



# 2017 ANNUAL REPORT

December 31, 2017



[www.commanderesources.com](http://www.commanderesources.com)



## **Consolidated Financial Statements**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2017**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Commander Resources Ltd.

We have audited the accompanying consolidated financial statements of Commander Resources Ltd., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of loss (income) and comprehensive loss (income), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Commander Resources Ltd. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Commander Resources Ltd.'s ability to continue as a going concern.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

February 28, 2018

**COMMANDER RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(EXPRESSED IN CANADIAN DOLLARS)**

As at	December 31, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 379,422	\$ 998,429
Receivables	9,103	4,378
Prepaid expenses	20,300	23,170
Marketable securities (Note 4)	1,678,400	1,769,660
	<u>2,087,225</u>	<u>2,795,637</u>
<b>Non-current assets</b>		
Marketable securities (Note 4)	880,000	2,392,500
Exploration and evaluation assets (Note 5)	264,966	2,971,749
	<u>1,144,966</u>	<u>5,364,249</u>
<b>TOTAL ASSETS</b>	<b>\$ 3,232,191</b>	<b>\$ 8,159,886</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 25,976	\$ 75,448
Advance from optionee (Note 5(c))	-	18,630
	<u>25,976</u>	<u>94,078</u>
<b>EQUITY</b>		
Share capital (Note 6)	39,700,632	39,700,632
Options reserve (Note 6)	214,124	281,933
Warrants reserve (Note 6)	-	40,000
Accumulated other comprehensive (loss) income	(1,143,010)	550,000
Deficit	(35,565,531)	(32,506,757)
	<u>3,206,215</u>	<u>8,065,808</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 3,232,191</b>	<b>\$ 8,159,886</b>

Nature of operations (Note 1)

Commitment (Note 8)

*Approved on behalf of the Board of Directors on February 27, 2018:*

"Eric Norton"

Director

"Brandon MacDonald"

Director

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

**COMMANDER RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF LOSS (INCOME) AND COMPREHENSIVE LOSS (INCOME)**  
**(EXPRESSED IN CANADIAN DOLLARS)**

	For the years ended December 31,	
	2017	2016
<b>EXPENSES</b>		
Accounting and audit (Note 7)	\$ 80,426	\$ 56,978
Administration (Note 7)	67,942	62,631
Consulting (Note 7)	96,000	147,035
Legal	15,591	6,903
Filing fees and transfer agent	11,570	18,913
Investor and shareholder relations	83,422	29,815
Salaries and benefits (Note 7)	103,583	57,198
Share-based payments (Note 6, 7)	675	136,560
	<b>459,209</b>	<b>516,033</b>
<b>Other (income) expenses</b>		
Interest and miscellaneous income (Note 5(c))	(9,901)	(6,005)
Foreign exchange gain	(171)	-
Royalty income (Note 5(f))	(25,000)	(25,000)
Gain on sale of marketable securities (Note 4)	-	(800,886)
Loss on transfer of investment in associated company (Note 4(b))	-	310,344
Share of loss and dilution loss in associated company (Note 4(b))	-	31,448
Gain on sale of exploration and evaluation assets (Note 5(d))	-	(1,951,462)
Impairment on exploration and evaluation assets (Note 5 (a) (b) (c) (e) (f))	2,732,673	1,142,699
	<b>3,156,810</b>	<b>(782,829)</b>
<b>Loss (income) before taxes</b>	<b>3,156,810</b>	<b>(782,829)</b>
Income tax expense (Note 13)	10,448	-
<b>Loss (income) for the year</b>	<b>3,167,258</b>	<b>(782,829)</b>
<b>Other comprehensive loss (income)</b>		
Items that may be reclassified to profit and loss		
Fair value adjustment on available-for-sale marketable securities (Note 4)	1,693,010	(1,163,744)
Transfer on sale of available-for-sale marketable securities	-	978,590
<b>Other comprehensive loss (income) for the year</b>	<b>1,693,010</b>	<b>(185,154)</b>
<b>Comprehensive loss (income) for the year</b>	<b>\$ 4,860,268</b>	<b>\$ (967,983)</b>
<b>Basic and diluted loss (income) per common share</b>	<b>\$ 0.027</b>	<b>\$ (0.007)</b>
<b>Weighted average number of shares outstanding - basic and diluted</b>	<b>115,302,521</b>	<b>106,787,453</b>

