



## **Interim Condensed Financial Statements**

For the Three Months Ended March 31, 2017 and 2016

(Unaudited)

**RED MOON RESOURCES INC.**  
(FORMERLY RED MOON POTASH INC.)  
March 31, 2017 and 2016

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## **Notice of No Auditor Review of Interim Financial Statements**

Under National Instrument 51-102, “Continuous Disclosure Obligations”, part 4 subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Corporation’s external auditors have not performed a review of these financial statements.



**RED MOON RESOURCES INC.**  
**(Formerly Red Moon Potash Inc.)**  
**Condensed Statements of Loss and Comprehensive Loss**  
**(Unaudited)**

**Three Months Ended March 31**

(in Canadian dollars)

	<b>2017</b>	2016
	\$	\$
<b>Operating expenses</b>		
General and administrative expenses		
Management and subcontract fees	<b>3,500</b>	14,136
Transfer agent, regulatory and professional fees	<b>7,568</b>	6,202
Office and other	<b>5,367</b>	8,261
Share-based compensation (Note 5)	<b>1,398</b>	17,843
Conferences and travel	<b>7,227</b>	-
Directors' fees	-	6,250
	<b>25,060</b>	52,692
<b>Other income</b>		
Interest income	<b>27</b>	155
<b>Net and comprehensive loss</b>	<b>(25,033)</b>	(52,537)
Net loss per share - basic and diluted	<b>(0.001)</b>	(0.001)
Weighted-average number of common shares outstanding - basic and diluted	<b>48,050,004</b>	48,050,004

See accompanying notes to the financial statements

**RED MOON RESOURCES INC.**  
**(Formerly Red Moon Potash Inc.)**  
**Condensed Statements of Changes in Shareholders' Equity**  
**(Unaudited)**

(in Canadian dollars)

	Share Capital	Contributed Surplus	Warrants	Deficit	Total Shareholders' Equity
	\$	\$	\$	\$	\$
Balance, December 31, 2015	2,622,929	98,810	109,500	(736,704)	2,094,535
Net loss and comprehensive loss					
January 1, 2016 - March 31, 2016	-	-	-	(52,537)	(52,537)
Share-based compensation	-	20,383	-	-	20,383
Balance, March 31, 2016	2,622,929	119,193	109,500	(789,241)	2,062,381
Net loss and comprehensive loss					
April 1, 2016 - December 31, 2016	-	-	-	(88,594)	(88,594)
Transfer to contributed surplus upon expiry of warannts	-	43,500	(43,500)	-	-
Share-based compensation	-	8,274	-	-	8,274
Balance, December 31, 2016	2,622,929	170,967	66,000	(877,835)	1,982,061
Net loss and comprehensive loss					
January 1, 2017 - March 31, 2017	-	-	-	(25,033)	(25,033)
Share-based compensation	-	2,446	-	-	2,446
Balance, March 31, 2017	2,622,929	173,413	66,000	(902,868)	1,959,474

See accompanying notes to the financial statements

**RED MOON RESOURCES INC.**  
**(Formerly Red Moon Potash Inc.)**  
**Condensed Statements of Cash Flows**  
**(Unaudited)**

**Three Months Ended March 31**

(in Canadian dollars)

	<b>2017</b>	2016
	\$	\$
<b>Operating Activities</b>		
Net loss	(25,033)	(52,537)
Adjustment for non-cash item:		
Share-based compensation	1,398	17,843
	<b>(23,635)</b>	(34,694)
Increase (decrease) in non-cash working capital	<b>6,526</b>	(18,396)
	<b>(17,109)</b>	(53,090)
<b>Investing Activities</b>		
Mineral exploration and evaluation assets	(1,785)	(31,632)
Increase in government grant receivable	(1,730)	-
Change in accounts payable- mineral exploration assets	2,914	(15,507)
Change in accounts receivable-mineral exploration assets	-	5,453
	<b>(601)</b>	(41,686)
(Decrease) in cash	<b>(17,710)</b>	(94,776)
Cash, beginning of period	<b>65,833</b>	245,276
<b>Cash, end of period</b>	<b>48,123</b>	150,500

See accompanying notes to the financial statements

**RED MOON RESOURCES INC.**  
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**(Unaudited)**  
**March 31, 2017 and 2016**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

The Company was formed on June 15, 2011 under the Alberta Business Corporations Act and was listed on the TSX Venture Exchange on August 17, 2012. Prior to listing on the TSX Venture Exchange, the Company was inactive. Its registered address is 333 Duckworth Street, St. John's, NL A1C 1G9. On November 14, 2016, the Company changed its name from Red Moon Potash Inc. to Red Moon Resources Inc. to more accurately reflect the nature of its operations.

