

RED HUT METALS INC.
CONDENSED INTERIM FINANCIAL STATEMENTS
For the three months ended March 31, 2017
(Stated in Canadian Dollars)
(Unaudited)

NOTICE TO READER OF THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

The unaudited condensed interim financial statements for the period ended March 31, 2017 have been prepared by and are the responsibility of the Company's management. These financial statements have not been reviewed or audited by the Company's auditors.

RED HUT METALS INC.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Stated in Canadian Dollars)
(Unaudited)

	March 31, 2017	December 31, 2016
<u>ASSETS</u>		
Current assets		
Cash	\$ 15,574	\$ 20,460
Accounts receivable	1,014	1,198
Total Assets	\$ 16,588	\$ 21,658
<u>LIABILITIES</u>		
Current liabilities		
Trade and other payables – Note 5	\$ 95,950	\$ 73,125
<u>EQUITY</u>		
Share capital – Note 4	1,277,317	1,277,317
Accumulated deficit	(1,356,679)	(1,328,784)
Total Equity	(79,362)	(51,467)
Total Liabilities and Equity	\$ 16,588	\$ 21,658

Basis of Preparation – Note 2
Subsequent events – Notes 3 and 10

APPROVED ON BEHALF OF THE DIRECTORS:

<u>“Robert Eadie”</u> Robert Eadie	Director	<u>“Gary Arca”</u> Gary Arca	Director
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RED HUT METALS INC.
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Stated in Canadian Dollars)
(Unaudited)

For the three months ended March 31,	2017	2016
Expenses:		
Accounting and audit fees – Note 5	\$ 2,032	\$ 1,500
Legal and corporate services – Note 5	3,000	3,000
Management activities – Note 5	15,794	15,000
Office, rent and administration – Note 5	3,124	3,049
Shareholder communications – Note 5	1,500	1,500
Transfer agent and filing fees	2,445	5,875
Total loss and comprehensive loss for the period	\$ (27,895)	\$ (29,924)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)
Weighted average shares outstanding – Note 7	8,372,851	6,950,000

The accompanying notes form an integral part of these condensed interim financial statements

RED HUT METALS INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Stated in Canadian Dollars)
(Unaudited)

For the three months ended March 31,	2017	2016
Operating Activities:		
Loss for the period	\$ (27,895)	\$ (29,924)
Changes in non-cash working capital items:		
Accounts receivable	184	(1,120)
Trade and other payables	22,825	23,469
Cash outflows from operating activities	(4,886)	(7,575)
Total increase (decrease) in cash during the period	(4,886)	(7,575)
Cash, beginning of the period	20,460	42,141
Cash, end of the period	\$ 15,574	\$ 34,566

The accompanying notes form an integral part of these condensed interim financial statements

RED HUT METALS INC.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
For the three months ended March 31, 2017 and 2016
(Stated in Canadian Dollars)
(Unaudited)

	Number of Shares Outstanding	Share Capital	Equity Reserve	Accumulated Deficit	Total Equity
Balance – December 31, 2015	6,950,001	1,092,346	206,750	(1,368,663)	(69,567)
Net loss for the period	-	-	-	(29,924)	(29,924)
Balance – March 31, 2016	6,950,001	1,092,346	206,750	(1,368,663)	(69,567)
Common shares issued pursuant to:					
- Settlement of debt - at \$0.13	1,422,850	184,971	-	-	184,971
Options expired and cancelled	-	-	(206,750)	206,750	-
Net loss for the period	-	-	-	(136,947)	(136,947)
Balance – December 31, 2016	8,372,851	\$ 1,277,317	\$ -	\$ (1,328,784)	\$ (51,467)
Net loss for the period	-	-	-	(27,895)	(27,895)
Balance – March 31, 2017	8,372,851	\$ 1,277,317	\$ -	\$ (1,356,679)	\$ (79,362)

The accompanying notes form an integral part of these condensed interim financial statements

RED HUT METALS INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three months ended March 31, 2017 and 2016
(Stated in Canadian Dollars)
(Unaudited)

Note 1 **Corporate Information**

Red Hut Metals Inc. (the “Company”) was incorporated on February 16, 2010 under the Business Corporations Act of British Columbia as 0874036 BC Ltd. It commenced operations in April 2011 and, on December 20, 2011, changed its name to Red Hut Metals Inc. The Company is in the process of exploring and evaluating its mineral property located on Vancouver Island, British Columbia, Canada.