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

**COMMANDER RESOURCES LTD.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**(EXPRESSED IN CANADIAN DOLLARS)**

	Number of Shares	Share Capital	Reserves		Accumulated Other	Deficit	Total
			Options	Warrants	Comprehensive (Loss) income		
<b>Balance, December 31, 2015</b>	<b>103,302,521</b>	<b>\$ 39,040,632</b>	<b>\$344,474</b>	<b>\$40,000</b>	<b>\$ 364,846</b>	<b>\$ (33,488,687)</b>	<b>\$ 6,301,265</b>
Shares issued on acquisition of exploration and evaluation assets (Note 5(a))	12,000,000	660,000	-	-	-	-	<b>660,000</b>
Reclassification of grant date fair value on expired options	-	-	(199,101)	-	-	199,101	-
Share-based payments	-	-	136,560	-	-	-	<b>136,560</b>
Income for the year	-	-	-	-	-	782,829	<b>782,829</b>
Other comprehensive income for the year	-	-	-	-	185,154	-	<b>185,154</b>
<b>Balance, December 31, 2016</b>	<b>115,302,521</b>	<b>\$ 39,700,632</b>	<b>\$281,933</b>	<b>\$40,000</b>	<b>\$ 550,000</b>	<b>\$ (32,506,757)</b>	<b>\$ 8,065,808</b>
Reclassification of grant date fair value on expired options and warrants	-	-	(68,484)	(40,000)	-	108,484	-
Share-based payments	-	-	675	-	-	-	<b>675</b>
Loss for the year	-	-	-	-	-	(3,167,258)	<b>(3,167,258)</b>
Other comprehensive loss for the year	-	-	-	-	(1,693,010)	-	<b>(1,693,010)</b>
<b>Balance, December 31, 2017</b>	<b>115,302,521</b>	<b>\$ 39,700,632</b>	<b>\$214,124</b>	<b>\$ -</b>	<b>\$ (1,143,010)</b>	<b>\$ (35,565,531)</b>	<b>\$ 3,206,215</b>

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

**COMMANDER RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(EXPRESSED IN CANADIAN DOLLARS)**

	For the years ended December 31,	
	2017	2016
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
(Loss) income for the year	\$ (3,167,258)	\$ 782,829
Items not affecting cash:		
Share-based payments	675	136,560
Gain on sale of marketable securities	-	(800,886)
Loss on transfer of investment in associated company	-	310,344
Share of loss and dilution loss in associated company	-	31,448
Gain on sale of exploration and evaluation assets	-	(1,951,462)
Impairment on exploration and evaluation assets	2,732,673	1,142,699
Changes in non-cash working capital:		
Receivables and prepaid expenses	(1,855)	(1,968)
Accounts payable and accrued liabilities	528	7,263
Advance from optionee	(18,630)	(11,638)
	<b>(453,867)</b>	<b>(354,811)</b>
<b>Investing activities</b>		
Expenditures on exploration and evaluation assets	(200,140)	(96,883)
Exploration and evaluation assets - option receipts	35,000	-
Proceeds from sale of marketable securities	-	1,312,295
	<b>(165,140)</b>	<b>1,215,412</b>
<b>Change in cash and cash equivalents</b>	<b>(619,007)</b>	<b>860,601</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>998,429</b>	<b>137,828</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 379,422</b>	<b>\$ 998,429</b>
<b>Cash and cash equivalents comprise:</b>		
Cash at bank - Canadian dollars	\$ 158,089	\$ 175,788
Cash at bank - Mexican pesos	1,218	3,001
Short-term deposits - Canadian dollars	220,115	819,640
<b>Cash and cash equivalents in Canadian dollars</b>	<b>\$ 379,422</b>	<b>\$ 998,429</b>

Supplemental cash flow information (Note 9)

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



**COMMANDER RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
*(EXPRESSED IN CANADIAN DOLLARS)*

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## 1. NATURE OF OPERATIONS

Commander Resources Ltd. (“Commander” or the “Company”) was incorporated in Canada and its records and registered office are at Suite 1100 - 1111 Melville Street, Vancouver, British Columbia, V6E 3V6.

In September 2016, the Company completed the acquisition of all the issued and outstanding common shares of BRZ Mex Holdings Ltd. (“BRZM”) from Bearing Resources Ltd. BRZM and its wholly-owned subsidiary, Minera BRG SA de CV (“Minera BRG”), together own 100% interest of four mineral properties in Canada (October Dome, Mt. Polley and Flume) and Mexico (Pedro) (Note 5(a)).

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operations for the foreseeable future and meet its obligations in the normal course of business. Commander and its subsidiaries are in the business of acquisition and exploration of mineral properties in Canada and Mexico. The Company has incurred ongoing losses and will continue to incur further losses in the course of developing its mineral properties. At December 31, 2017, the Company had a deficit of \$35,565,531 and working capital of \$2,061,249. The Company has been relying on the issuance of share capital and the sales of marketable securities to fund its operations. Although Commander has been successful in the past in raising equity financing, there is no assurance that such financing will be available with terms acceptable to the Company. These uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### **Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial statements have been prepared on the historical cost basis, except for certain financial instruments classified as fair value through profit or loss and available-for-sale which are stated at fair value; additionally, they were prepared using the accrual basis of accounting except for cash flow information.

