

BLACKHEATH RESOURCES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

30 JUNE 2017

Unaudited

BLACKHEATH RESOURCES INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

"Alexander Langer"

"Kerry Spong"

Chief Executive Officer

Chief Financial Officer

2 August 2017

BLACKHEATH RESOURCES INC.
CONDENSED INTERIM BALANCE SHEETS

Canadian Dollars

Unaudited

	As at 30 June 2017	As at 31 December 2016
ASSETS		
Current		
Cash	\$ 133,186	\$ 119,010
Receivables	11,212	36,879
Prepaid expenses	5,154	9,709
	<u>149,552</u>	<u>165,598</u>
Performance deposits (Note 5)	162,943	170,028
Equipment	4,547	5,326
	<u>\$ 317,042</u>	<u>\$ 340,952</u>

LIABILITIES

Current		
Accounts payable and accrued liabilities (Note 7)	\$ 109,292	\$ 135,180

SHAREHOLDERS' EQUITY

Share capital (Note 3)	7,619,137	7,619,137
Subscriptions received in advance (Note 3)	147,500	-
Contributed surplus (Note 3)	665,478	665,478
Deficit	<u>(8,224,365)</u>	<u>(8,078,843)</u>
	<u>207,750</u>	<u>205,772</u>
	<u>\$ 317,042</u>	<u>\$ 340,952</u>

Nature of operations and going concern (Note 1)

Commitments (Note 6)

Subsequent event (Note 9)

ON BEHALF OF THE BOARD:

"James Robertson", Director

"Kerry Spong", Director

BLACKHEATH RESOURCES INC.**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY****FOR THE SIX MONTHS ENDED 30 JUNE***Canadian Dollars**Unaudited*

	Number of Shares	Share Capital (Note 3)	Contributed Surplus (Note 3)	Subscriptions Received in Advance (Note 3)	Deficit	Total
Balance – 31 December 2015	35,167,475	\$ 6,986,749	\$ 588,135	\$ -	\$ (7,310,944)	\$ 263,940
Private placement - units	7,000,000	700,000	-	-	-	700,000
Finders' shares issued	28,700	3,731	-	-	-	3,731
Finders' warrants issued	-	-	12,038	-	-	12,038
Share issuance costs	-	(71,343)	-	-	-	(71,343)
Loss and comprehensive loss for the period	-	-	-	-	(400,371)	(400,371)
Balance – 30 June 2016	42,196,175	\$ 7,619,137	\$ 600,173	\$ -	\$ (7,711,315)	\$ 507,995
Balance – 31 December 2016	42,196,175	\$ 7,619,137	\$ 665,478	\$ -	\$ (8,078,843)	\$ 205,772
Subscriptions received	-	-	-	147,500	-	147,500
Loss and comprehensive loss for the period	-	-	-	-	(145,522)	(145,522)
Balance – 30 June 2017	42,196,175	\$ 7,619,137	\$ 665,478	\$ 147,500	\$ (8,224,365)	\$ 207,750

- See Accompanying Notes -

BLACKHEATH RESOURCES INC.**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS****FOR THE THREE AND SIX MONTHS ENDED 30 JUNE**

Canadian Dollars

Unaudited

	Three Months 30 June 2017	Three Months 30 June 2016	Six Months 30 June 2017	Six Months 30 June 2016
Expenses				
Accounting and audit	\$ 7,324	\$ 4,844	\$ 11,654	\$ 9,956
Consulting	-	12,773	-	19,674
Depreciation	390	434	779	809
Exploration and evaluation (Note 5)	30,930	101,940	93,482	153,401
Foreign exchange (gain) loss	(6,783)	6,257	(6,488)	9,184
Legal fees	5,807	4,569	6,372	4,569
Management and director fees	-	69,000	-	150,000
Office and general	5,399	5,156	10,118	10,525
Promotion and investor relations	-	3,840	-	9,271
Rent and office services	5,454	8,234	10,510	16,453
Shareholder communications	1,156	1,190	1,361	2,820
Stock exchange and filing fees	3,817	2,967	8,730	8,167
Transfer agent	3,719	790	4,674	2,303
Travel and accommodation	4,330	6,066	4,330	11,239
Loss before other item	61,543	228,060	145,522	408,371
Gain on forgiveness of debt (Note 7)	-	(8,000)	-	(8,000)
Loss and comprehensive loss for the period	\$ 61,543	\$ 220,060	\$ 145,522	\$ 400,371
Loss per share - basic and diluted	\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.01
Weighted-average shares outstanding – basic and diluted	42,196,175	36,218,685	42,196,175	35,693,080

