

**Lithoquest Diamonds Inc.**

**Condensed Interim Consolidated Financial Statements**

**Three Months ended June 30, 2018 and 2017**

**(Expressed in Canadian Dollars)**

### 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 condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated 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 an audit or review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada.

# Lithoquest Diamonds Inc.

Condensed Interim Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)

As at	June 30, 2018	March 31, 2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 3,715,734	\$ 4,394,892
Sales taxes recoverable	85,331	45,176
Prepaid expenses	164,981	218,133
<b>Total current assets</b>	<b>3,966,046</b>	<b>4,658,201</b>
<b>Exploration and evaluation asset (note 3)</b>	<b>1,155,834</b>	<b>747,837</b>
<b>Total assets</b>	<b>\$ 5,121,880</b>	<b>\$ 5,406,038</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 393,549	\$ 362,238
<b>Total liabilities</b>	<b>393,549</b>	<b>362,238</b>
<b>Equity</b>		
Share capital (note 4)	8,005,194	7,957,019
Contributed surplus	972,440	872,840
Deficit	(4,249,303)	(3,786,059)
<b>Total equity</b>	<b>4,728,331</b>	<b>5,043,800</b>
<b>Total liabilities and equity</b>	<b>\$ 5,121,880</b>	<b>\$ 5,406,038</b>

Nature of the Company and continuance of operations (note 1)

On behalf of the Board of Directors:

"Bruce Counts"

Director

"Lon Shaver"

Director

*The accompanying notes are an integral part of these consolidated financial statements.*

## Lithoquest Diamonds Inc.

Condensed Interim Consolidated Statements of Changes in Equity

For the three months ended June 30, 2018 and 2017

(Expressed in Canadian Dollars)

	Share Capital		Subscriptions Receivable	Contributed Surplus	Deficit	Total Equity
	Number of Shares	Amount				
<b>Balance, March 31, 2017</b>	<b>14,666,668</b>	<b>\$ 692,882</b>	<b>\$ (132,882)</b>	<b>\$ 15,000</b>	<b>\$ (304,893)</b>	<b>\$ 270,107</b>
Shares issued for service	2,000,000	15,000	-	(15,000)	-	-
Shares issued for cash	-	-	74,746	-	-	74,746
Comprehensive loss	-	-	-	-	(135,544)	(135,544)
<b>Balance, June 30, 2017</b>	<b>16,666,668</b>	<b>\$ 707,882</b>	<b>\$ (58,136)</b>	<b>\$ -</b>	<b>\$ (440,437)</b>	<b>\$ 209,309</b>
<b>Balance, March 31, 2018</b>	<b>45,911,963</b>	<b>\$ 7,957,019</b>	<b>\$ -</b>	<b>\$ 872,840</b>	<b>\$ (3,786,059)</b>	<b>\$ 5,043,800</b>
Shares issued for cash						
- on exercise of warrants	144,584	43,375	-	-	-	43,375
- on exercise of finder's warrants	12,000	4,800	-	(2,400)	-	2,400
Stock-based compensation	-	-	-	102,000	-	102,000
Comprehensive loss	-	-	-	-	(463,244)	(463,244)
<b>Balance, June 30, 2018</b>	<b>46,068,547</b>	<b>\$ 8,005,194</b>	<b>\$ -</b>	<b>\$ 972,440</b>	<b>\$ (4,249,303)</b>	<b>\$ 4,728,331</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**Lithoquest Diamonds Inc.**

Condensed Interim Consolidated Statements of Comprehensive Loss

For the three months ended June 30, 2018 and 2017

(Expressed in Canadian Dollars)

	2018	2017
<b>Expenses</b>		
Foreign exchange gain	\$ (237)	\$ -
Marketing and investor relations	162,664	15,470
Office and general	16,636	1,215
Professional fees	12,511	20,424
Regulatory and shareholder services	2,655	-
Salaries and management and consulting fees	124,425	88,250
Share-based payments ( <i>note 4</i> )	102,000	-
Travel	48,049	10,185
<b>Loss before other item</b>	<b>(468,703)</b>	<b>(135,544)</b>
<b>Other item</b>		
Interest income	5,459	-
<b>Loss and comprehensive loss</b>	<b>\$ (463,244)</b>	<b>\$ (135,544)</b>
<b>Loss per share - basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>46,034,701</b>	<b>15,062,272</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**Lithoquest Diamonds Inc.**

## Condensed Interim Consolidated Statements of Cash Flows

For the three months ended June 30, 2018 and 2017

(Expressed in Canadian Dollars)

	2018	2017
<b>Cash flow used in operating activities</b>		
Loss for the period	\$ (463,244)	\$ (135,544)
Item not affecting cash		
Share-based compensation	102,000	-
	(361,244)	(135,544)
Non-cash working capital items ( <i>note 5</i> )	44,308	47,032
	(316,936)	(88,512)
<b>Cash flow used in investing activities</b>		
Exploration and evaluation asset ( <i>note 3</i> )	(407,997)	(37,026)
	(407,997)	(37,026)
<b>Cash flow from financing activities</b>		
Proceeds from the issuance of shares	45,775	-
	45,775	-
<b>Decrease in cash</b>	<b>(679,158)</b>	<b>(125,538)</b>
<b>Cash, beginning of year</b>	<b>4,394,892</b>	<b>206,240</b>
<b>Cash, end of period</b>	<b>\$ 3,715,734</b>	<b>\$ 80,702</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

# **Lithoquest Diamonds Inc.**

Notes to the Condensed Interim Consolidated Financial Statements  
Three months ended June 30, 2018 and 2017  
(Expressed in Canadian Dollars)

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## **1. Nature of the Company and Continuance of Operations**

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Lithoquest Diamonds Inc. (“Lithoquest” or the “Company”) (previously Consolidated Westview Resource Corp.) was incorporated on February 25, 1986 in Alberta. In April 2014 it was continued from the jurisdiction of Alberta to British Columbia, Canada. Its name was changed to Lithoquest Diamonds Inc. on November 23, 2017 following a reverse takeover transaction.