Red Moon Resources Inc. (the "Company") is a junior mineral exploration company engaged in the acquisition, evaluation and exploration of mineral properties in Newfoundland and Labrador. The Company's immediate objectives are to define and develop industrial mineral deposits while providing its shareholders with an opportunity to participate in that industry. The Company plans to ultimately develop properties as joint ventures, bring them into production, option or lease properties to third parties, or sell the properties outright. The Company has not determined whether its properties contain reserves that are economically recoverable and the Company is considered to be in the exploration stage.

These financial statements have been prepared using accounting principles applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due. The Company reflected a loss of \$25,033 for the three months ended March 31, 2017 (\$52,537-three months ended March 31, 2016) and had an accumulated deficit of \$902,868 at March 31, 2017. The Company had no income or cash flow from operations at March 31, 2017 and had working capital of \$2,303. In addition to its on-going working capital requirements, the Company must secure sufficient funding to identify, acquire and maintain exploration licenses, to fund exploration and evaluation activities and to fund general and administrative costs. Such circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there is no assurance that these initiatives will be successful or sufficient.

The Company's ability to continue as a going concern is dependent upon its ability to fund working capital and future acquisition costs and exploration requirements and eventually to generate positive cash flows, either from operations or proceeds from disposition. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

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**2. BASIS OF PRESENTATION**

These unaudited interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The accounting policies used in preparing these unaudited interim condensed financial statements are consistent with those used in the preparation of the Company’s 2016 annual financial statements. These unaudited interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2016.

These financial statements have been prepared on an historical cost basis.

All dollar amounts are expressed in Canadian dollars.

These financial statements were approved and authorized for issuance by the Board of Directors on May 25, 2017.

**3. NEW AND AMENDED ACCOUNTING STANDARDS**

**New and amended standard adopted by the Company**

The following standard has been adopted by the Company for the period beginning on January 1, 2017:

IAS 12, “*Income Taxes*” (“IAS 12”) was amended to provide guidance on the recognition of deferred tax assets for unrealized losses, effective for annual periods beginning on or after January 1, 2017. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The adoption of this standard had no impact on the Company’s financial statements.

**Standards and amendments not yet effective and not yet applied**

In July 2014, the IASB issued IFRS 9 Financial Instruments. The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and substantially completes the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only three classification categories: amortized cost and fair value through other comprehensive loss and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset or liability. The standard introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to

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**3. NEW AND AMENED ACCOUNTING STANDARDS (continued)**

account for expected credit losses from the time when financial instruments are first recognised and it lowers the threshold for recognition of full lifetime expected losses. The new standard also introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity and aligns hedge accounting more closely with risk management. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

IFRS 16, "Leases" ("IFRS 16") is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted for entities that have also adopted IFRS 15, "Revenue from contracts with customers" ("IFRS 15"). IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17, "Leases" ("IAS 17"). Qualifying leases will be recorded on the balance sheet as an asset under property and equipment, and will have a corresponding liability with both current and long-term portions.

The Company is reviewing the standards and amendments, to determine the potential impact, if any, on its financial statements.

**4. MINERAL EXPLORATION AND EVALUATION ASSETS**

The Company has 20 mineral licenses (2016 - 20) which consist of 1,015 claims (2016 – 1,015 claims), which are active and in good standing with the Department of Natural Resources in the Province of Newfoundland and Labrador. These licenses are in the exploration and evaluation stage.

