



AM Resources Corp.

(PREVIOUSLY NQ EXPLORATION INC.)

**Unaudited consolidated interim financial statements
for the six-month periods ended June 30, 2018 and 2017
(In Canadian dollars)**

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NOTICE TO READERS OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS:

The unaudited consolidated interim financial statements of AM Resources Corp. for the six-month period ended June 30, 2018, were not reviewed by a firm of external auditors.

(s) Dominic Voyer

Dominic Voyer,
President and Chief Executive Officer

(s) Martin Nicoletti

Martin Nicoletti,
Chief Financial Officer

AM Resources Corp.
(Previously NQ Exploration Inc.)
Consolidated statements of financial position
(In Canadian dollars)

	June 30, 2018	December 31, 2017
	(Unaudited)	(Unaudited)
	(Restated)	(Restated)
	\$	\$
ASSETS		
CURRENT		
Cash	645,511	121,394
Other receivables (note 6)	252,584	245,566
Inventory	1,061	10,772
Investment	258,131	-
Prepaid expenses	38,790	7,740
	<u>1,196,077</u>	<u>385,472</u>
NON-CURRENT		
Property, plant and equipment	193,978	80,323
Exploration and evaluation assets (note 7)	2,134,352	1,408,932
	<u>2,328,331</u>	<u>1,489,255</u>
Total assets	<u>3,524,408</u>	<u>1,874,727</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (note 8)	493,373	267,631
Total liabilities	<u>493,373</u>	<u>267,631</u>
EQUITY		
Share capital (note 9)	6,219,229	2,111,836
Contributed surplus	353,253	-
Effect of conversion	13,517	(48,912)
Deficit	(3,554,964)	(455,828)
Total equity	<u>3,031,035</u>	<u>1,607,096</u>
Total liabilities and equity	<u>3,524,408</u>	<u>1,874,727</u>

The accompanying notes are an integral part of the consolidated interim financial statements.

AM Resources Corp.
(Previously NQ Exploration Inc.)
Consolidated Statements of Comprehensive Loss
(Unaudited, in Canadian dollars)

	<u>For the three-month period ended</u>		<u>For the six-month period ended</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
	<u>(Restated)</u>		<u>(Restated)</u>	
	\$	\$	\$	\$
REVENUS				
Sales	416,859	126,811	836,578	246,426
Services	320,243	93,661	649,534	169,153
Others	1,275	486	1,979	1,070
	<u>738,377</u>	<u>220,958</u>	<u>1,488,091</u>	<u>416,649</u>
Cost of sales	<u>(710,757)</u>	<u>(229,187)</u>	<u>(1,395,368)</u>	<u>(389,884)</u>
Gross profit	<u>27,620</u>	<u>(8,229)</u>	<u>92,723</u>	<u>26,765</u>
EXPENSES				
Consulting and professional fees	248,919	9,117	264,709	26,693
Rental expenses	18,507	28,534	32,972	35,674
Listing fees	2,253,967	-	2,253,967	-
Salaries and benefits	45,422	42,773	83,976	85,346
Depreciation of property, plant and equipment	3,909	5,561	7,443	5,561
Exploration and evaluation expenses	27,289	-	27,289	-
Debenture interest	767	-	767	-
Share-based payment	328,765	-	328,765	-
Other operational expenses	49,437	14,128	64,780	43,049
Total expenses	<u>2,976,981</u>	<u>100,113</u>	<u>3,064,667</u>	<u>196,323</u>
NET LOSS	<u>(2,949,362)</u>	<u>(108,342)</u>	<u>(2,971,945)</u>	<u>(169,558)</u>
Other comprehensive loss that will be reclassified subsequently to profit and loss				
Currency translation of foreign subsidiary	<u>(46,550)</u>	<u>(71,467)</u>	<u>62,429</u>	<u>(36,539)</u>
Comprehensive loss for the period	<u>(2,995,911)</u>	<u>(179,809)</u>	<u>(2,909,515)</u>	<u>(206,097)</u>
Basic and diluted loss per share	<u>(0.06)</u>	<u>(0.01)</u>	<u>(0.07)</u>	<u>(0.01)</u>
Weighted average number of shares outstanding	<u>50,334,860</u>	<u>17,535,549</u>	<u>39,931,111</u>	<u>17,080,245</u>

The accompanying notes are an integral part of the consolidated interim financial statements.