The Company is engaged in the acquisition and exploration of mineral properties. The Company’s head office is at Suite 2000, 1066 West Hastings St., Vancouver BC V6E 3X2. The Company is listed on the TSX Venture Exchange (“TSX-V”) under the symbol “LDF”.

The Company is currently in the process of acquiring, exploring and evaluating potential properties in the Kimberly region of the Australian state of Western Australia. The Company has not generated significant revenues or cash flows from operations and has not yet determined whether its mineral property asset contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company’s ability to continue as a going concern. These unaudited condensed interim consolidated financial statements have been prepared 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.

As at June 30, 2018, the Company has a working capital of \$3,572,497, representing funds available to cover on-going operating costs. The Company has incurred negative cash flows from operations, recorded a loss of \$463,244 for the three months ended June 30, 2018, and has an accumulated deficit of \$4,249,303 as at June 30, 2018.

## **2. Basis of Presentation**

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These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended March 31, 2018, prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s consolidated financial statements for the year ended March 31, 2018, unless otherwise stated.

These financial statements were authorized for issue by the Board of Directors of the Company on August 28, 2018.

## Lithoquest Diamonds Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
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### 3. Exploration and Evaluation Asset

#### North Kimberly Diamond Project

<b>Balance, March 31, 2017</b>	<b>\$</b>	<b>171,964</b>
Land administration		92,662
Exploration and evaluation expenditures		483,211
<b>Balance, March 31, 2018</b>	<b>\$</b>	<b>747,837</b>
Land administration		1,878
Exploration and evaluation expenditures		406,119
<b>Balance, June 30, 2018</b>	<b>\$</b>	<b>1,155,834</b>

### 4. Share Capital

#### Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

#### Issued shares

The issued and outstanding common shares consist of the following:

	<b>Number of Common Shares</b>	<b>Amount</b>
<b>Balance, March 31, 2018</b>	<b>45,911,963</b>	<b>\$ 7,957,019</b>
Shares issued on exercise of warrants (a)	144,584	43,375
Shares issued on exercise of finder's warrants (b)	12,000	4,800
<b>Balance, June 30, 2018</b>	<b>46,068,547</b>	<b>\$ 8,005,194</b>

- (a) During the period the Company issued a total of 144,584 common shares upon the exercise of warrants. The price per share was \$0.30 for gross proceeds of \$43,375.
- (b) During the period the Company issued a total of 12,000 common shares upon the exercise of finder's warrants. The price per share was \$0.20 for gross proceeds of \$2,400. The fair value of \$2,400 related to the warrants exercised was reclassified from contributed surplus to share capital.



## Lithoquest Diamonds Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
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### 4. Share Capital - continued

#### Stock Options

The continuity of share purchase options is as follows:

	Number of Options	Weighted average exercise price
<b>Outstanding, March 31, 2018</b>	<b>3,000,000</b>	<b>\$ 0.29</b>
Options granted	200,000	0.56
<b>Outstanding, June 30, 2018</b>	<b>3,200,000</b>	<b>\$ 0.31</b>

On April 5, 2018, the Company granted 200,000 stock options to a director of the wholly-owned subsidiary in Australia and a consultant of the Company. The options vested on grant date and are exercisable at \$0.56 per share for 5 years.

The stock options were valued at \$102,000 using the Black-Scholes option-pricing model with the following assumptions: expected life of 5 years, risk-free rate of 2.00%, expected dividend yield of 0%, and expected volatility of 150%. The share price at the time of the grant was \$0.56.

As at June 30, 2018, the following options were outstanding and exercisable:

Expiry Date	Remaining Contractual Life (in years)	Number of Options	Exercise Price
November 23, 2022	4.4	2,500,000	\$ 0.27
January 2, 2023	4.5	500,000	0.40
April 5, 2023	4.8	200,000	0.56

During the period the Company recognized \$102,000 (2017 - \$nil) in stock-based compensation. As of June 30, 2018, all options issued under the Plan were fully vested.

## Lithoquest Diamonds Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
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### 4. Share Capital - continued

#### Warrants

The continuity of share purchase warrants is as follows:

	Number of Warrants	Weighted average exercise price
<b>Outstanding, March 31, 2018</b>	<b>17,595,970</b>	<b>\$ 0.35</b>
Warrants exercised	156,584	0.29
<b>Outstanding, June 30, 2018</b>	<b>17,439,386</b>	<b>\$ 0.35</b>

As at June 30, 2018, the following warrants were outstanding and exercisable:

Expiry Date	Number of Warrants	Exercise Price
November 23, 2019	7,565,836	\$ 0.30
November 23, 2019	9,488,636	0.40
November 23, 2019	384,914	0.27
	<b>17,439,386</b>	

### 5. Additional Cash Flow Information

The net change in non-cash working capital consists of the following:

	June 30, 2018	June 30, 2017
Sales taxes recoverable	\$ (40,155)	\$ 63,316
Prepaid expenses	53,152	-
Accounts payable and accrued liabilities	31,311	(16,284)
	<b>\$ 44,308</b>	<b>\$ 47,032</b>