A summary of the costs of these licences is as follows:

	March 31, 2017		December 31, 2016			
	Balance, Beginning of Period	Additions	Balance, End of Period	Balance, Beginning of Year	Additions	Balance, End of Year
	\$	\$	\$	\$	\$	\$
Property acquisition costs	1,084,350	-	1,084,350	1,048,115	36,235	1,084,350
Exploration costs	869,988	2,833	872,821	861,471	8,517	869,988
	<b>1,954,338</b>	<b>2,833</b>	<b>1,957,171</b>	<b>1,909,586</b>	<b>44,752</b>	<b>1,954,338</b>

Additions to mineral exploration costs in 2017 include share-based compensation of \$1,048 (Note 5) (December 31, 2016- \$3,997). Additions to mineral exploration and evaluation assets in 2017 have been reduced by a government grant of \$1,730 (December 31, 2016- \$9,809).

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**5. SHARE-BASED COMPENSATION**

*a) Stock option plan*

The Company has a stock option plan under which directors, officers, management, consultants and employees of the Company are eligible to receive stock options. The aggregate number of shares to be issued upon exercise of all options granted under the plan shall not exceed 10% of the issued shares of the Company at the time of granting the options. The number of shares which may be reserved for issuance in any 12 month period to any one individual may not exceed 5% of the issued shares or 2% if the optionee is a consultant, and the number of shares which may be reserved for issuance in any 12 month period to all optionees engaged in investor relations activities may not exceed 2% in the aggregate of the issued shares on a yearly basis. Options may be exercisable over periods of up to ten years, as determined by the Board of Directors of the Company and are required to have an exercise price no less than the closing market price of the Company's shares prevailing on the day that the option is granted less a discount of up to 25%, with the amount of the discount varying with market price in accordance with the policies of the TSXV.

*b) Stock options*

A summary of stock options outstanding and exercisable is as follows:

	<b>March 31, 2017</b>		<b>December 31, 2016</b>	
	<b>Number of Options</b>	<b>Weighted- Average Exercise Price</b>	<b>Number of Options</b>	
			<b>Weighted- Average Exercise Price</b>	
Outstanding, beginning of period	<b>3,350,000</b>	<b>0.10</b>	1,750,000	0.10
Granted	-	-	1,600,000	0.10
Forfeited	<b>(100,000)</b>	<b>0.10</b>	-	-
Cancelled	<b>(100,000)</b>	<b>0.10</b>	-	-
Outstanding, end of period	<b>3,150,000</b>	<b>0.10</b>	3,350,000	0.10
<b>Outstanding and exercisable, end of period</b>	<b>2,450,000</b>	<b>0.10</b>	2,550,000	0.10

The weighted average remaining contractual life of outstanding options is 2.32 years (December 31, 2016 – 2.57 years). The weighted average remaining contractual life of exercisable options is 1.73 years (December 31, 2016- 2.09 years).

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**5. SHARE-BASED COMPENSATION (continued)**

The weighted average fair value of stock options granted in the three months ended March 31, 2016 was estimated on the date of the grant to be \$0.025 using the Black-Scholes fair value option pricing model and the following weighted average assumptions:

	<b>2017</b>	2016
Expected volatility (%)	-	270
Risk free interest rate (%)	-	0.73
Weighted-average expected life (years)	-	5.0
Dividend yield (%)	-	0

The Company recognized share-based compensation in the amount of \$2,446 in the three months ended March 31, 2017 (\$20,383- three months ended March 31, 2016). Share-based compensation in the amount of \$1,398 was expensed for the three months ended March 31, 2017 (\$17,843- three months ended March 31, 2016) and \$1,048 (March 31, 2016- \$2,540) was capitalized to mineral exploration and evaluation assets.

**6. RELATED PARTY TRANSACTIONS**

	<b>Three Months Ended March 31, 2017</b>	Three Months Ended March 31, 2016
Expenditures paid/payable to Vulcan Minerals Inc., parent of the Company and reflected as:		
Mineral exploration and evaluation assets	<b>2,915</b>	11,982
General and administrative expenses	<b>3,500</b>	10,095
Rent paid to a corporation which is controlled by the President of the Company	<b>3,000</b>	5,250

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Management is of the opinion that these transactions were undertaken under the same terms and conditions as transactions with non-related parties.