- See Accompanying Notes -

BLACKHEATH RESOURCES INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE

Canadian Dollars

Unaudited

CASH RESOURCES PROVIDED BY (USED IN)	2017	2016
Operating activities		
Loss for the period	\$ (145,522)	\$ (400,371)
Items not involving cash:		
Unrealized foreign exchange (gain) loss	(6,943)	8,100
Gain on forgiveness of debt	-	(8,000)
Depreciation	779	809
Changes in non-cash working capital		
Receivables	25,667	(6,112)
Prepaid expenses	4,555	11,510
Exploration advances	-	(17,428)
Accounts payable and accrued liabilities	(25,888)	(68,928)
	<u>(147,352)</u>	<u>(480,420)</u>
Investing activities		
Equipment	-	(1,575)
Performance deposits	14,028	-
	<u>14,028</u>	<u>(1,575)</u>
Financing activities		
Subscriptions received in advance	147,500	-
Units issued for cash	-	700,000
Share issuance costs	-	(55,574)
	<u>147,500</u>	<u>644,426</u>
Change in cash position for the period	14,176	162,431
Cash position - beginning of period	119,010	187,154
Cash position - end of period	\$ 133,186	\$ 349,585

**Supplemental schedule of non-cash investing
and financing transactions**

Shares issued as finders' fees	\$	-	\$	3,731
Warrants issued as finders' fees	\$	-	\$	12,038

- See Accompanying Notes -

BLACKHEATH RESOURCES INC.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

30 JUNE 2017

Canadian Dollars

Unaudited

1. NATURE OF OPERATIONS AND GOING CONCERN

Blackheath Resources Inc. (the "Company") is a mineral exploration company and is considered to be in the exploration stage with respect to its mineral property interests in Portugal. Based on the information available to date, the Company has not yet determined whether its mineral properties contain economically recoverable ore reserves. The Company's continuing operation is dependent upon the determination of economically recoverable reserves, the ability of the Company to obtain the financing necessary to maintain operations and successfully complete its exploration and development, and the attainment of future profitable production. The Company is incorporated under the British Columbia Business Corporations Act and its registered office is located at 10th Floor – 595 Howe Street, Vancouver, British Columbia, Canada.

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Several adverse conditions and material uncertainties cast significant doubt upon the validity of this assumption. The Company has no source of operating revenue, is unable to self-finance operations, and has significant cash requirements to maintain its mineral interests (*Note 5*) and overhead requirements. The Company has incurred operating losses since inception.

As at 30 June 2017, the Company had an accumulated deficit of \$8,224,365 and working capital of \$40,260. The Company's working capital resources are insufficient to meet its overhead requirements and exploration programmes for the ensuing twelve months. To maintain operations, the Company will have to raise additional equity funding (*Note 9*).

While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future or that such funding will be completed on favourable terms. If for any reason the Company is unable to secure the additional sources of financing and continue as a going concern, then this could result in adjustments to the amounts and classifications of assets and liabilities in the Company's financial statements; such adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and basis of presentation

These condensed interim financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board as applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These statements do not include all of the information and disclosures required by IFRS for annual financial statements. In the opinion of management, all adjustments and information considered necessary for fair presentation have been included in these financial statements.

These condensed interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements and should be read in conjunction with the Company's audited financial statements including the notes thereto for the year ended 31 December 2016. All financial information presented herein is unaudited. The Company's board of directors approved these condensed interim financial statements for issue on 2 August 2017.

BLACKHEATH RESOURCES INC.
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2017

Canadian Dollars
Unaudited

3. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Number of Shares	Share Capital	Contributed Surplus
Authorized			
Unlimited common voting shares, without par value			
Issued and outstanding			
Balance – 31 December 2015	35,167,475	\$ 6,986,749	\$ 588,135
Private placement - units	7,000,000	700,000	-
Finders' shares issued	28,700	3,731	-
Finders' warrants issued	-	-	12,038
Share issuance costs	-	(71,343)	-
Share-based compensation	-	-	65,305
Balance – 31 December 2016 and 30 June 2017	42,196,175	\$ 7,619,137	\$ 665,478