On December 11, 2012, the Company completed its Initial Public Offering (“IPO”) and began trading on the TSX Venture Exchange (“TSX-V”).

The address of the Company’s corporate office and principal place of business is 750 – 580 Hornby Street, Vancouver, British Columbia, Canada.

Note 2 **Basis of Preparation**

a) Statement of Compliance

These unaudited condensed interim financial statements for the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. These condensed interim financial statements, for the three months ended March 31, 2017, have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting, however, they do not include all the information required for full annual financial statements.

These condensed interim financial should be read in conjunction with the Company’s 2016 audited annual financial statements. The financial statements were authorized by the Board of Directors for issue on May 19, 2017.

b) Basis of Measurement

The financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The financial statements are presented in Canadian dollars, which is also the Company’s functional currency and all values are rounded to the nearest dollar, unless otherwise indicated.

RED HUT METALS INC.

Notes to the Condensed Interim Financial Statements

March 31, 2017 (Unaudited)

(Stated in Canadian Dollars) - Page 2

Note 2 **Basis of Preparation - (cont'd)**b) Basis of Measurement - (cont'd)

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 of the Company's 2016 audited annual financial statements. The Company continues to follow the same accounting policies and methods of computation as previously disclosed under Note 3 of the Company's 2016 audited annual financial statements.

c) Going Concern of Operations

The Company has not generated revenue from operations. The Company incurred a loss of \$27,895 during the period ended March 31, 2017. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties. The Company does not have sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. While the Company has been successful in obtaining the necessary financing through the issuance of common shares in the past, there is no assurance it will be able to raise funds in this manner in the future and there is significant doubt as to the Company's ability to continue as a going concern. As at March 31, 2017, the Company had \$15,574 in cash, working capital deficiency of \$79,362 and no long-term debt (see Note 10).

These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of operations, and at amounts different from those in the accompanying financial statements.

Note 3 **Exploration and Evaluation Assets**Conuma Property

On December 15, 2011, the Company acquired a 100% interest in 11 mineral claims located in the Alberni and Nanaimo Mining Divisions of British Columbia, more commonly known as the Conuma Property (the "Property") pursuant to a Letter of Agreement dated May 16, 2011 and as amended December 15, 2011 (the "Agreement"). Under the terms of the Agreement, the Company paid \$5,000 and issued 100,000 common shares with a fair value of \$5,000 to the Vendor.

The Company's 100% interest in the Property is subject to a net smelter royalty ("NSR") of 2% of gross revenues from the Property less certain permissible deductions, payable to the Vendor.

RED HUT METALS INC.

Notes to the Condensed Interim Financial Statements

March 31, 2017 (Unaudited)

(Stated in Canadian Dollars) - Page 3

Note 3 Exploration and Evaluation Assets - (cont'd)

Conuma Property – (cont'd)

During the year ended December 31, 2013, the Company acquired by staking, mineral tenure covering the Norgate prospect, which is adjacent to and contiguous with its Conuma property. The addition of the Norgate claim increases total claims held by the Company to 12 and total hectares to 6,098.

During the year ended December 31, 2014, management decided to write the costs accumulated on the Conuma property to \$nil as an asset impairment and continues to expense amounts related to this property. While management still believes that the properties are of merit and warrant continued development, lack of activity due to market conditions warranted a write down under IFRS accounting guidance.