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**6. RELATED PARTY TRANSACTIONS (continued)**

Compensation for key management personnel, which includes the President and Chief Executive Officer, Chief Financial Officer and directors, is as follows:

	<b>2017</b>	2016
	\$	\$
Management fees, salaries and benefits for key management personnel paid/payable to parent and included in Note 6 above, and reflected as		
General and administrative expenses	<b>3,500</b>	7,158
Mineral exploration and evaluation assets	<b>632</b>	2,817
Other fees paid directly by the Company:		
Management fee- other	-	3,750
Directors' fees	-	6,250
Share-based compensation		
General and administrative expense	<b>1,398</b>	17,843
Mineral exploration and evaluation assets	<b>1,048</b>	2,540
	<b>6,578</b>	40,358

Accounts payable and accrued liabilities include \$43,439 owing to parent company, Vulcan Minerals Inc. at March 31, 2017 (\$27,750 – December 31, 2016).

# **CORPORATE INFORMATION**

## **OFFICERS AND MANAGEMENT**

Patrick J. Laracy  
President and Chairman

Sharon M. Dunn  
Chief Financial Officer and Corporate  
Secretary

## **BOARD OF DIRECTORS**

Patrick J. Laracy

Rex Gibbons

Carson Noel

William Koenig

**EXCHANGE LISTING**  
TSX Venture – “RMK”

**LEGAL COUNSEL**  
Morris McManus, Calgary, AB  
Cox & Palmer, St. John’s, NL

**REGISTRAR AND TRANSFER AGENT**  
Computershare Trust Company of Canada

**AUDITORS**  
PricewaterhouseCoopers LLP

**BANKERS**  
Scotiabank

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**RED MOON RESOURCES INC.**  
**(Formerly Red Moon Potash Inc.)**

**MANAGEMENT DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**

**For the Three Months Ended March 31, 2017**

*This discussion includes certain statements that may be deemed “forward-looking statements”. All statements in this discussion, other than statements of historical facts, that address exploration, drilling, exploration activities and events or developments that Red Moon Resources Inc. (the “Company”) expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include market prices, exploration and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and those actual results or developments may differ materially from those projected in the forward-looking statements.*

### General Business

The Company is a subsidiary of Vulcan Minerals Inc. (“Vulcan”) (66.6% ownership) and was listed on the TSX Venture Exchange on August 17, 2012 as a result of a corporate reorganization of Vulcan, whereby Vulcan transferred its 100% working interest in its Bay St. George mineral assets to the Company and retained a 3% gross production royalty on mineral products. The Company is engaged in mineral exploration on properties in Newfoundland and Labrador. The Company’s immediate efforts will focus on exploring these properties. The Company is an exploration venture company and has no proven mineral reserves.

On November 16, 2016, the Company changed its name from Red Moon Potash Inc. to Red Moon Resources Inc. to more accurately reflect the nature of its operations.

The MDA should be read in conjunction with the unaudited financial statements for the period ended March 31, 2017 and accompanying notes.

### DATE

The date of this MDA is May 25, 2017.

### OVERALL PERFORMANCE

The Company reported a net loss of \$25,033 for the three months ended March 31, 2017 (as compared to a net loss of \$52,537 for the three months ended March 31, 2016) (decrease in net loss of \$27,504). The 2017 net loss consisted of administrative expenses of \$23,662, share-based compensation costs of \$1,398, and reduced by interest income of \$27. The 2016 net loss consisted of administrative expenses of \$34,849 and share-based compensation costs of \$17,843 and was reduced by interest income of \$155.

The following table outlines the significant components of general and administrative expenses for each of the three months ended March 31, 2017 and 2016:

General & Administrative Expenses Include:	Three Months Ended March 31	
	2017	2016
	\$	\$
Management and subcontract fees	3,500	14,136
Transfer agent, regulatory and professional fees	7,568	6,202
Directors' fees	-	6,250
Office and other	5,367	8,261
Conferences, travel and accomodation	7,227	-
Total	23,662	34,849

The Company recorded share based compensation expense of \$1,398 for the three months ended March 31, 2017 ( \$17,843- three months ended March 31, 2016). The Company granted 1,600,000 stock options in March 2016, with 800,000 options vesting immediately. Stock-based compensation expense in 2017 and 2016 relates to the grant of these options.