AM Resources Corp.
(Previously NQ Exploration Inc.)
Consolidated statements of changes in equity
For the six-month periods ended June 30, 2018 and 2017
(unaudited, in Canadian dollars)

	Number of common share outstanding	Share capital	Contributed surplus	Accumulated other comprehensive income	Restated (note 4.2) Deficit	Total equity
	\$	\$	\$	\$	\$	\$
Balance as of January 1, 2018	1,910,934	2,111,836	-	(48,912)	(455,828)	1,607,096
Shares issued as settlement of debentures and interests	10,140,731	157,802	-	-	-	157,802
Shares issued for bridge financing conversion	1,764,706	217,000	-	-	-	217,000
Share-based payments	-	-	328,765	-	-	328,765
Shares issued for private placement	10,606,091	1,803,036	-	-	-	1,803,036
Shares issued for reverse takeover (note 5)	29,411,765	1,929,555	-	-	-	1,929,555
Share issue expenses	-	-	24,488	-	(127,191)	(102,703)
	51,923,293	4,107,393	353,253	(48,912)	(127,191)	4,333,455
Net loss	-	-	-	-	(2,971,945)	(2,971,945)
Other comprehensive loss						
Currency translation of foreign subsidiary	-	-	-	62,429	-	62,429
Balance as of June 30, 2018	<u>53,834,227</u>	<u>6,219,229</u>	<u>353,253</u>	<u>13,517</u>	<u>(3,554,964)</u>	<u>3,031,035</u>

The accompanying notes are an integral part of the consolidated interim financial statements

AM Resources Corp.
(Previously NQ Exploration Inc.)
Consolidated statements of changes in equity
For the six-month periods ended June 30, 2018 and 2017
(unaudited, in Canadian dollars)

	Number of share	Share capital Restated (note 4.2) \$	Accumulated other comprehensive income \$	Deficit \$	Total equity \$
Balance – January 1, 2017	1,822,134	1,190,670	23,043	(139,525)	1,074,188
Shares issued for private placements	-	217,236	-	-	217,236
Shares issued on settlement of a note payable (note 4.2.2)	-	508,286	-	-	508,286
	101,999	725,522	-	-	725,522
Net loss	-	-	-	(169,558)	(169,558)
Other comprehensive loss					
Currency translation of foreign subsidiary	-	-	(36,539)	-	(36,539)
Balance as at June 30, 2017	1,910,934	1,916,192	(13,496)	(309,083)	1,593,613

The accompanying notes are an integral part of the consolidated interim financial statements

AM Resources Corp.
(Previously NQ Exploration Inc.)
Consolidated statements of cash flows
(Unaudited, in Canadian dollars)

	For the six-month period ended	
	June 30, 2018	June 30, 2017
	(Restated)	
	\$	\$
OPERATING ACTIVITIES		
Net loss	(2,971,945)	(169,558)
Depreciation of property, plant and equipment	7,443	5,561
Share-based payment	328,765	-
Listing fees	(2,253,967)	-
Net change in working capital items	(443,032)	(9,574)
Cash flows from operating activities	(824,802)	(173,571)
INVESTING ACTIVITIES		
Acquisition of exploration and evaluation assets	(217,134)	(51,240)
Acquisition of property plant and equipment	(121,098)	(5,049)
Cash acquired in reverse takeover (note 5)	132,131	-
Advance to a private company	(258,131)	-
Cash flows from investing activities	(464,232)	(56,289)
FINANCING ACTIVITIES		
Issuance of shares by private placement	1,803,036	217,236
Loan payable to a company which a key management personnel is a director and shareholder	-	(107,881)
Cash flow from financing activities	1,803,036	109,355
Effect of exchange rate changes on cash	10,116	13 535
Net change in cash	514,001	(106,970)
Cash, beginning of the period	121,394	136,290
Cash, end of the period	645,511	29,320

The accompanying notes are an integral part of the interim condensed financial statements.

AM Resources Corp.
(Previously NQ Exploration Inc.)
Notes to consolidated Financial Statements
For the six-month ended June 30, 2018 and 2017
(Unaudited, in Canadian dollars)

1. NATURE OF OPERATIONS

NQ Exploration Inc. (the "Company") was incorporated on October 24, 2007 under the Canada Business Corporations Act.

On November 7, 2017, the Company entered into a share purchase agreement, as amended on April 11, 2018 with AM Resources SAS, whereby the Company agreed to acquire all of the issued and outstanding shares of AM Resources SAS (the "Transaction"). The Transaction closed on April 12, 2018.

Following the closing of the Transaction, the Company changed its name to AM Resources Corp. and is trading on the TSX under symbol AMR.

The principal address and records office of the Company is located at 410 St-Nicolas, suite 236, Montreal, Qc, H2Y 2P5.

2. GOING CONCERN ASSUMPTION

The consolidated financial statements have been prepared on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

As at June 30, 2018, the Company has a deficit of \$ 3,554,964 (\$ 455,828 at December 31, 2017) and a working capital of \$ 702,705 (\$ 117,841 at December 31, 2017).

The Company's ability to continue its operations is dependent upon obtaining additional financing necessary to continue the exploration of its mineral properties. Although the Company has managed to fund its exploration programs in the past, there is no guarantee that it will manage to obtain additional financing in the future.