### **Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, BRZM and Minera BRG (Note 5(a)). The Company consolidates these subsidiaries on the basis that it controls these subsidiaries. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. All intercompany transactions and balances have been eliminated on consolidation.

### **Critical accounting judgments, estimates and assumptions**

The preparation of financial statements in accordance with IFRS requires management the use of estimates, assumptions and judgment that impact the Company’s reported financial results. These judgments and estimates are based on historical experiences and expectations of future events. Uncertainty on these judgments could result in material reassessments of the carrying amounts in the Company’s financial position.

*The significant judgments and estimates that affect these financial statements are as follows:*

a) *Recoverability of exploration and evaluation assets (“E&E assets”)*

The Company capitalizes the E&E expenditures based on the judgment that the carrying amounts will be recoverable. Their recoverability depends on various factors such as the discovery of economically viable reserves, the Company’s ability to obtain the financing to develop them into profitable production or from

**COMMANDER RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
*(EXPRESSED IN CANADIAN DOLLARS)*

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

the disposition of the E&E assets. As new information becomes available suggesting the recovery of these expenditures is unlikely, the capitalized costs are written off to profit or loss for the period.

*b) Share-based payments*

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options. The Black-Scholes' fair value calculation requires management to make estimates and assumptions on future volatility of the stock price, risk-free interest rate, expected life, expected dividend yield and future forfeiture rate of options. Changes in any of these input assumptions could materially impact the share-based payment reserve and expense.

*c) Going concern*

The Company applies judgment in assessing its ability to continue as a going concern for at least 12 months. In making this assessment, the Company considers the facts and circumstances disclosed in Note 1. The Company concluded that there is a material uncertainty that may cast significant doubt on its ability to continue as a going concern.

*d) Income taxes*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

**Cash and cash equivalents**

Cash and cash equivalents include cash and highly liquid guaranteed investment certificates that are readily available to the Company on demand or with maturity dates of three months or on initial acquisition.

**Exploration and evaluation assets ("E&E assets")**

The Company capitalizes costs related to the acquisition and exploration of E&E assets. From time to time the Company may acquire or dispose an E&E asset pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as acquisition costs when the payments are made.

If economically recoverable reserves are developed, capitalized costs of the related property will be reclassified as mining assets and will be amortized using the unit-of-production method. When a property is deemed to no longer have commercially viable prospects to the Company, its capitalized expenditures in excess of estimated recoveries are written off to profit or loss.

When the Company receives proceeds in the form of cash and/or common shares from an option of interest or a partial sale in a property, the payments are credited against the carrying value of the property and the excess amount of the proceeds over the carrying value is recorded as a gain in profit and loss in the period. When all of the interest in a property is sold, the accumulated property costs are written off with any gain or loss recorded in profit and loss in the period the transaction occurs.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Impairment of long-lived assets**

The carrying amounts of the Company's long-lived assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be individually tested

are grouped together into the smallest group of assets that generates cash inflows or CGUs. The Company's corporate assets do not generate separate cash inflows and may be utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

### **Decommissioning, Restoration and Similar Liabilities**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for a decommissioning liability is recognized at its present value in the period in which it is incurred, which is generally when an environmental disturbance occurs or a constructive obligation is determined. Upon initial recognition of the liability, a corresponding amount is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using the unit of production method.

Following the initial recognition of a decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes in the estimated provision resulting from revisions to the estimated timing and amount of cash flows, or changes in the discount rate. Changes to estimated future costs are recognized in the statement of financial position by either increasing or decreasing the decommissioning liability and the decommissioning asset. At December 31, 2017 and 2016, the Company did not record any decommissioning liabilities.

### **Share-based payments**

The Company recognizes share-based payments on stock option grants. The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and each tranche is recognized using the graded vesting method over the period during which the options vest. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

For directors, officers and employees, the fair value of the options is measured at the date of grant, and the options are recognized over the vesting period. For non-employees, share-based payments are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The fair value is recorded at the earlier of the vesting date, or the date the goods or services are received.

**COMMANDER RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
*(EXPRESSED IN CANADIAN DOLLARS)*

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The offset to the recorded cost is to options reserve. Consideration received on the exercise of stock options is recorded as share capital and the related reserves are transferred to share capital. Upon expiry, the recorded value is transferred to deficit.