## RESULTS OF OPERATIONS

### Mineral Properties- Background

#### *Captain Cook Salt*

The Company acquired a 100% interest in mineral licences covering a portion of the northern Bay St. George Basin in western Newfoundland in August 2012, as a result of a corporate re- organization of Vulcan, whereby Vulcan spun-out certain mineral exploration assets into the Company, subject to a 3% production royalty. The Company issued 20,499,999 shares with an assigned amount of \$0.05 per share (\$1,025,000) in exchange for the interest in the mineral licences. The licences include the mineral rights to lands in the Bay St. George Basin that have potential for potash, salt and other mineral deposits. The Company pursued the exploration for salt and potash since 2013 and has delineated a significant salt resource.

In January 2016 Apex Geoscience Ltd. of Edmonton, Alberta completed a National Instrument 43-101 compliant Mineral Resource Assessment report on the halite (rock salt) deposit located at the Captain Cook project in western Newfoundland. The report is based primarily on the Company's drilling results from 2013 and 2014, related geophysical data and historical information. This is the first mineral resource assessment of the Captain Cook rock salt deposit. Highlights of the resource report are as follows:

### **Salt Resource Estimate Highlights**

-Using a 95.0% lower base cut-off for sodium chloride, the Captain Cook Halite Resource Estimate is classified as "Inferred" and demonstrates that there is **908 million tonnes** of high purity halite (**96.9% salt**) for 880 million *in-situ* tonnes of salt (Table 1);

-Additional analytical work was conducted as part of the estimation, the results of which help to define a thick section of high purity halite. For example, the best halite intersection, from drillhole CC-4, contains 96.8% NaCl over 335.3 m, which includes two large segments of high

purity halite of 98.0% NaCl over 125.3 m and 97.5% NaCl over 177.3 m;

-The Technical Report summarizes: positive physical and chemical characteristics; salt composition and quality; market applicability; and infrastructure/transportation readiness, all of which support the conclusion that the Captain Cook halite deposit is a deposit of merit and warrants further delineation/evaluation work;

-The Captain Cook project area has access to important infrastructure including: two nearby deep water ports; airports at Stephenville and Deer Lake; the Trans-Canada Highway; high voltage power grid; and an extensive road network including a well-maintained, all-weather gravel road connecting the deposit with the Turf Point Port, approximately 5.5 km from the deposit.

<b>NaCl lower cut-off (%)</b>	<b>Volume (m<sup>3</sup>)</b>	<b>Tonnes (million)</b>	<b>Density (kg/m<sup>3</sup>)</b>	<b>NaCl (%)</b>	<b>Tonnes <i>in-situ</i> (million)</b>
88	682,000,000	1,473	2.16	95.3	1,405
89	677,000,000	1,462	2.16	95.4	1,395
90	672,000,000	1,451	2.16	95.4	1,385
91	653,000,000	1,410	2.16	95.6	1,348
92	602,000,000	1,301	2.16	95.9	1,248
93	557,000,000	1,203	2.16	96.2	1,157
94	499,000,000	1,078	2.16	96.5	1,040
<b>95</b>	<b>420,000,000</b>	<b>908</b>	<b>2.16</b>	<b>96.9</b>	<b>880</b>
96	304,000,000	657	2.16	97.4	640
97	190,000,000	410	2.16	97.9	401
98	71,000,000	154	2.16	98.6	152
99	17,000,000	37	2.16	99.3	37

Note 1: Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no guarantee that all or any part of the mineral resource will be converted into a mineral reserve.

Note 2: The quantity of reported inferred resource in these estimations are uncertain in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured mineral resource, and it is uncertain if further exploration will result in upgrading them to an indicated or measured resource category.

Note 3: The estimate of mineral resources may be materially affected by geology, environment, permitting, legal, title, taxation, socio-political, marketing or other relevant issues.

Note 4: Tonnes have been rounded to the nearest 1,000,000 (numbers may not add up due to rounding).

To demonstrate that the halite has reasonable prospects of economic extraction, the mineral resource is reported at a lower base case cut-off of 95.0% NaCl. This is the general standard used in the purchase of road salt and follows the specification outlined in American Society for Testing and Materials (ASTM) Designation D632-12 (2012), which is applicable for sodium chloride intended for use as a de-icer and for road construction or maintenance purposes. Accordingly, with respect to reporting a resource estimate that abides by the General Guidelines of NI 43-101, the Red Moon halite test work results show that the Captain Cook halite deposit has good prospects of economic viability for an industrial mineral deposit.