The consolidated financial statements do not include any adjustment to the carrying amounts of assets and liabilities, the revenues and expenses disclosed and the classification used in the statement of financial position that would be necessary if the going concern assumption was not appropriate.

3. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

The interim financial statements have been prepared in accordance to IAS 34 Interim Financial Reporting using accounting policies consistent with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and Interpretation of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements for the reporting the period ended June 30, 2018 (including comparatives) were approved and authorized for issue by the Board of Directors on March 14, 2019.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Overall considerations and Basis of evaluation

These consolidated financial statements are prepared using the historical cost method.

4.2 Changes in accounting policies

4.2.1 New accounting standards effective for the first time and accounting standards issued but not yet effective

a) IFRS Financial Instruments

In July 2014, the IASB published IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces improvements which include a logical model for classification and measurement of financial instruments, a single, forward-looking "expected credit loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively, for ones that were recognized at the date of application, which was January 1, 2018. The change did not impact the carrying value of any financial instruments on this date. The following is the Company's new accounting policy under IFRS 9.

a) Classification

In implementing IFRS 9, the Company updated the financial instruments classification within its accounting policy as follows:

Financial Assets / Liabilities	Original classification under IAS 39	New classification under IFRS 9
Cash and cash equivalents	Loans and receivables at amortized costs	Financial Assets at amortized costs
Accounts payable and accrued liabilities	Other Financial Liabilities at amortized costs	Financial Liabilities at amortized costs

The Company determines the classification of financial assets as initial recognition. The classification of its instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

b) Measurement

Financial assets and liabilities at amortized costs

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized costs less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net income (loss) in the period in which they arise. Where Company has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

AM Resources Corp.
(Previously NQ Exploration Inc.)
Notes to Consolidated Financial Statements
For the six-month period ended June 30, 2018 and 2017
(In Canadian dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Changes in accounting policies (continued)

4.2.1 New accounting standards effective for the first time and accounting standards issued but not yet effective (continued)

a) IFRS Financial Instruments (continued)

c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company recognizes in the statements of net income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized. Given the Company transacts exclusively with large international financial institutions and other organizations with strong credit ratings and the negligible historical level of dividends default, the loss allowance was \$ nil as at March 31, 2018 and December 31, 2017.

b) IFRS 15 Revenue from Contracts with Customers

This standard replace IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. It provides a more detailed framework for the timing of revenue recognition and increased requirements for disclosure of revenue. It uses a control-based approach to recognize revenue which is a change from the risk and reward approach under the current standard. The mandatory effective date is for annual periods beginning on or after January 1, 2018. The Company has assessed that is no material reporting changes as a result of adopting this new standard.

c) IFRS 16 Leases

This standard replaces IAS 17-Leases and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The mandatory effective date is for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

4.2.2 Accounting change

During the period, the AM Resources SAS has retrospectively recorded an acquisition of mining rights on the Rio Negro property. On September 25, 2017, AM Resources SAS signed a Transfer of mining rights agreement with its controlling shareholder and a third party. In accordance with the transfer of mining rights agreement, AM Resources SAS acquired from the third party 40 % of the mining rights on the Rio Negro property in exchange of a \$ 400,000 USD debt between the third party and the controlling shareholder. This transaction was recorded as an increase of Evaluation and exploration assets of \$ 508,286 and an increase in a note payable of \$ 508,286. The transfer of mining rights agreements also provides for the acquisition of an additional 20 % in the Rio Negro property in exchange for \$ 200,000 USD once the mining rights are transferred in the name of the AM Resources SAS, which was completed in December 2018. Furthermore, on November 6, 2017, AM Resources SAS and the Controlling shareholder signed a debt conversion agreement for the conversion of the \$ 400,000 USD note payable into common share of AM Resources SAS. The debt conversion was recorded as a decrease of a Note payable of \$ 508,286 and an increase in share capital of \$ 508,286.

During the period, the Company has re-evaluated the 11,350,322 shares issued for the reverse takeover transaction from \$ 0.228 to \$ 0.17. The issuance was recorded as a decrease of the share capital of \$ 655,606 and a decrease of the listing fees of \$ 655,606.

4.3 Basis of consolidation

The Company's consolidated financial statements include the accounts of the parent company and all of its subsidiaries. The parent company controls a subsidiary if it is exposed or has rights to variable returns from its involvement with the subsidiary and whether it has the ability to affect those returns through power it holds over the subsidiary. The Company's subsidiaries are all 100% owned by the parent company. All subsidiaries have a reporting date of December 31.

