

BLACKHEATH RESOURCES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

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

23 August 2018

BLACKHEATH RESOURCES INC.
CONDENSED INTERIM BALANCE SHEETS

Canadian Dollars

Unaudited

	As at 30 June 2018	As at 31 December 2017
ASSETS		
Current		
Cash	\$ 27,605	\$ 50,912
Receivables	11,367	59,404
Prepaid expenses	6,466	9,709
	<u>45,438</u>	<u>120,025</u>
Performance deposits (Note 5)	69,120	142,994
Equipment	3,257	3,769
	<u>\$ 117,815</u>	<u>\$ 266,788</u>

LIABILITIES

Current		
Accounts payable and accrued liabilities (Note 7)	\$ 146,389	\$ 142,890
Loans payable to related parties (Note 7)	10,000	-
	<u>156,389</u>	<u>142,890</u>

SHAREHOLDERS' EQUITY (DEFICIENCY)

Share capital (Note 3)	7,963,780	7,963,780
Contributed surplus (Note 3)	667,166	667,166
Deficit	<u>(8,669,520)</u>	<u>(8,507,048)</u>
	<u>(38,574)</u>	<u>123,898</u>
	<u>\$ 117,815</u>	<u>\$ 266,788</u>

Nature of operations and going concern (Note 1)

Commitments (Note 6)

ON BEHALF OF THE BOARD:

"James Robertson", Director

"Kerry Spong", Director

**BLACKHEATH RESOURCES INC.
CONDENSED INTERIM STATEMENTS OF CHANGES IN
SHAREHOLDERS' EQUITY (DEFICIENCY)**

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 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
Balance – 31 December 2017	49,436,175	\$ 7,963,780	\$ 667,166	\$ -	\$ (8,507,048)	\$ 123,898
Loss and comprehensive loss for the period	-	-	-	-	(162,472)	(162,472)
Balance – 30 June 2018	49,436,175	\$ 7,963,780	\$ 667,166	\$ -	\$ (8,669,520)	\$ (38,574)

- The accompanying notes are an integral part of these financial statements -

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	Three Months 30 June	Six Months 30 June	Six Months 30 June
	2018	2017	2018	2017
Expenses				
Accounting and audit	\$ 3,500	\$ 7,324	\$ 7,378	\$ 11,654
Depreciation	256	390	512	779
Exploration and evaluation (Note 5)	25,244	30,930	125,826	93,482
Foreign exchange (gain) loss	2,930	(6,783)	(7,026)	(6,488)
Legal fees	7,331	5,807	7,331	6,372
Office and general	3,906	5,399	7,980	10,118
Rent and office services	2,295	5,454	5,683	10,510
Shareholder communications	1,078	1,156	1,258	1,361
Stock exchange and filing fees	3,791	3,817	8,991	8,730
Transfer agent	3,804	3,719	4,539	4,674
Travel and accommodation	-	4,330	-	4,330
Loss and comprehensive loss for the period	\$ 54,135	\$ 61,543	\$ 162,472	\$ 145,522
Loss per share - basic and diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Weighted-average shares outstanding – basic and diluted	49,436,175	42,196,175	49,436,175	42,196,175

- The accompanying notes are an integral part of these financial statements -

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)	2018	2017
Operating activities		
Loss for the period	\$ (162,472)	\$ (145,522)
Items not involving cash:		
Unrealized foreign exchange gain	(5,461)	(6,943)
Write-off of performance deposit	79,335	-
Depreciation	512	779
Changes in non-cash working capital		
Receivables	48,037	25,667
Prepaid expenses	3,243	4,555
Accounts payable and accrued liabilities	3,499	(25,888)
	<u>(33,307)</u>	<u>(147,352)</u>
Investing activities		
Performance deposit refunded	-	14,028
Financing activities		
Subscriptions received in advance	-	147,500
Loans received from related parties	10,000	-
	<u>10,000</u>	<u>147,500</u>
Change in cash position for the period	(23,307)	14,176
Cash position - beginning of period	50,912	119,010
Cash position - end of period	<u>\$ 27,605</u>	<u>\$ 133,186</u>

- The accompanying notes are an integral part of these financial statements -

BLACKHEATH RESOURCES INC.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

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 2018, the Company had an accumulated deficit of \$8,669,520 and a working capital deficiency of \$110,951. The Company's working capital resources are insufficient to meet its overhead requirements and exploration expenditures for the ensuing twelve months.

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.

Except for the adoption of IFRS 9 on 1 January 2018, as detailed below, 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 2017. All financial information presented herein is unaudited. The Company's board of directors approved these condensed interim financial statements for issue on 23 August 2018.