#### Robinsons/St.Fintans Potash Project

The Company acquired in 2015-2016, through staking, additional mineral claims in the Bay St. George basin as an extension of its existing salt/ potash project. Based on ongoing research of historical work in the basin, the Company staked the claims to cover the St. Fintans hole drilled in 1973 and the surrounding prospective area. St. Fintans is located 9 km southwest of the historic Hooker Robinsons hole and 34 km from the Captain Cook area. The historic drill results in the Robinson's-St. Fintans area highlights a new exploration site separate from the Captain Cook area. Both the Robinsons and St. Fintans holes intersected very thick gross potash intervals interbedded with salt and mudstone.

#### Nepheline Syenite Property

In July 2016 the Company acquired, by staking, the Red Bay nepheline property in southern Labrador. The property consists of 15 claims covering a known surface occurrence of nepheline syenite along the southern Labrador highway. The project is located 10 kilometers from Red Bay and 6 kilometres from tide water. The Blanc Sablon, QC airport is a 90-minute drive from the property.

Nepheline occurs in an alkali feldspar syenite unit reported to be up to 200 metres wide and in excess of 2000 metres in length based on field work carried out by the Newfoundland and Labrador Department of Natural Resources. Previous work on the property included the analysis of grab samples, which indicated that the chemistry of the syenite unit has the potential to meet the specifications for industrial uses. Nepheline is an industrial mineral and a source of aluminum (Al<sub>2</sub>O<sub>3</sub>), sodium (Na<sub>2</sub>O) and potassium (K<sub>2</sub>O) used primarily in the manufacture of glass, ceramics, extenders and fillers. Commercial nepheline deposits are rare with only one mine in production in North America at Blue Mountain in Ontario which produces about 600,000 tonnes per year. Though feldspar is used as a substitute for nepheline because of nepheline's limited supply, nepheline is generally a preferred material over feldspar because of its higher concentration of potassium and sodium resulting in significant energy savings in industrial uses. The world feldspar market is approximately 20,000,000 tonnes per year. In 2016 the Company carried out a mapping and sampling program at the nepheline occurrence in order to outline the mineralogical variation within the deposit to better evaluate its chemistry. Results from the sampling indicate that the alumina and alkali content of the rock is comparable to other commercial nepheline deposits and that beneficiation analysis is warranted to further determine if the chemistry will meet industrial specifications. The initial steps of this analysis are ongoing.

The acquisition of the nepheline project is consistent with Red Moon's industrial mineral portfolio currently led by its Captain Cook Salt project in western Newfoundland. The nepheline project is located in an easily accessible part of southern Labrador with infrastructure nearby. Whether this project can proceed to a feasibility stage will depend on its chemistry and tonnage potential.

## Plans 2017

The Company is soliciting funding by way of partnerships and equity funding to advance the Captain Cook salt project to a feasibility stage. According to the Apex Resource report this will require an estimated 2.3 million dollar expenditure for additional drilling, geotechnical and related work.

As well, the Company is evaluating the prospects for gypsum and base metals on its Bay St. George mineral claims. The claims were previously mined (open pit) for gypsum and based on historical research and preliminary field evaluations, there is potential for further gypsum development. Field work in 2016 has located an area of gypsum with a low stripping ratio that may allow a viable open pit operation. The Company has completed a legal survey of this area and has applied for a mining lease. This will enable the Company to more fully evaluate its commercial viability and be prepared to mine the deposit if market opportunities are identified.

The Company also plans to further evaluate the nepheline property based on the results of its 2016 sampling and mapping program. This evaluation has been initiated by way of a beneficiation analysis to better determine the chemical characteristics of processed material.