Private placements

In June 2016, the Company completed a non-brokered private placement of 7,000,000 units at a price of \$0.10 per unit for gross proceeds of \$700,000. Each unit comprised one common share of the Company and one non-transferable share purchase warrant entitling the holder to purchase one additional common share of the Company at an exercise price of \$0.18 per share for a period of 24 months after closing. The Company also issued 28,700 shares to finders with a fair value of \$3,731. In addition, the Company issued 358,750 Finders' Warrants entitling the holder to purchase one common share of the Company at a price of \$0.18 for a period of 24 months. The fair value of the Finders' Warrants was estimated at \$12,038 using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions: risk-free interest rate of 0.53%, expected dividend yield of 0.00%, estimated stock price volatility of 66.72%, and expected option life of two years. Qualifying persons acting as finders in connection with the placement received a cash commission of up to 7% totalling \$33,005. The Company also paid legal and filing fees totalling \$22,569 in respect of the placement.

In July 2017, the Company completed a private placement (*Note 9*), for which subscriptions of \$147,500 were received prior to 30 June 2017.

BLACKHEATH RESOURCES INC.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

30 JUNE 2017

Canadian Dollars

Unaudited

4. STOCK OPTIONS AND WARRANTS

The Company has an incentive stock option plan which complies with the rules set forth by the TSX Venture Exchange. Stock option and warrant transactions are summarized as follows:

	Warrants		Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding – 31 December 2015	15,932,533	\$ 0.36	3,590,000	\$ 0.20
Options granted			1,080,000	\$ 0.13
Warrants issued	7,358,750	\$ 0.18		
Expired	(9,522,710)	\$ 0.43	(1,040,000)	\$ 0.35
Outstanding – 31 December 2016	13,768,573	\$ 0.21	3,630,000	\$ 0.14
Expired	(625,000)	\$ 0.53	-	
Outstanding – 30 June 2017	13,143,573	\$ 0.20	3,630,000	\$ 0.14
Exercisable – 30 June 2017	13,143,573	\$ 0.20	3,630,000	\$ 0.14

At 30 June 2017, the Company had outstanding stock options and warrants as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	160,000	\$ 0.35	20 September 2017
	2,390,000	\$ 0.13	30 December 2020
	360,000	\$ 0.13	5 July 2021
	720,000	\$ 0.13	26 July 2021
	<u>3,630,000</u>		
Warrants	276,250	\$ 0.53	24 August 2017
	2,685,751	\$ 0.20	4 November 2017
	2,822,822	\$ 0.20	24 November 2017
	4,148,750	\$ 0.18	7 June 2018
	3,210,000	\$ 0.18	29 June 2018
	<u>13,143,573</u>		

The outstanding options have a weighted-average remaining life of 3.52 years; the outstanding warrants have a remaining life of 0.70 years.

BLACKHEATH RESOURCES INC.**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS****30 JUNE 2017***Canadian Dollars**Unaudited***5. EXPLORATION AND EVALUATION****Covas, Portugal**

In May 2011, the Company entered into an option agreement to earn up to an 85% interest in the Covas tungsten project located in northern Portugal. In May 2014, the Company and the optionor amended the agreement to provide the Company with the option to earn additional staged interests from 70% to 85%. The terms of the agreement are as follows:

		Percentage Interest	Expenditures	Cumulative Expenditures
On or before 20 March 2013	(incurred)	51%	€ 300,000	€ 300,000
On or before 20 March 2014	(incurred)	70%	700,000	1,000,000
On or before 20 March 2015	(incurred)	75%	320,000	1,320,000
On or before 20 March 2016	(i)	80%	498,000	1,818,000
On or before 20 March 2017	(i)	85%	833,000	2,651,000
			€ 2,651,000	€ 2,651,000

- (i) The Company and the optionor have entered into negotiations to extend the dates for the Company to complete its expenditure requirements and earn an 80% or 85% interest in the property. In addition, the Company and the optionor are currently in discussions with the government of Portugal to determine the level of expenditures required to maintain the property in good standing upon renewal of the license in 2017.

As at 30 June 2017, the Company had incurred sufficient expenditures under the agreement to provide it the right to earn a 75% interest in the project. At any stage after incurring sufficient qualifying expenditures on the property, the Company may elect to form a joint venture with the optionor, with dilution provisions, to further the development of the project. The Company has not yet provided such an election to the optionor.

