361	\$10,179
Office administration	8,492	1,621
	\$40,853	\$11,800

At March 31, 2017, the company owed \$13,768 (2016: \$358) to AESC.

(b) Loans

In respect of the 2014 Notes (Note 9), as at March 31, 2017 the Company owed interest of \$22,904 (December 31, 2016: \$20,438) and principal of \$100,000 (2016: \$100,000) to a party related by way of Directorship.

(c) Compensation of key management personnel

Key management personnel consist of the directors and executive officers of the Company. The remuneration, including stock-based compensation, of key management personnel during the periods ended March 31, 2017 and 2016 were as follows:

	For the Three Months Ended March 31	
	2017	2016
Administration	\$87,000	\$38,400
Directors' fees	13,500	67,500
Exploration & evaluation	71,100	16,800
	\$171,600	\$122,700

At March 31, 2017, in respect of services provided to and expenses incurred on behalf of the Company during the period ended March 31, 2017, the Company owed \$15,750 (December 31, 2016: \$Nil) to the CEO and a director of the Company, \$11,760 (December 31, 2016: \$320) to an officer and former director of the Company, \$5,250 (December 31, 2016: \$Nil) to the CFO of the Company, and \$12,400 (December 31, 2016: \$1,059) to an officer and director of the Company.

At March 31, 2017, directors' fees, totaling \$129,000 (2016: \$88,500), remained accrued.

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14. SUBSEQUENT EVENT

On April 25, 2017, the Company entered into a loan arrangement (“Bridge Financing Agreement”) pursuant to which it received \$500,000. The Bridge Financing Agreement, which was approved by the TSX-V on April 26, 2017, provides for a maturity date of one year (the “Maturity Date”), interest of 8% per annum, payment of principal and interest upon the earliest of: the Maturity Date, the Company raising \$2,000,000 or more in equity or debt financing, or committing an event of default (including, but not limited to, the Company ceasing to have its shares listed on the TSX-V, the Company failing to maintain its status as a reporting issuer in good standing in BC, the Company ceasing to keep the agreement in good standing, and the Company becoming insolvent). In connection with the Bridge Financing Agreement, the lender received a bonus of 333,333 shares in the capital of the Company and non-transferable warrants allowing for the purchase of up to, in the aggregate, 1,666,666 additional common shares in the capital of the Company at \$0.15 per share until April 26, 2018.

On April 26, 2017, stock options allowing for the purchase of up to, in the aggregate, 200,000 shares in the capital of the Company at \$0.15 per share until April 26, 2022 were granted.

On April 26, 2017, the Company received \$129,705 pursuant to an application made with the Newfoundland and Labrador government in respect of the Newfoundland and Labrador Mineral Incentive Junior Exploration Assistance Program (“JEAP”) grant for exploration conducted during 2016.