**Income taxes**

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured at the enacted tax rates that are expected to apply when the assets are recovered and the liabilities settled. Deferred income tax assets also result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed annually and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**Loss per share**

Loss per share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the period. The Company calculates the dilutive effect on loss per share by presuming the exercise of outstanding options and warrants. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Accordingly, basic and diluted loss per share is the same for the years presented. Shares subject to escrow restrictions are excluded from the weighted average number of common shares unless their release is subject only to the passage of time.

**Share capital**

Common shares issued by the Company are recorded in share capital at the value of proceeds received, net of issue costs. The fair value of common shares issued as consideration for E&E assets or other non-cash consideration is based on the trading price of those shares on the date the shares are issued.

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the quoted market price of the common shares at the time the units are priced, then to warrants on a residual value basis. In the case of the issuance of flow-through units, any remaining excess is allocated to the flow-through share premium as a liability.

**Foreign currency translation**

*Functional and presentation currency*

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries was determined by conducting an analysis of the consideration factors identified in *IAS 21, the Effects of Changes in Foreign Exchange Rates ("IAS 21")*. Commander and its Canadian subsidiary, BRZM, have the Canadian dollar as their functional currency. Minera BRG, the Company's Mexican subsidiary also has its functional currency as the Canadian dollar.

*Transactions and balances*

Foreign currency transactions are translated into the relevant functional currency using the exchange rate prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

**COMMANDER RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments**

***Financial assets***

Financial assets are classified into one of four categories:

- fair value through profit or loss (“FVTPL”);
- held-to-maturity (“HTM”);
- available-for-sale (“AFS”); and
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

***FVTPL financial assets***

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. A financial asset is classified as FVTPL if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resulting gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

***HTM investments***

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company’s management has the positive intention and ability to hold to maturity. These are recognized on a trade-date basis and are initially measured at fair value, including transaction costs.

***AFS financial assets***

Non-derivative short-term investments and other assets held are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized in accumulated other comprehensive income (loss). Impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets are recognized directly in profit or loss. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in accumulated other comprehensive income (loss) is included in profit or loss for the year.

***Loans and receivables***

Loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the fair value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at year end. Finance income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Refer to Note 12 for additional disclosures.

***Impairment of financial assets***

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

With the exception of AFS equity instruments, if, in a subsequent year, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

### **Financial liabilities**

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

### **Other financial liabilities**

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

### **FVTPL financial liabilities**

FVTPL financial liabilities are initially measured, and subsequently carried at fair value with changes in fair value recognized through profit or loss.

### **Derecognition of financial liabilities**

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

## 3. NEW ACCOUNTING PRONOUNCEMENTS

### **New, amended and future accounting pronouncements**

Standards and amendments issued but not yet effective for the year ended December 31, 2017, are as follows:

IFRS 9, *Financial Instruments* addresses classification, measurement and recognition of financial assets and financial liabilities. In July 2014, IASB completed the final version of the Standard which replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a reformed approach to hedge accounting. The effective date for this standard is for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect any significant impact from this amendment.

IFRS 16, *Leases*, addresses accounting for leases and lease obligations and replaces the leasing guidance in IAS 17, *Leases*. The standard requires lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company does not expect any significant impact from this standard.

**COMMANDER RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
*(EXPRESSED IN CANADIAN DOLLARS)*

**4. MARKETABLE SECURITIES**

	2017	2016
<b><i>Common shares of public companies:</i></b>		
Fair value, beginning of year	\$ 4,162,160	\$ 526,255
Additions (Note 5(a), 5(c) and 5(e))	89,250	2,640,000
Reclassification from investment in associated company	-	1,322,160
Proceeds from sales of marketable securities, net of commission	-	(1,312,295)
Realized gain on sales of marketable securities	-	800,886
Unrealized (loss) gain on marketable securities	(1,693,010)	185,154
Fair value, end of year	<b>\$ 2,558,400</b>	<b>\$ 4,162,160</b>
Current	<b>\$ 1,678,400</b>	<b>\$ 1,769,660</b>
Non-current (Note 4(a))	<b>880,000</b>	<b>2,392,500</b>
	<b>\$ 2,558,400</b>	<b>\$ 4,162,160</b>

Commander has determined that it does not hold significant influence in any of its investments in publicly traded companies. The fair values of the marketable securities are determined at each reporting date by referencing to the closing market prices of these common shares. Certain common shares with trade restriction dates more than a year from the reporting date are classified as non-current assets.

a) *Aston Bay Holdings Ltd. ("Aston")*

On February 18, 2016, Aston issued 11,000,000 common shares to Commander with a fair value of \$2,640,000 for the acquisition of the Storm Property (Note 5(d)). The 11,000,000 common shares are held in a four-year escrow and will be released in four equal tranches of 2,750,000 shares on each anniversary date starting February 18, 2017 to 2020.