Providence Gold Mines

The Company has signed a Letter of Intent (“LOI”) with 0999940 BC Ltd, a private B.C. company, (collectively the “Assignors”) whereby the Company will acquire by way of assignment all of the contractual interests held by the Assignors in various patented and located mineral claims (the “Property”) with a history of gold mineralization in Western California, USA (the “Transaction”).

The Property includes six parcels which have been fully patented and are owned in fee simple, and thirteen 20-acre mining claims on Bureau of Land Management and US Forest Service property (260 acres), which include several historic mines and a mill site. The Assignors have also staked a further nine claims contiguous to the existing Providence patented and located claims for a total of 22 mining claims.

The Proposed Transaction

The Assignors have negotiated the general terms and provisions whereby they can earn a 50% joint venture interest in the Property, or alternatively buy a 100% interest in the Property. To earn a 50% interest in the Property requires the payment of US\$175,000 and incurring C\$2,000,000 of expenditures on the Property over the course of three years, and issue 4,500,000 shares of the Company as follows:

- payment of US\$25,000 following regulatory approval;
- payment of US\$25,000 and incurring C\$250,000 of expenditures by March 28, 2018;
- payment of US\$100,000 and incurring an additional C\$750,000 of expenditures by March 28, 2019; and
- incurring an additional C\$1,000,000 of expenditures by March 28, 2020.

Having earned a 50% interest, a joint venture would be formed with the Property owner.

As consideration for the assignment, the Company will also assume all obligations of the Assignors to the Property owner, and has agreed to pay the following to the Assignors:

- a) Following regulatory approval, the Company will make a cash payment US\$25,000 and issue 1,500,000 common shares;

RED HUT METALS INC.

Notes to the Condensed Interim Financial Statements

March 31, 2017 (Unaudited)

(Stated in Canadian Dollars) - Page 4

Note 3 Exploration and Evaluation Assets - (cont'd)**Providence Gold Mines - (cont'd)**

- b) After completing the recommended first year work program of at least C\$250,000, the Company will issue an additional 1,500,000 common shares.;
- c) After completing the recommended second year work program of at least \$750,000, the Company will issue an additional 1,500,000 common shares.

Alternatively, a 100% interest in the Property can be acquired for US\$5,000,000, at any time, of which one-half can be paid in shares. In the event the Company elects to acquire the Property for US\$5 million the Company will issue an additional 1,500,000 common shares.

In either event, the Property owner will retain a 2.5% net smelter returns royalty, of which 1.5% NSR can be acquired for US\$1,000,000 if the option to acquire a 100% interest in the Property is exercised. As of March 31, 2017, the Company has not received regulatory approval for this property. Subsequent to the period end, the Company received a conditional acceptance for the proposed acquisition (see note 10).

Environmental Protection Practices

The Company is subject to laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in a material liability to the Company.

Note 4 Share Capital and Equity Reserves**a) Common Shares**

The Company is authorized to issue an unlimited number of no par value common shares, issuable in series. The holders of common shares are entitled to one vote per share at meetings of the Company and to receive dividends, which maybe declared from time-to-time.

No dividends have been declared by the Company since its inception. All shares are ranked equally with regard to the Company's residual net assets.

The Company did not issue any common shares during the period ended March 31, 2017.

Debt Settlement

During the year ended December 31, 2016, the Company issued 1,422,850 common shares pursuant to a debt settlement of \$213,428 owed to five creditors, four of whom are directors of the Company. Based on the closing price of the common shares

RED HUT METALS INC.

Notes to the Condensed Interim Financial Statements

March 31, 2017 (Unaudited)

(Stated in Canadian Dollars) - Page 5

Note 4 Share Capital and Equity Reserves - (cont'd)a) Common Shares – (cont'd)

as at the date of the debt settlement agreements, the Company determined the fair value of the shares at \$184,971 valued at \$0.13 per share. A gain on settlement of \$28,457 was recorded in the Company's profit or loss.