BLACKHEATH RESOURCES INC.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

Canadian Dollars

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Adoption of new accounting standard

On 1 January 2018, the Company adopted IFRS 9 – *Financial Instruments*, which replaces IAS 39 *Financial Instruments – Recognition and Measurement*. The new standard provides guidance that is based on the Company’s business model for managing its financial instruments, which includes the purpose for which the financial instruments were acquired as well as their contractual cash flow characteristics.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (“FVTOCI”), and fair value through profit or loss (“FVTPL”). It also includes a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own-credit risk in other comprehensive income for any liabilities designated as FVTPL.

Determination of the classification of financial instruments is made at initial recognition and reclassifications are made only upon the Company changing its business model for managing its financial instruments. Financial assets are derecognized when they mature or are sold, and substantially all of the risks and rewards of ownership have been transferred. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, upon initial recognition the Company can make a one-time irrevocable election to designate them as FVTOCI.

There was no impact on the carrying values or equity as at 1 January 2018 and no measurement differences due to adopting the new standard. As a result of adopting IFRS 9, the Company’s accounting policy for financial instruments has been modified to include the following:

Financial assets

FVTPL

Financial assets classified as FVTPL are initially recognized at fair value with transaction costs being expensed in the period incurred. Realized gains and losses recognized upon derecognition and unrealized gains and losses arising from changes in the fair value of the financial assets are included in profit or loss in the period in which they arise.

Amortized cost

A financial asset is measured at amortized cost if the objective of the Company’s business model is to hold the instrument for the collection of contractual cash flows, which are comprised solely of payments of principal and interest. Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. Impairment losses are included in profit or loss in the period the impairment is recognized.

Financial liabilities

The Company’s financial liabilities include accounts payable, which are measured at amortized cost.

There were no changes in classification of the Company’s financial instruments due to adopting IFRS 9. All of its financial instruments, which include cash, receivables, performance deposits, and accounts payable, are carried at amortized cost.

BLACKHEATH RESOURCES INC.**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS****30 JUNE 2018**

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 2016	42,196,175	\$ 7,619,137	\$ 665,478
Private placement - units	7,240,000	362,000	-
Finders' warrants issued	-	(1,688)	1,688
Share issuance costs	-	(15,669)	-
Balance – 31 December 2017 and 30 June 2018	49,436,175	\$ 7,963,780	\$ 667,166

Private placements

In July 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 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 \$0.10 per share for a period of 36 months after closing. The Company also issued 114,000 Finders' Warrants entitling the holder to purchase one common share of the Company at a price of \$0.10 for a period of 36 months. The fair value of the Finders' Warrants was estimated at \$1,688 using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions: risk-free interest rate of 1.31%, expected dividend yield of 0.00%, estimated stock price volatility of 64.40%, and expected option life of three years. Qualifying persons acting as finders in connection with the placement received a cash commission of 6% totalling \$5,700. The Company also paid legal and filing fees totalling \$9,969 in respect of the placement. Subscriptions totalling \$147,500 were received prior to 30 June 2017.

4. STOCK OPTIONS AND WARRANTS

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

	Warrants		Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding – 31 December 2016	13,768,573	\$ 0.21	3,630,000	\$ 0.14
Issued	7,354,000	\$ 0.10		
Expired	<u>(6,409,823)</u>	\$ 0.25	<u>(160,000)</u>	\$ 0.35
Outstanding – 31 December 2017	14,712,750	\$ 0.14	3,470,000	\$ 0.13
Expired	<u>(7,358,750)</u>	\$ 0.18	-	
Outstanding – 30 June 2018	7,354,000	\$ 0.10	3,470,000	\$ 0.13
Exercisable – 30 June 2018	7,354,000	\$ 0.10	3,470,000	\$ 0.13

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
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4. STOCK OPTIONS AND WARRANTS - continued

At 30 June 2018, the Company had outstanding stock options and share purchase warrants as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	2,390,000	\$ 0.13	30 December 2020
	360,000	\$ 0.13	5 July 2021
	<u>720,000</u>	\$ 0.13	26 July 2021
	<u>3,470,000</u>		
Warrants	7,354,000	\$ 0.10	19 July 2020

The outstanding options have a weighted average remaining life of 2.67 years; the outstanding warrants have a remaining life of 2.30 years.