On May 4, 2016, 3,500,000 Aston shares (which were held prior to the Storm Property sale) were sold at \$0.29 per share for gross proceeds of \$1,015,000 resulting in a net gain of \$741,784.

At December 31, 2017, Commander held 13.87% (2016 – 18.48%) of Aston's total outstanding common shares.

b) *Maritime Resources Ltd. ("Maritime")*

In April 2016, the Company re-evaluated its investment in associated company, Maritime, and concluded that significant influence no longer existed due to an evaluation of the consideration factors: Commander has (i) no representation on Maritime's board of directors, (ii) no longer any involvement in business decision making processes, (iii) no longer an interchange of management personnel, and (iv) no provision of essential technical information. As a result, as of April 1, 2016, Maritime ceased to be an associated company and the investment in Maritime had been designated as an available-for-sale security measured at fair value with changes in fair value recognized in accumulated other comprehensive income.

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**4. MARKETABLE SECURITIES (CONTINUED)**

Prior to the cessation date, the investment in Maritime was being accounted for using the equity method and included a pro-rata share of Maritime's change in net assets for each reporting period. The continuity of the Company's investment in Maritime was as follows:

	Number of shares	Amount
Balance, December 31, 2015	9,444,000	\$ 1,663,952
Share of loss in associated company	-	(31,448)
Loss on transfer of investment in associated company <sup>(a)</sup>	-	(310,344)
Reclassified to marketable securities (Note 4(b))	(9,444,000)	(1,322,160)
Balance, December 31, 2016	-	\$ -

<sup>(a)</sup> On April 1, 2016, the fair value of the Maritime shares was \$1,322,160, resulting in a realized loss on investment in associated company of \$310,344 upon transfer to marketable securities.

In 2016, Commander sold 2,000,000 Maritime shares at \$0.14 per share and 500,000 shares at \$0.21 per share, for gross proceeds of \$385,000 resulting a net gain of \$33,600. At December 31, 2017, Commander held 9.31% (December 31, 2016 – 11.78%) of Maritime's total outstanding common shares.

Option to Purchase Shares Agreement

On April 6, 2016, an existing Option Agreement between the Company and Maritime was amended regarding the time frames and purchase prices of 8,000,000 Maritime shares that Maritime or its nominees had the option to purchase from the Company. Details of the amended agreement were as follows:

Optioned Shares (Tranches)	Time Frame and Conditions
<ul style="list-style-type: none"> <li>- Up to 2,000,000 shares; plus</li> <li>- 1,500,000 shares carried forward</li> </ul>	<ul style="list-style-type: none"> <li>- On or before February 28, 2017</li> <li>- At a price equal to \$0.25 per share.</li> <li>- <b>Tranche was not completed.</b></li> </ul>
<ul style="list-style-type: none"> <li>- Up to 2,000,000 shares; plus</li> <li>- Any shares carried forward from the previous tranche</li> </ul>	<ul style="list-style-type: none"> <li>- March 1, 2017 to August 31, 2017.</li> <li>- At a price equal to the greater of (i) \$0.31 per share, and (ii) 85% of the volume weighted average price of Maritime's shares for the 10 trading days immediately preceding the date exercise.</li> <li>- <b>Tranche was not completed.</b></li> </ul>

The Option to Purchase Shares Agreement gave rise to a derivative liability, which as at December 31, 2016, was determined to be a nominal amount.

On August 31, 2017, the Option Agreement expired and is no longer in force. The derivative liability derecognized upon this expiry on August 31, 2017 was \$nil. As at December 31, 2017, Commander continues to hold 6,944,000 common shares of Maritime.



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**5. EXPLORATION AND EVALUATION ASSETS**

Commander's exploration and evaluation assets are located in Canada and Mexico. As at December 31, 2017, the cumulative expenditures on exploration and evaluation assets were as follows:

Note	BC			Yukon	Labrador	Nunavut		Mexico		Other Properties	Total
	October Dome 5(a)	Mt. Polley 5(a)	Rebel 5(b)	Flume 5(a)	South Voisey's Bay 5(c)	Storm 5(d)	Baffin 5(e)	Pedro 5(a)	5(f)		
<b>Balance, December 31, 2015</b>	\$ -	\$ -	\$ -	\$ -	\$ 2,226,157	\$ 688,538	\$ 1	\$ -	\$ 1,137,130	\$ 4,051,826	
Acquisition costs	574,122	36,429	8,088	68,348	-	-	-	1	-	686,988	
Exploration costs											
Permits and licenses	-	500	-	-	-	-	-	-	(8,354)	(7,854)	
Geology and others	675	-	4,637	-	-	-	-	-	12,067	17,379	
Travel	2,788	-	-	-	-	-	-	-	1,859	4,647	
Camp cleanup	-	-	-	-	-	-	50,000	-	-	50,000	
	3,463	500	4,637	-	-	-	50,000	-	5,572	64,172	
Impairment	-	-	-	-	-	-	-	-	(1,142,699)	(1,142,699)	
Sale of property	-	-	-	-	-	(688,538)	-	-	-	(688,538)	
Incurring during the year	577,585	36,929	12,725	68,348	-	(688,538)	50,000	1	(1,137,127)	(1,080,077)	
<b>Balance, December 31, 2016</b>	\$ 577,585	\$ 36,929	\$ 12,725	\$ 68,348	\$ 2,226,157	\$ -	\$ 50,001	\$ 1	\$ 3	\$ 2,971,749	
Acquisition costs	8,169	-	-	-	-	-	-	-	19,040	27,209	
Exploration costs											
Permits and licenses	-	500	-	-	-	-	8,105	8,417	4,145	21,167	
Geology and others	-	-	5,670	-	-	-	377	-	21,764	27,811	
Camp lodging and labour	-	-	1,942	-	-	-	-	-	5,269	7,211	
Site transportation	-	-	9,652	-	-	-	-	-	7,313	16,965	
Travel	-	-	1,518	-	-	-	-	-	1,502	3,020	
Assaying	-	-	1,395	-	-	-	-	-	1,724	3,119	
Camp cleanup	-	-	-	-	-	-	43,638	-	-	43,638	
	-	500	20,177	-	-	-	52,120	8,417	41,717	122,931	
Option receipts - cash	-	-	-	(25,000)	-	-	(10,000)	-	-	(35,000)	
Option receipts - shares	-	-	-	(35,000)	(28,000)	-	(26,250)	-	-	(89,250)	
Incurring during the year	8,169	500	20,177	(60,000)	(28,000)	-	15,870	8,417	60,757	25,890	
Impairment	(585,753)	(37,428)	(32,901)	(8,347)	(1,933,200)	-	(65,870)	(8,417)	(60,757)	(2,732,673)	
<b>Balance, December 31, 2017</b>	\$ 1	\$ 1	\$ 1	\$ 1	\$ 264,957	\$ -	\$ 1	\$ 1	\$ 3	\$ 264,966	

**a. Bearing Asset Acquisition**

On September 23, 2016, the Company acquired 100% of the issued and outstanding share capital of Bearing Resources Ltd.'s wholly owned subsidiaries, BRZ Mex Holdings Ltd. ("BRZM") and Minera BRG SA de CV ("Minera BRG") (the "Transaction"). The Transaction was a related party transaction with the Chief Executive Officer being a common executive/director for both Bearing and Commander (see Note 7).

The Transaction was treated as an asset acquisition. Total consideration for the Transaction was \$678,900 which consisted of: (i) cash payment of \$18,900 and (ii) issuance of 12,000,000 shares of Commander with a fair value of \$660,000.

BRZM and Minera BRG own a 100% interest in four exploration stage properties in Canada and Mexico: October Dome, Mt. Polley, Flume and Pedro. As there were no other significant assets or liabilities acquired in the acquisition, the consideration was allocated to the exploration and evaluation assets acquired as follows:

October Dome	\$	574,122
Mt. Polley		36,429
Flume		68,348
Pedro		1
	\$	<u>678,900</u>

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**5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

As part of the acquisition, the Company also acquired royalty interests as follows:

- Jay East Royalty with Precipitate Gold – 2% NSR with a right for the Company to buy down to 1% for \$1,000,000.
- VF Royalty with Aben Resources - 2% NSR with a right for the Company to buy down to 1% for \$1,500,000 and \$15,000 annual advance royalty payments beginning March 1, 2018.
- Boundary Zone Royalty with Imperial Metals - 90% interest in a royalty (Glengarry 10%) of \$2.50 per tonne milled for first 400,000 tonnes thereafter \$1.25/tonne milled. This second rate can be bought down/reduced by the Company to \$0.62 per tonne milled for \$1,000,000.

After impairment evaluations on October Dome, Mt. Polley, Flume and Pedro properties at December 31, 2017, the Company wrote off a total of \$639,945 (2016 - \$nil) as the Company has no significant work planned on the four properties.

**Flume, Yukon**

On March 6, 2017, the Company entered into an option agreement with K2 Gold Corporation (“K2”) granting K2 the option to acquire a 100% interest in the Flume property.