All transactions and balances between companies are eliminated upon consolidation, including unrealized gains and losses on transactions between group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

Subsidiary

Details of the Company's subsidiaries as at June 30, 2018 are as follows:

<u>Name of subsidiaries</u>	<u>Status</u>	<u>Country of incorporation</u>	<u>Interest and voting</u>	<u>Power held</u>
AM Resources SAS	Active	Colombia	100 %	100 %
AM Resources Trading Corp	Active	Canada	100 %	100 %

AM Resources Corp.
(Previously NQ Exploration Inc.)
Notes to Consolidated Financial Statements
For the six-month period ended June 30, 2018 and 2017
(In Canadian dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company and all its subsidiaries. The functional currency of entities in the Company has remained unchanged during the reporting periods.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not re-translated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.5 Financial Instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to cash flows from the financial asset expire, or when the financial asset and all risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

Financial assets and financial liabilities are initially measured at fair value plus transaction costs.

Financial assets and financial liabilities are subsequently measured as described below.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, the Company's financial assets, are classified in the following categories at the time of initial recognition:

- Loans and receivables;

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition they are measured at amortized cost using the method of effective interest rate, less a provision for impairment. Discounting is omitted if its effect is not significant. Cash and other receivables (except tax receivable) and loan receivable and advances to a private company fall into this category of financial instruments.

Impairment of financial assets

All financial assets are tested for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Classification and subsequent measurement of financial liabilities

Financial liabilities of the Company include accounts payable and accrued liabilities (except salary payable), demand loans and convertible debentures.

Financial liabilities are subsequently measured at amortized cost using the method of effective interest rate.

The Company has designated certain financial liabilities as at fair value through profit or loss.

Compound financial instrument

The components of the compound financial instrument (convertible debenture) issued by the Company is classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. The conversion option that will be settled by the exchange of a fixed amount in cash for a fixed number of equity instruments of the Company is classified as an equity instrument.

At the issue date, the liability component is recognized at fair value, which is estimated using the effective interest rate on the market for similar non-convertible instruments. Subsequently, the liability component is measured at amortized cost using the effective interest rate until it is extinguished on conversion or maturity.

The value of the conversion option classified as equity is determined at the issue date, by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This amount is recognized in equity, net of tax effects, and is not revised subsequently. When the conversion option is exercised, the equity component of the convertible debentures will be transferred to share capital. If the conversion option is not exercised at the expiry date of the convertible note, the equity component of the convertible debentures will be transferred to contributed surplus.

No profit or gain is recognized to the conversion or expiration of the conversion option.

AM Resources Corp.
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Notes to Consolidated Financial Statements
For the six-month period ended June 30, 2018 and 2017
(In Canadian dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Financial Instruments (continued)

Transaction costs related to the issuance of the convertible debenture are allocated to the liability and equity components in proportion to the initial carrying amounts. Transaction costs related to the equity component are recognized directly in equity.

Transaction costs related to the liability component are included in the carrying value of the liability component and amortized over the estimated useful life of the debentures using the effective interest rate method.

4.6 Property, equipment and intangible assets

The depreciation is recognised in profit or loss based on the straight-line method over the estimated useful lives of each item of property, plant and equipment. The following are the estimated useful lives for the current and comparative periods.

Machinery and equipment	10 years
Vehicules	5 years

4.7 Equity

Share capital represents the amount received on the issue of shares. If shares are issued when options and warrants and conversion options are exercised, the share capital account also comprises the costs previously recorded as contributed surplus and warrants. In addition, if shares were issued as consideration for the acquisition of a mineral property or some other form of non-monetary assets, they were measured at their fair value according to the quoted price on the day immediately preceding the conclusion of the agreement.

Compound equity instruments

Compound equity instruments include several elements of equity. Compound equity instruments which the Company issue are shares with warrants.

The Company determines at first the carrying value of shares component according to the stock market price at the closing date of the financing. The carrying value of equity instrument represented by warrants is then determined by deducting the fair value of the shares component of the fair value of equity instrument as a whole.

Share-based compensation

The Company accounts for stock-based compensation over the vesting period of the rights to stock options. Share purchase options granted to employees and directors and the cost of services received are evaluated and recognized on fair value basis using the Black-Scholes option pricing model.

For transactions with parties other than employees, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. When the Company cannot estimate reliably the fair value of the goods or services received, it measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

Share Issuance Expenses

Share issuance expenses are recorded as an increase of the deficit in the year in which they are incurred.

4.8 Exploration and evaluation expenditures, and exploration and evaluation assets

Exploration and evaluation expenditures are costs incurred in the course of the initial search of mineral resources before the technical feasibility and commercial viability of extracting a mineral resources are demonstrable. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights, expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are recognized as exploration and evaluation assets.

Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling, general expenses, financial charges, management fees and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource.

The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts, the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.