Reverse share split

On July 26, 2016, the Company consolidated its 13,900,001 then issued and outstanding common shares on the basis of every two common shares of the Company being consolidated into one new Common Share of the Company, such that 6,950,001 common shares were issued and outstanding as of the record date on July 26, 2016.

Numbers reflected in these statements are post-consolidation numbers unless indicated otherwise.

Note 5 Related Party Transactions

The following is a summary of charges incurred by the Company with related parties for the periods ended March 31, 2017 and 2016.

Period ended March 31,	2017	2016
Accounting fees	\$ 1,500	\$ 1,500
Legal and Corporate services	3,000	3,000
Management fees	15,000	15,000
Office, rent and administration	3,000	3,000
Shareholder communications	1,500	1,500
Total	\$ 24,000	\$ 24,000

During the period ended March 31, 2017, the Company incurred operational expenses totalling \$24,000 (March 31, 2016 - \$24,000) from companies controlled by a director and an officer of the Company and where there are common officers with the Company.

During the period ended March 31, 2017 trade and other payables included \$66,950 (December 31, 2016 - \$42,125) owed to a company controlled by a director and an officer of the Company for operational expenses.

Note 6 Segmented Reporting

The Company is organized into business units based on mineral properties and has one reportable operating segment, being the acquisition and E&E activities in Canada.

RED HUT METALS INC.

Notes to the Condensed Interim Financial Statements

March 31, 2017 (Unaudited)

(Stated in Canadian Dollars) - Page 6

Note 7 Loss Per Share

The denominator for the calculation of loss per share, being the weighted average number of common shares for the period ended March 31, 2017 and 2016, is calculated as follows:

Period ended March 31,	2017	2016
Issued and outstanding at the beginning of the period	8,372,851	6,950,001
Weighted average share issued during the period	-	-
Weighted average number of common shares (basic and diluted)	8,372,851	6,850,001

Note 8 Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

There have been no changes in the Company's approach to capital management during the period ended March 31, 2017.

Note 9 Financial Instruments

As at March 31, 2017, the Company's financial instruments consist of cash and trade and other payables.

The fair value of the Company's cash and trade and other payables approximate their carrying value, which is the amount on the statements of financial position, due to their short-term maturities or ability of prompt liquidation.

a) Interest Rate Risk

The Company's cash earns interest at a variable interest rate. Because of the nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of March 31, 2017. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Interest rate risk consists of two components:

- (i) 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.

RED HUT METALS INC.

Notes to the Condensed Interim Financial Statements

March 31, 2017 (Unaudited)

(Stated in Canadian Dollars) - Page 7

Note 9 Financial Instruments – (cont'd)a) Interest Rate Risk – (cont'd)

- (i) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's exposure to interest rate fluctuations is minimal.

b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash, the balance of which at March 31, 2017 is \$15,574 (December 31, 2016 - \$20,460). As at that date, cash was held at a chartered Canadian financial institution and the Company does not consider the risks to be significant.

c) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company is subject to high liquidity risk due to its current capital deficiency outlined in Note 2. Additional cash requirements could be met with the issuance of additional share capital, however there is no assurance it will be able to raise funds in this manner in the future. As at March 31, 2017, the Company was holding cash of \$15,574 (December 31, 2016 - \$20,460). The Company's trade and other payables are due in the short term.

Note 10 Subsequent Eventa) Private Placement

The Company has received conditional acceptance for the proposed acquisition of the Providence Gold Mine property. The closing date for the transaction will occur following receipt of final Exchange approval, and the closing of the part-and-parcel private placement of at least \$1.2 million through the issuance of at least 12 million units (the "Units") at a price of \$0.10 per Unit. Each Unit will be comprised of one share and one-quarter of one share purchase warrant ("Warrant") with each whole Warrant entitling the holder to purchase one share of the Company at a price of \$0.25 per share for a period of one year.

The funds will be used to meet the cash requirements of the Providence transaction (Note 3) and to undertake the recommended work program for the Property.