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		80%	498,000	1,818,000
On or before 20 March 2017		85%	833,000	2,651,000
			<u>€ 2,651,000</u>	<u>€ 2,651,000</u>

During the term of the option, the Company incurred sufficient expenditures under the agreement to provide it the right to earn a 75% interest in the project and elect to form a joint venture with the optionor to further the development of the project. The Company did not make such an election and in March 2018 provided notice to the optionor that it would abandon the project and return the property. Upon abandoning the project, the Company forfeited its related performance deposit in the amount of \$79,355 (€50,000).

BLACKHEATH RESOURCES INC.

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5. EXPLORATION AND EVALUATION - *continued*

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 to 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 to 31 July 2018 and beyond.

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.

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 to 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 to 31 July 2018 and beyond.

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. During the term of the option, the Company incurred approximately €272,000 on the property and in October 2017, the Company terminated the agreement and returned the project to the optionor.

BLACKHEATH RESOURCES INC.**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS****30 JUNE 2018**

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 2018 are as follows:

Portugal	Expenditures 2018	Expenditures 2017	Cumulative 2018
Covas			
Administration	\$ 1,254	\$ 1,969	\$ 36,719
Camp and general	5,299	5,928	113,136
Consulting	-	-	41,912
Drilling	-	-	860,741
Field materials	-	-	22,688
Geochemical, assays	-	-	90,537
Geological	6,930	9,051	855,559
Geophysical	-	-	104,981
Legal, license, and taxes	79,335	-	247,759
Local labour	-	-	62,980
Mapping and reports	-	-	389
Roadwork	-	-	26,489
Travel and accommodation	-	-	74,455
Expenditure recoveries	-	-	(20,970)
	92,818	16,948	2,517,375
Bejanca			
Administration	6,970	4,338	55,414
Camp and general	762	514	33,649
Field materials	-	-	6,011
Geochemical, assays	-	-	19,787
Geological	-	23,325	279,606
Legal, license, and taxes	-	7,239	37,975
Local labour	-	-	9,231
Mapping and reports	-	-	4,984
Option payments	-	-	32,117
Travel and accommodation	-	231	45,611
	7,732	35,647	524,385
Borrahla			
Administration	7,652	4,481	56,663
Camp and general	908	1,022	46,630
Consulting	-	-	55,599
Drilling	-	-	380,212
Field materials	72	-	18,110
Geochemical, assays	-	252	85,757
Geological	16,368	-	232,348
Legal, license, and taxes	-	14,392	72,765
Local labour	-	-	35,330
Mapping and reports	-	-	6,550
Option payments	-	-	32,118
Travel and accommodation	276	761	63,997
Expenditure recoveries	-	-	(20,915)
	25,276	20,908	1,065,164
Balance carried forward	\$ 125,826	\$ 73,503	\$ 4,106,924

BLACKHEATH RESOURCES INC.
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2018

Canadian Dollars
Unaudited

5. EXPLORATION AND EVALUATION - continued

Expenditures - continued

Portugal	Expenditures 2018	Expenditures 2017	Cumulative 2018
Balance brought forward	\$ 125,826	\$ 73,503	\$ 4,106,924
Vale das Gatas			
Administration	-	4,339	34,413
Camp and general	-	893	34,848
Field materials	-	-	3,265
Geochemical, assays	-	-	12,240
Geological	-	-	170,356
Legal, license, and taxes	-	14,392	80,096
Local labour	-	-	8,388
Option payments	-	-	17,769
Travel and accommodation	-	355	38,920
	-	19,979	400,295
	\$ 125,826	\$ 93,482	\$ 4,507,219

Performance deposits

As at 30 June 2018, the Company had funded \$69,120 (€45,000) (31 December 2017 - \$142,994 (€95,000)) 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 Bejanca and Borralha concession contracts.

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. In October 2017, the Company abandoned the Vale das Gatas project and forfeited the performance deposit of \$22,131 (€15,000). In March 2018, the Company abandoned the Covas project and wrote off the related performance deposit of \$79,335 (€50,000).

Should the Company fail to negotiate an acceptable level of expenditure requirements on the Bejanca or Borralha projects and abandon either of these properties, it would forfeit the related performance deposit.

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.

BLACKHEATH RESOURCES INC.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

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Canadian Dollars

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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 reductions in the payments under these agreements and effective 1 January 2017, agreed to waive payment or accrual of any monthly fees until further notice.

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. There was no compensation paid or payable to key management, or companies controlled by key management, during the period from 1 January 2017 to 30 June 2018. Accounts payable includes \$51,000 (2017 - \$51,000) in fees due to key management, which were accrued during 2016.

During the period, the Company received loan advances totalling \$10,000 from certain of its directors. These advances are currently interest-free, due on demand, with no fixed terms of repayment.

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.