To date, neither the technical feasibility nor the commercial viability of extracting a mineral resource has been demonstrated.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

AM Resources Corp.
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Notes to Consolidated Financial Statements
For the six-month period ended June 30, 2018 and 2017
(In Canadian dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Impairment of Long-lived Assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The recoverable amount is the higher of its fair value less costs for sale and its value in use (present value of the future cash flows expected). An impairment loss is recognized when their carrying value exceeds the recoverable amount. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its recoverable amount.

4.10 Provisions

A provision is a liability for which the maturity or the amount is uncertain. A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. As at June 30, 2018, there is no provision accounted for in the statement of financial position.

4.11 Basic and Diluted Loss per Share

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year.

Diluted loss per share is calculated by adjusting the loss attributable to ordinary equity holders of the Company and the weighted average number of common shares outstanding, the effects of all dilutive potential ordinary shares which include options, warrants and convertible debentures. It is assumed that the dilutive potential ordinary shares were converted into ordinary shares at the average Market price at beginning of the year or the date of issue of potential ordinary shares, if later.

To calculate diluted loss per share, an entity shall assume dilutive options, dilutive warrants and convertible debentures were exercised. The assumed proceeds from these instruments shall be regarded as having been received from issuance of common shares at the average market price of common shares during the year.

Diluted loss per share equals basic loss per share given the anti-dilutive options, warrants and convertible debentures.

4.12 Mining Properties Options Agreements

Options on interests in mining properties acquired by the Company are recorded at the value of the consideration paid, including other future benefit given up but excluding the commitment for future expenditures. Commitment for future expenditures does not meet the definition of a liability and thus are not accounted for immediately. Expenditures are accounted for only when incurred by the Company.

When the Company sells interest in a mining property, it uses the carrying amount of the interest before the sale of the option as the carrying amount for the portion of the property retained, and credits any cash consideration received against the carrying of this portion (any excess is recognized as a gain in profit or loss).

4.13 Segment Disclosures

The Company currently operates in a single segment: the acquisition and exploration of mining properties.

4.14 Revenues

Sale of Coal and Sale of transportation services

Revenues from the sale of coal and/or transportation services rendered during the ordinary activities are recognized at the fair value of the consideration received or receivable, net from returns, discounts, bonuses or commercial discounts. Revenues are recognized when significant risks and rewards of ownership of the assets are transferred to the customer. The economic benefits associated with the transaction are likely to be received, costs incurred can be measured reliably.

Income and Financial Costs

The financial income and financial costs are comprised by:

- Interest income;
- Interest expense;
- Gain or loss on translation of financial assets and financial liabilities in foreign currency;
- Loss of fair value of a contingent consideration classified as a financial liability.

4.15 Income taxes and deferred taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

However, since the Company is in exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred tax.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax liabilities are always provided for in full.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Income taxes and deferred taxes (continued)

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax expense in profit or loss, except where they relate to items that are recognized directly in equity, in which case the related deferred tax is also recognized in equity.

4.16 Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of accounting policies as well as the carrying amount of assets, liabilities, revenues and expenses. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed regularly. Any revision to accounting estimates is recognized in the period during which the estimates is revised and in future periods affected by these revisions.

4.17 Key sources of estimation uncertainty

Impairment of exploration and evaluation assets

Exploration and evaluation assets shall be assessed for an impairment test when facts and circumstances suggest that their carrying amount may exceed recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company shall measure, present and disclose any resulting impairment loss. Indications of impairment as well as the evaluation of recoverable amount of exploration and evaluation assets require significant judgment and estimation. Management considers various factors including, but are not limited to, financial and human resources available, exploration budgets planned, importance and results of exploration work done previously, industry and economic trends and price of minerals.

Provisions and contingent liabilities

The judgment is used to determine whether a past event has created a liability that should be recorded in the financial statements or whether it should be presented as a contingent liability. Quantify these liabilities involves judgments and estimates.

These judgments and estimates are based on several factors, such as the nature of the claim or dispute, legal procedures and the potential amount to be paid, legal advice obtained, previous experience and the likelihood of the realization of a loss.

4.18 Significant management judgment

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meets its liabilities for the ensuing year and to fund planned and contractual exploration and evaluation programs, involves judgments based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

5. REVERSE TAKEOVER

On September 11, 2017, the Company entered into a share purchase agreement, as amended on April 11, 2018 with AM Resources Corp., whereby the Company agreed to acquire all of the issued and outstanding shares and units of each of the AM Resources SAS. The transaction closed on April 12, 2018.

In accordance with IFRS 3, Business Combination, the substance of the acquisition of the Company by the AM Resources Corp. is a reverse takeover as the shareholders of AM Resources Corp. hold the majority of the shares of the Company. The acquisition of the Company does not constitute a business combination as the Company does not meet the definition of a business under that standard. As a result, the acquisition is accounted in accordance with IFRS 2 Share-based Payment, with AM Resources Corp. being identified as the acquirer and the equity consideration being measured at fair value. Accordingly, the resulting balances and transactions for the periods prior to April 12, 2018 are those of AM Resources Corp.