## MINERAL EXPLORATION AND EVALUATION ASSETS

The major components of mineral exploration and evaluation assets at March 31, 2017 are as follows:

Acquisition costs- licences	\$1,025,000
Mineral licences and licences renewals	59,350
Drilling, geological, geophysical and related costs	1,060,364
Share-based compensation	23,996
<u>Government grants</u>	<u>(211,539)</u>
<u>Balance March 31, 2017</u>	<u>\$1,957,171</u>

## SUMMARY OF QUARTERLY RESULTS

Quarter	Total Revenue	Net Loss	Net Loss per share
	\$	\$	\$
March 31, 2017	27	(25,033)	(0.001)
December 31, 2016	49	(37,246)	(0.001)
September 30, 2016	46	(23,157)	(0.001)
June 30, 2016	98	(28,191)	(0.001)
March 31, 2016	155	(52,537)	(0.001)
December 31, 2015	87	(47,153)	(0.001)
September 30, 2015	46	(19,056)	(0.001)
June 30, 2015	80	(35,720)	(0.001)

Revenue for each quarter is represented by interest income. The loss for each quarter is represented primarily by administrative expenses, except that each of the quarters commencing with the June 30, 2015 quarter includes share-based compensation costs totalling \$28 for the two quarters in 2015, \$24,660 for the 2016 quarters, and \$1,398 for the March 31, 2017 quarter.

## LIQUIDITY, CAPITAL RESOURCES, AND GOING CONCERN

The Company had current assets of \$65,515 at March 31, 2017, including cash of \$48,123; the Company had accounts payable and accrued liabilities of \$63,212, resulting in working capital of \$2,303.

The Company has no long-term debt and as such is not sensitive to interest rate fluctuation on debt instruments. The Company has no contingent liabilities that could materially affect its financial position.

The Company will seek funding to carry on its activities in 2017.

The Company has no revenue streams and its only source of funding is equity financing, and its ability to continue will be dependent on equity financing.

The Company's financial statements have been prepared using generally accepted accounting principles in Canada applicable to a going concern. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nonetheless, there is no assurance that these initiatives will be successful. The Company's financial statements and management's discussion and analysis do not reflect adjustments to the carrying value of assets and liabilities that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

The Company carries out exploration on mineral licences in Newfoundland and Labrador. These tenure instruments require work obligations in order to maintain ownership. Failure to fulfill work obligations would result in loss of ownership interest. The Company originally held 13 mineral licences represented by 36,375 hectares. In 2013 to 2016, in addition to the acquisition of additional mineral licences, the Company regrouped several of its original mineral licences, resulting in the Company holding 20 mineral licences at March 31, 2017, representing approximately 25,000 hectares in the Bay St. George region of Western Newfoundland and in Red Bay, Labrador. The Company's current mineral licences are in good standing in respect of ongoing work obligations.

## TRANSACTIONS WITH RELATED PARTIES

The Company incurred expenditures of \$6,415 for the three months ended March 31, 2017 (\$22,077- three months ended March 31, 2016) in transactions with its parent company. Vulcan provided management, administrative, and technical services to the Company. Related party general and administrative amounts which were expensed totaled \$3,500 in the three months ended March 31, 2017 (\$10,095- 2016). The related party expenditures capitalized to mineral exploration and evaluation assets totaled \$2,915 for the three months ended March 31, 2017 (\$11,982- three months ended March 31, 2016). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Management is of the opinion that these transactions were undertaken under the same terms and conditions as transactions with non-related parties.

The Company paid premises rent in the amount of \$3,000 for the three months ended March 31, 2017 (2016-\$5,250) to a private company controlled by the President and CEO of the Company. Effective October 1, 2016, the rent amount was reduced from \$1,750 per month to \$1,000 per month, resulting in annual savings of \$9,000. The Company paid management fees of \$nil for the three months ended March 31, 2017 (2016- \$3,750 ) to the President and CEO of the Company. The monthly management fee was eliminated effective October 1, 2016 resulting in annual savings of \$15,000.

The Company's directors were each paid \$nil in directors' fees in the three months ended March 31, 2017 ( \$1,250 for each director in the three months ended March 31, 2016 for total directors' fees in three months ended March 31, 2016 of \$6,250). The directors have resolved to pay no directors' fees for 2017.

## CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

### **New and amended standard adopted by the Company**

The following standard has been adopted by the Company for the period beginning on January 1, 2017:

IAS 12, "*Income Taxes*" ("IAS 12") was amended to provide guidance on the recognition of deferred tax assets for unrealized losses, effective for annual periods beginning on or after January 1, 2017. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The adoption of this standard had no impact on the Company's financial statements.