Upon grant of a final exploitation license, the joint venture must pay the government of Portugal €500,000; subsequent production from the property is subject to a royalty of 3% of the value of the run-of-mine products or 3% of the value of the concentrates shipped or processed, at the option of the government.

Bejanca, Portugal

In December 2012, the Company entered into an option agreement to acquire up to a 100% interest in the Bejanca tungsten/tin project located in northern Portugal. The Company paid the optionor €25,000 upon signing and must pay an additional €100,000 upon the grant of a preliminary exploitation license and €1,000,000 upon the grant of a final exploitation license.

During the term of the option, the Company must keep the property license in good standing by incurring annual exploration expenditures. The Company has incurred sufficient expenditures to maintain the property in good standing until 31 July 2017. The Company and the optionor are currently in discussions with the government of Portugal to determine the level of expenditures required to maintain the property in good standing upon renewal of the license in 2017.

Upon grant of a final exploitation license and commencement of production, the Company must make payments totalling €250,000 to the government of Portugal; subsequent production from the property is subject to a 10% net profits interest or a progressive production royalty beginning at 4%, at the option of the government.

BLACKHEATH RESOURCES INC.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

30 JUNE 2017

Canadian Dollars

Unaudited

5. EXPLORATION AND EVALUATION - *continued*

Borralha, Portugal

In December 2012, the Company entered into an option agreement to acquire up to a 100% interest in the Borralha tungsten project located in northern Portugal. The Company paid the optionor €25,000 upon signing and must pay an additional €100,000 upon the grant of a preliminary exploitation license and €1,000,000 upon the grant of a final exploitation license.

During the term of the option, the Company must keep the property license in good standing by incurring annual exploration expenditures. The Company has incurred sufficient expenditures to maintain the property in good standing until 31 July 2017. The Company and the optionor are currently in discussions with the government of Portugal to determine the level of expenditures required to maintain the property in good standing upon renewal of the license in 2017.

Upon grant of a final exploitation license and commencement of production, the Company must make payments totalling €500,000 to the government of Portugal; subsequent production from the property is subject to a 10% net profits royalty or a progressive production royalty beginning at 4%, at the option of the government.

Vale das Gatas, Portugal

In November 2013, the Company entered into an option agreement to acquire up to a 100% interest in the Vale das Gatas tungsten project located in northern Portugal. The Company paid the optionor €12,500 upon signing and must pay an additional €100,000 upon the grant of a preliminary exploitation license and €1,000,000 upon the grant of a final exploitation license.

During the term of the option, the Company must keep the property license in good standing by incurring annual exploration expenditures. The Company has incurred sufficient expenditures to maintain the property in good standing until 22 July 2017. The Company and the optionor are currently in discussions with the government of Portugal to determine the level of expenditures required to maintain the property in good standing upon renewal of the license in 2017.

Upon grant of a final exploitation license and commencement of production, the government of Portugal retains a 10% net profits royalty or a progressive production royalty beginning at 4%, at the option of the government.

Performance deposits

As at 30 June 2017, the Company had funded \$162,943 (€110,000) in performance deposits that are held by the government of Portugal. These deposits are refundable upon the completion of technical, expenditure, and reporting requirements in accordance with the Covas, Bejanca, Borralha, and Vale das Gatas concession contracts. Should the Company fail to negotiate an acceptable level of expenditure requirements and abandon any of the properties, it would forfeit the related performance deposit. In January 2017, the Company received a refund of the performance deposit (\$14,028 (€10,000)) on the Adoria project, which was abandoned in 2015.

BLACKHEATH RESOURCES INC.**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS****30 JUNE 2017**

Canadian Dollars

Unaudited

5. EXPLORATION AND EVALUATION - continued**Expenditures**

The Company expenses exploration and evaluation expenditures in the period incurred. Expenditures for the periods ended 30 June and cumulative expenditures as at 30 June 2017 are as follows:

Portugal	Expenditures 2017	Expenditures 2016	Cumulative 2017
Covas			
Administration	\$ 1,969	\$ 351	\$ 34,047
Camp and general	5,928	6,122	101,260
Consulting	-	29,691	41,912
Drilling	-	-	810,720
Field materials	-	-	22,688
Geochemical, assays	-	-	89,583
Geological	9,051	9,839	835,075
Geophysical	-	-	104,981
Legal, license, and taxes	-	-	168,424
Local labour	-	-	62,980
Mapping and reports	-	-	389
Roadwork	-	-	21,227
Travel and accommodation	-	2,612	73,925
Expenditure recoveries	-	(17,797)	(20,970)
	<u>16,948</u>	<u>30,818</u>	<u>2,346,241</u>
Bejanca			
Administration	4,338	4,675	42,304
Camp and general	514	2,991	31,758
Field materials	-	-	6,011
Geochemical, assays	-	2,312	19,787
Geological	23,325	28,180	267,724
Legal, license, and taxes	7,239	7,359	37,975
Local labour	-	-	9,231
Mapping and reports	-	-	4,984
Option payments	-	-	32,117
Travel and accommodation	231	2,404	45,540
	<u>35,647</u>	<u>47,921</u>	<u>497,431</u>
Borrahla			
Administration	4,481	4,541	42,189
Camp and general	1,022	1,287	40,881
Consulting	-	19,501	55,599
Drilling	-	-	322,631
Field materials	-	175	16,787
Geochemical, assays	252	8,955	75,444
Geological	-	6,179	192,186
Legal, license, and taxes	14,392	14,630	72,765
Local labour	-	-	25,886
Mapping and reports	-	-	6,550
Option payments	-	-	32,118
Travel and accommodation	761	1,105	62,297
Expenditure recoveries	-	(10,839)	(20,915)
	<u>20,908</u>	<u>45,534</u>	<u>924,418</u>
Balance carried forward	<u>\$ 73,503</u>	<u>\$ 124,273</u>	<u>\$ 3,768,090</u>

BLACKHEATH RESOURCES INC.**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS****30 JUNE 2017**

Canadian Dollars

Unaudited

5. EXPLORATION AND EVALUATION - continued**Expenditures - continued**

Portugal	Expenditures 2017	Expenditures 2016	Cumulative 2017
Balance brought forward	\$ 73,503	\$ 124,273	\$ 3,768,090
Vale das Gatas			
Administration	4,339	4,492	31,648
Camp and general	893	1,646	33,325
Field materials	-	62	3,265
Geochemical, assays	-	-	11,420
Geological	-	7,298	165,315
Legal, license, and taxes	14,392	14,630	57,965
Local labour	-	-	6,972
Option payments	-	-	17,769
Travel and accommodation	355	1,000	38,857
	<u>19,979</u>	<u>29,128</u>	<u>366,536</u>
	\$ 93,482	\$ 153,401	\$ 4,134,626

Title

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to its mineral properties and, to the best of its knowledge, title is in good standing and in accordance with the related option agreements.

6. COMMITMENTS

The Company has management and administration contracts with two of its directors and one of its officers. The agreements call for aggregate payments of \$26,000 per month and provide for severance payments should the contracts be terminated without cause. During 2016, these directors and officer agreed to fee reductions such that payments under these agreements were reduced to a total of \$17,000 per month. Effective 1 January 2017, these officers agreed to waive payment of any monthly fees until further notice.

BLACKHEATH RESOURCES INC.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

30 JUNE 2017

Canadian Dollars

Unaudited

7. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company had related party transactions with associated persons or corporations, which were undertaken in the normal course of operations and were measured at the amounts agreed to between the parties.

Key management includes executive and non-executive directors and executive officers. The compensation paid or payable to key management, and parties related to key management, is as follows:

	2017	2016
Management and director fees	\$ -	\$ 150,000

Accounts payable includes \$51,000 (31 December 2016 - \$51,000) in accrued fees due to related parties. In April 2016, a director and chair of the audit committee agreed to waive payment of \$8,000 of accrued fees resulting in a gain on forgiveness of debt.

8. SEGMENTED INFORMATION

The Company currently operates in only one operating segment, that being the mineral exploration industry. The Company's corporate offices are located in Canada and its mineral exploration activities are currently conducted in Portugal. Except for its mineral interests, all of the Company's physical assets are held in Canada.

9. SUBSEQUENT EVENT

Subsequent to 30 June 2017, the Company completed a non-brokered private placement of 7,240,000 units at a price of \$0.05 per unit for gross proceeds of \$362,000. Each unit comprises one common share of the Company and one non-transferable share purchase warrant entitling the holder to purchase one additional common share of the Company at an exercise price of \$0.10 per share for a period of 36 months. Subscriptions of \$147,500 were received prior to 30 June 2017.