Upon closing of the reverse takeover, the Company issued 29,411,765 common shares for the shares related to AM Resources Corp.

The fair value of the consideration for the net assets acquired is as follows:

	\$
11,350,322 shares issued and outstanding	<u>1,929,555</u>

The fair value of the Company's shares issued and outstanding prior to the reverse takeover has been determined based on the most recent value on the Company's shares which is the private placement completed on April 11, 2018.

Following the closing of the Transaction, the issued and outstanding options and warrants of the Company continue to be in effect with their original terms and conditions and are deemed to be issued as part of the Transaction. The fair value has been estimated to be nil.

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5. REVERSE TAKEOVER (continued)

The estimated fair value of the net assets acquired by the Company is:

	\$
Cash	132,131
Receivables	83,927
Exploration and evaluation assets	394,481
Prepays	5,658
Trade and accounts payable	(573,609)
Convertible debenture	(367,000)
Listing costs expensed	2,253,967
	<u>1,929,555</u>

6. RECEIVABLES

As at June 30, 2018 the receivables include the following components:

	June 30, 2018	December 31, 2017
	\$	\$
Accounts receivable	61 366	202 790
Taxes receivables	159 690	42 776
Advances to a private company, without interest cashable on request	31 528	-
	<u>252 584</u>	<u>245 566</u>

7. EVALUATION AND EXPLORATION ASSETS

Mining Properties	Balance as at December 31, 2017	Additions	Exchange difference	Balance as at June 30, 2018
	\$	\$	\$	\$
Colombia				
Mina Luz (80%)	900 646	405 919	60 181	1 366 746
Rio Negro (60%)	508 286	246 820	-	755 106
Mico (60%)	-	-	-	-
	<u>1 408 932</u>	<u>652 739</u>	<u>60 181</u>	<u>1 161 025</u>
Deferred exploration and evaluation expenses				
Rio Negro	-	12 500	-	12 500
	<u>1 408 932</u>	<u>665 239</u>	<u>60 181</u>	<u>2 134 352</u>

Colombia

Mina Luz Property : Coal

The Mina Luz property is located to the south-west of the town of Popayan in the department of Cauca, approximately 150 Km south-west of the town of Cali in Colombia. It consists of a mining concession covering 40 hectares. The Company owns 80% of the mining rights.

Rio Negro Property: Hydrocarbons

The Rio Negro property consists of a mining concession covering 97.5 hectares and situated 50 km north-southwest of Bucaramanga, Columbia. On September 25, 2017, the Company signed an agreement to acquire a 60% interest in the property for a total consideration of \$ 743,453 (\$ 600,000 USD), including a cash payment of \$ 508,286 (\$ 400,000 USD) upon signature of the agreement and \$ 235,167 (\$ 200,000 USD) payable at the mining rights transfer. As at December 31, 2018, the mining rights have been transferred and trade accounts payable included an amount of \$ 217,521 (\$ 157,443 USD).

Mico Property: Au

The Mico gold property consists of one mining concession covering an area of 10.4 hectares and situated in the department of Bolivar, Colombia, some 470 km to the north of Bogota. The Company can earn a 60% interest by making mining expenditures before June 8, 2019.

8. TRADE AND OTHER PAYABLES

	June 30, 2018	December 31, 2017
	\$	\$
Trade accounts	474 967	243 315
Employee benefits	18 406	14 555
Current tax liabilities	-	9 761
	<u>493 373</u>	<u>267 631</u>

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9. EQUITY

9.1 Share capital

Authorized

Unlimited number of common shares without par value

Changes in the Company capital stock were as follows:

On December 28, 2017, the Company's consolidated its common shares on a 50 for one basis. Consequently, the number of issued shares and share options were adjusted to reflect the changes of the consolidation on all the periods presented.

On April 12, 2018, the Company completed a reverse takeover transaction ("RTO"), pursuant to which the Company has acquired all of the issued and outstanding shares of AM Resources SAS ("AM SAS") by way of a share exchange agreement among the Company, AM SAS and the holders of AM SAS shares.

In connection with the closing, AM SAS become a subsidiary of the Company which had changed its name to AM Resources Corp. and consolidated its common shares on a 50 to 1 one basis pursuant to the completion of the purchase order agreement on December 28, 2017. The Company issued an aggregate of 29,411,765 common shares to the AM SAS securityholders to acquire AM SAS. After giving effect to the completion of the transaction and offering, there are 53,132,883 shares issued and outstanding (on an undiluted basis), with approximately 58% of the shares (on an undiluted basis) held by insiders.