### **Standards and amendments not yet effective and not yet applied**

In July 2014, the IASB issued IFRS 9 Financial Instruments. The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and substantially completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only three classification categories: amortized cost and fair value through other comprehensive loss and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. The standard introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from the time when financial instruments are first recognised and it lowers the threshold for recognition of full lifetime expected losses. The new standard also introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity and aligns hedge accounting more closely with risk management. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

IFRS 16, "*Leases*" ("IFRS 16") is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted for entities that have also adopted IFRS 15 "*Revenue from contracts with customers*" ("IFRS 15"). IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17, "*Leases*" ("IAS 17"). Qualifying leases will be recorded on the balance sheet as an asset under property and equipment, and will have a corresponding liability with both current and long-term portions.

The Company is reviewing the standards and amendments, to determine the potential impact, if any, on its financial statements.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments include cash, accounts receivable, and accounts payable and accrued liabilities. The fair value of each approximates the carrying value due to their short term nature.

## **Business Risks**

The Company is a junior exploration company principally involved in mineral exploration which is an inherently high-risk activity. The business of exploring for, developing, acquiring, producing minerals is subject to many risks and uncertainties, several of which are beyond the control of the Company. These risks are operational, financial, legal and regulatory in nature.

Operational risks include unsuccessful exploration and development drilling activity, safety and environmental concerns, access to cost effective contract services, escalating industry costs for contracted services and equipment, product marketing and hiring and retaining qualified employees.

The Company is subject to financial risk as exploration is capital intensive and the Company has no sources of funding other than equity financing and joint venture financing arrangements. Only the skills of management and staff in mineral exploration and exploration financing serve to mitigate these risks.

The Company is subject to a variety of regulatory risks that it does not control. Government and Securities regulations are monitored to ensure the Company continues to be in compliance.

## **Financial Risk Factors**

The Company has exposure to credit risk, liquidity risk and market risk. The source of risk exposure and how each is managed is outlined below:

*Credit risk*- Credit risk is the risk of loss associated with counterparty's inability to fulfil its payment obligation. The Company is exposed to credit risk on its cash and accounts receivable. Cash is maintained on deposit with a major Canadian chartered bank. The Company believes its credit risk with respect to cash and accounts receivable is not significant.

*Liquidity risk*- Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. As of March 31, 2017 the Company had a cash balance of \$48,123 and working capital of \$2,303. The Company has no source of operating cash flow. There is no assurance that additional funding will be available to allow the Company to fund administrative expenses and exploration programs. Liquidity risk is significant to the Company.

### *Market risk*

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and commodity prices will affect the Company's net loss or the value of its financial instruments.

*Commodity price risk*- The value of the Company's mineral exploration and evaluation assets is partially related to the market price of base metals and commodities. The Company does not hedge this exposure to fluctuations in commodity prices. The Company's ability to continue with its exploration program is also indirectly subject to commodity prices.

## **SHARE CAPITAL**

The Company has issued and outstanding common shares of 48,050,004 at May 25, 2017. The Company's share capital consists of an unlimited number of voting common shares, and an unlimited number of preferred shares of which there are none outstanding.

The Company has 3,150,000 stock options outstanding at May 25, 2017 as outlined below:

<b>Date Issued</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Details</b>
February 1, 2013	1,750,000	\$0.10	Directors' Options, Expiry February 1, 2018
March 16, 2016	1,400,000	\$0.10	Directors' Options, Expiry March 16, 2021

There were 2,450,000 options exercisable at May 25, 2017. The weighted average remaining contractual life of the outstanding options is 2.32 years and the weighted average remaining contractual life of exercisable options is 1.73 years.

The Company has 2,525,000 warrants outstanding at May 25, 2017. Each warrant entitles the holder to purchase one common share at \$0.10 per share until December 1, 2017.

#### ADDITIONAL INFORMATION

All corporate disclosure documents are filed on [www.sedar.com](http://www.sedar.com). Additional information regarding the Company's projects and activities are available at [www.redmoonpotash.com](http://www.redmoonpotash.com)