To earn an initial 60% interest, K2 must spend \$2,000,000 in exploration and make cash payments and issue common shares to Commander as follows:

<b>Commitment Timeline</b>	<b>Cash</b>	<b>Common Shares</b>	<b>Exploration</b>
March 6, 2017	\$25,000 (received)	100,000 (received with a fair value of \$35,000)	\$ -
March 6, 2018	\$35,000	100,000	\$200,000
March 6, 2019	\$50,000	150,000	\$ -
March 6, 2020	\$75,000	150,000	\$ -
March 6, 2021	\$215,000	500,000	\$1,800,000
<b>Total</b>	<b>\$400,000</b>	<b>1,000,000</b>	<b>\$2,000,000</b>

Upon fulfilling the 60% option requirement, for the remaining 40% interest, K2 needs to meet the following additional conditions:

<b>Commitment Timeline</b>	<b>Cash</b>	<b>Common shares</b>	<b>Exploration</b>
over 3 years	\$250,000	2,000,000	\$3,000,000

If K2 has acquired a 100% interest in the Flume property and decided to commence production, it will pay Commander a balloon payment of either \$10,000,000 in cash or \$5,000,000 cash and \$5,000,000 in common shares of K2.

**b. Rebel, British Columbia**

In November 2016, the Company acquired the Rebel zinc and lead property by way of staking. Upon an assessment of the property at December 31, 2017, an impairment loss of \$32,901 (2016 - \$nil) was recognized in profit and loss as the Company has no further significant work planned on the property.

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**5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

**c. South Voisey's Bay, Labrador**

In September 2014, the Company signed an option agreement with Fjordland Exploration Inc., ("Fjordland") granting it an option to earn up to a 70% interest which was later amended to 75% in the South Voisey's Bay project. During 2014 and 2015, Commander received from Fjordland a total of \$350,000 which had been fully expended on the property during the year ended December 31, 2017. As the operator of the project, Commander has earned management fees of \$1,944 in 2017 (2016 - \$1,015) which were included in interest and miscellaneous income. At December 31, 2017, the advance on the project account was \$nil (December 31, 2016 – \$18,630).

In August 2015, the option agreement was terminated and in December 2015, both parties agreed that Fjordland had earned a 15% interest in the project. On March 23, 2016, Commander completed the transfer of a 15% interest of the project to Fjordland.

On June 5, 2017, the Company and Fjordland entered into a Letter of Intent ("LOI") whereby Fjordland has the option to acquire the remaining 85% interest in the project by making cash payments, issuing common shares to Commander and by incurring exploration expenditures on the property per the following schedule:

<b>Earn-in Option</b>	<b>Completion Date</b>	<b>Cash</b>	<b>Common Shares</b>	<b>Exploration</b>
First Option (20%) (completed)	TSX Venture Exchange's Approval Date (July 26, 2017)	\$ -	200,000 (received with a fair value of \$28,000)	\$ -
	On or before October 31, 2017 (completed)	\$ -	-	\$600,000
Second Option (40%)	On or before July 26, 2018	\$10,000	250,000	\$ -
	On or before July 26, 2019	\$15,000	300,000	\$ -
	On or before July 26, 2020	\$25,000	350,000	\$ -
	On or before October 31, 2021	\$40,000	400,000	\$2,400,000
Third Option (25%)	On or before October 31, 2024	\$200,000	3,000,000	\$5,000,000
	<b>Total</b>	<b>\$290,000</b>	<b>4,500,000</b>	<b>\$8,000,000</b>

Upon Fjordland vesting a 100% interest, Commander will retain a 2% NSR. Fjordland has the right to buy down 50% of the NSR for \$5,000,000 in cash or \$2,500,000 in cash plus the issuance of post-consolidated Fjordland common shares having a fair market value of \$2,500,000. Upon commencement of commercial production, Commander will receive an one-time advance royalty payment of \$10,000,000.

During the year ended December 31, 2017, the Company performed an impairment assessment of the South Voisey's Bay project based on the terms of the LOI with Fjordland. The assessment determined that the project's carrying value was lower than the recoverable amount, which is the greater of the its value in use ("VIU") and its fair value less cost to sell ("FVLCS"). The recoverable amount was determined to be the FVLCS. In calculating the FVLCS, the Company used significant assumptions and estimates as follows: i) discount rate of 15%, ii) probability-weighted cash flows from the option payments, and iii) probability-weighted fair values of Fjordland's common shares to be received, with an estimated share price of \$0.35. As a result, the Company recognized an impairment loss of \$1,933,200 in profit or loss.