Concurrently to the closing, the Company completed a private placement pursuant to which it issued an aggregate of 10,606,091 shares at \$ 0,17 per shares for gross proceeds of \$ 1,803,035. In connection with concurrent financing, the Company paid finders fees totaling \$103,162 and issued 158,244 non-transferable compensation warrants entitling the holder to acquire the same number of shares at a price of \$ 0,17 until April 11, 2019. Concurrently to the closing, \$ 225,000 aggregate principal amount of convertible debentures issued pursuant of the Company RTO bridge financing automatically converted into 1,764,706 shares at a price of \$ 0,1275 per share, and \$1,604,696 aggregate principal amount of convertible debentures issued pursuant of the Company securities for debts automatically converted into 9,439,388 shares at a price of \$ 0,17 per share.

In connection with the closing, the Company also agreed to grant, effective as of the date of the TSX venture's final exchange bulletin with respect to the transaction, an aggregate of 1,650,000 stock options to certain directors, officers and consultants of the Company, in accordance with the Company's stock option plan. Each option will be exercisable into one share at \$ 0,17 for a period of five years from the date of grant.

On June 13, 2017, the Company issued 83,986 common shares at a conversion price of \$ 2,50 per share, for a total consideration of \$ 209,966 representing the final payment of the principal and accrued interest of the \$ 200,000 debenture.

On February 14, 2017, the Company issued 4,813 common shares at a price of \$ 2,50 per share as payment for \$ 12,033 of interest on a debenture.

9.2 Broker's options

Outstanding broker's options are as follows:

	June 30, 2018		December 31, 2017	
	Number of broker's options	Weighted average exercise price	Number of broker's options	Weighted average exercise price
		\$		\$
Balance, beginning of period	-	-	-	-
Issued on private placements	158,244	0,22	-	-
Balance, end of period	158,244	0,22	-	-

The weighted average share price at the date of exercise was \$0.17.

The number of broker's options outstanding exercisable in exchange for an equivalent number of shares is as follows:

Expiration date	June 30, 2018		December 31, 2017	
	Number	Exercise price	Number	Exercise price
		\$		\$
April 11, 2019	158,244	0,22	-	-
	158,244		-	

The weighted average fair value of the broker's options granted of \$ 0.22 (\$ nil as at December 31, 2017) was estimated using the Black-Scholes option pricing model and based on the following average assumptions:

	June 30, 2018	December 31, 2017
Share price at date of grant	0,17 \$	-
Expected life	1 year	-
Risk-free interest rate	1,66 %	-
Expected volatility	150 %	-
Expected dividend	Nil	-
Exercise price at date of grant	0,22 \$	-

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9. EQUITY (continued)

9.3 Options

The Company has adopted an incentive stock option plan in accordance with the policies of the TSX Venture (the "Stock Option Plan").

The Stock Option Plan provides that the Board of Directors of the Company may from time to time, at its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stocker Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares.

The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of the TSX Venture Exchange.

The exercise price is established by the board of directors.

The Company share purchase options are as follows for the reporting periods presented:

	June 30, 2018		December 31, 2017	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Balance, beginning of period	4,000	5,00	14,000	5,00
Expired	(4,000)	5,00	(10,000)	5,00
Granted	1,950,000	0,17	-	-
Balance, end of period	<u>1,950,000</u>	0,17	<u>4,000</u>	5,00
Options exercisable at the end of period	<u>1,950,000</u>	0.17	<u>4,000</u>	5,00

The following table summarizes the information relating to the share purchase options granted under the plan as at June 30, 2018.

Range of Exercise price	Number of options	Remaining life (years)
\$		
0,17 to 0,19	1,650,000	4,78
0,20 to 0,23	300,000	4,89

10. RELATED PARTY TRANSACTIONS

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 by the related parties.

The following table shows the compensation paid or payable to the Board of Directors and key management personnel.

	For the six-month period ended	
	June 30, 2018	June 30, 2017
	\$	\$
Salaries and fringe benefits	60,000	-
Consulting fees	39,000	18,000
Total remuneration	<u>99,000</u>	<u>18,000</u>

11. COMPLEMENTARY INFORMATIONS RELATED TO CONSOLIDATED CASH FLOWS

	June 30, 2018	June 30, 2017
	\$	\$
The net changes in working capital items are detailed as follows:		
Accounts payable and accrued liabilities	(414,675)	36,624
Prepaid	(31,050)	(46,198)
Other receivables	42,716	-
Taxes receivables	(49,794)	-
Inventory	9,711	-
	<u>(443,032)</u>	<u>(9,574)</u>

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12. FINANCIAL ASSETS AND LIABILITIES

Categories of financial assets and liabilities

The carrying value and fair value of financial instruments presented in the statement of financial position are as follows:

	June 30, 2018		December 31, 2017	
	Carrying amount	Fair Value	Carrying amount	Fair value
	\$	\$	\$	\$
FINANCIAL ASSETS				
Cash	645,511	645,511	121,394	121,394
Other receivables	252,584	252,584	245,566	245,566
	<u>898,096</u>	<u>898,096</u>	<u>366,960</u>	<u>366,960</u>
FINANCIAL LIABILITIES				
Trade and other payables	493,373	493,373	267,631	267,631
	<u>493,373</u>	<u>493,373</u>	<u>267,631</u>	<u>267,631</u>

13. POLICIES AND PROCESSES FOR MANAGING CAPITAL

As at June 30, 2018, the capital of the Company consists of equity amounting to \$ 3,031,035. The Company's capital management objective is to have sufficient capital to be able to meet its exploration and mining development plan in order to ensure the growth of its activities and to ensure to pursue its activities. It has also the objective to have sufficient cash to finance its exploration and evaluation expenses, the investing activities and the working capital requirements. There were no significant changes in the Company's approach to capital management during the period ended June 30, 2018.

The Company finances its exploration activities primarily seeking additional capital either through private placements or public offerings.

The Company is subject to regulatory requirements related to the use of funds obtained by flow-through shares financing. These funds have to be incurred for eligible exploration expenses. The Company has no dividend policy.

14. FINANCIAL INSTRUMENT RISKS

The company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities are summarized in Note 16. The main types of risks the Company is exposed to are credit risk and liquidity risk.

a) Credit risk

Credit risk is the risk that a party to a financial instrument will default on one of its obligations and thereby cause the other party to incur a financial loss. Cash, other receivables and loans receivable are the Company's principal financial instruments that are potentially subject to credit risk. The credit risk on cash and other receivables is limited once the Company continuously xx default of xx. The credit risk on loans receivable is limited since the contracting party is the private Company holding the Mina Luz property in Colombia. As a result, the Company does not expect the other parties to default. The book values represent the Company's maximum exposure to credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has sufficient financing sources. The Company establishes budgets to ensure it has the necessary funds to fulfill its obligations.

When the counterparty has a choice of when an amount is paid, the liability is included on the earliest date in which the payment can be required.

As at June 30, 2018, the working capital is positive of \$ 702,705. In order to continue its operation, the Company will have to find additional fund and despite the fact it has been successful in the past, there is no guarantee for the future. Actually, there remains a significant risk that the Company is unable to find cash even the management is optimistic to find the necessary cash for the implementation of its strategic plan.

15 SEGMENT REPORTING

Management currently identifies only one operating segment (note 4.13).

The following information provides the required information for all the Company.

	June 30, 2018		
	Canada	Colombia	Total
	\$	\$	\$
Non current assets	-	2,134,352	2,134,352
Revenus	-	1,488,091	1,488,091
			December 31, 2017
	Canada	Colombia	Total
	\$	\$	\$
Non current assets	-	980,969	980,969
Revenus	-	1,654,662	1,654,662

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16. SUBSEQUENT EVENT

On August 14, 2018, the Company closed a private placements of common shares of \$ 521,121 and debenture units US \$ 600,000. The Company issued 3,065,418 shares at an issue price of \$0.17 per share and 600 debenture units at an issue price of US\$ 1,000 per debenture unit. Each debentures units is comprised of US\$ 1,000 principal amount of 15.0% unsecured debentures of the Company due August 14, 2018 and 250 warrants. Each warrant entitles the holder thereof to purchase a share until the maturity date at a price of \$0.30 per share. In connection with financing, the Company has paid a finder fee of \$ 38,430 and issued 226,060 non-transferable compensation warrants entitling the holder to acquire the same number of shares at a price of \$0.22 until August 14, 2019.

On August 22, 2018, the Company completed an arm's length transaction by issuing a conditional purchase order to Epic NRG LLC ("ENL"), a Florida based sale agent of New Tech Ideas Inc., the distributor of Ultimate Conversion System ("UCS") waste management gasification system manufactured by Gold Seal Industries LLC, for the acquisition, as a turnkey project, of a USC machine capable of producing 100 metric tons output unit (the "USC Machine") for US\$ 36,950,000. The UCS machine will be financed and manufactured by the vendor and that investment to increase the current coal production capacity of the Company's early stage properties would be required in order to fully exploit the UCS machine.

The Company intends to use the UCS Machine to convert coal in biodiesel.

The purchase order is conditional upon ENL securing debt financing and providing a performance bond in favour of the Company covering the purchase price, which would be payable as follows: 50% upon the financing having been secured, 20% 90 days after the acceptance date, an additional 20% 90 days after the acceptance date, and a final 10% before shipment of the USC Machine, which is expected to occur 9 months after the acceptance date.