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**5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

**d. Storm Property, Nunavut**

On February 18, 2016, Aston Bay issued 11,000,000 common shares to Commander with a fair value of \$2,640,000 for the acquisition of the Storm Property. As a result, a gain of \$1,951,462 was recognized on the sale transaction. The Aston shares are held in a four-year escrow (see Note 4(a)).

Commander retains a 0.875% Gross Overriding Royalty (“GOR”) after the property is brought into production. Aston has the right to buy down the GOR from 0.875% to 0.4% for \$4,000,000.

**e. Baffin, Nunavut**

On May 8, 2017, Commander entered into an option agreement with Kivalliq Energy Corporation (“Kivalliq”) allowing Kivalliq to acquire a 100% interest in the Baffin property which includes six mineral claims and the signed 2017 Mineral Exploration Agreement (“MEA”) with NTI on two blocks within Inuit Owned Land parcel BI-35 (“IOL BI-35”).

Terms of the option agreement are as follows:

<b>Commitment Timeline</b>	<b>Cash</b>	<b>Common Shares</b>	<b>Other Commitment</b>
May 8, 2017	\$10,000 (received)	250,000 (received with a fair value of \$26,250)	-
On or before May 8, 2018	\$ -	250,000	None
At a Bankable Feasibility Study	\$ -	500,000	None
Upon commencement of commercial production	\$6,000,000	-	None
<b>Total</b>	<b>\$6,010,000</b>	<b>1,000,000</b>	None

Commander will retain a 0.25% to 0.5% NSR royalty on the Baffin optioned lands. In addition, Kivalliq will grant Commander a 0.25% NSR on Kivalliq’s Baffin mineral tenures contiguous to Commander’s Baffin optioned lands.

The Baffin project has been inactive since 2013 and its exploration camp has been subject to damage from weather. In November 2016, the Company filed a Remedial Action Plan with the government authorities for the site cleanup. Cleanup costs of \$50,000 were estimated and accrued to exploration and evaluation assets in December 2016. In August 2017, the cleanup was completed with total costs of \$93,638.

During the year ended December 31, 2017, \$57,388 (2016 - \$nil) was written off from the Baffin property as the Company has no significant work planned on the property.

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**5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

**f. Other Properties**

The Company holds interests in other properties in Canada. The carrying values of these 100% wholly owned properties were as follows:

<b>Province</b>	<b>Property</b>	<b>Resource</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>New Brunswick</b>	Nepisiguit / Stewart	copper-zinc	\$ 1	\$ -
<b>Ontario</b>	Sabin	copper-zinc	1	1
<b>Yukon</b>	Olympic / Rob	copper-gold	-	1
<b>British Columbia</b>	Omineca	copper-gold	1	1
			<b>\$ 3</b>	<b>\$ 3</b>

During the year ended December 31, 2017, the Company incurred acquisition costs of \$19,040 on the Sabin and Omineca properties which were written off as the Company has no significant work planned on the properties.

**Sabin, Ontario**

Commander's ownership interests on the property vary from 58.5% to 100%.

On March 6, 2017, Commander entered into a conditional agreement with Roughrider Exploration Inc. ("Roughrider") allowing Roughrider to acquire up to a 100% interest in the Sabin property. On May 31, 2017, Roughrider informed the Company that it would not proceed with the agreement. During the due diligence period (March to May 2017), Roughrider expanded the Sabin property by 2,983 hectares which were transferred to Commander for consideration of \$13,829. This amount was capitalized as acquisition costs and written off as at December 31, 2017 as the Company has no significant work planned on the property.

**Omineca, BC**

The Company owns 100% of the property located within the Quesnel Trough of BC. The vendor retains a 1% NSR and will participate in certain cash or share considerations received from the future sale or option of the properties to a third party.

**Nepisiguit/Stewart, New Brunswick**

The Company owns 100% of the properties subject to a 2.75% NSR retained by the Optionor. The NSR is subject to a buy-down to 1% NSR for \$1,500,000.

**Hermitage, Newfoundland**

The Company owns 100% of the Hermitage property subject to a 2% NSR for the original property owners. 50% of the NSR may be purchased for \$1,000,000.

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**5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

**Olympic and Rob, Yukon**

The Company owns 100% interest in the Olympic and Rob properties subject to a 1% NSR registered to Blackstone Ventures Inc., on the Rob property. The NSR may be reduced to 0.5% at any time for \$1,000,000.

The carrying value was historically written off as the project lies within a proposed environmentally protected area. The underlying mineral claims remain in good standing until January 1, 2019.

**Tam, BC**

The Company is entitled to a 1.5% NSR on the property. Teck Resources Ltd. and its partner, Lorraine Copper Corp., now own 100% of the property subject to a 3% NSR, which is subject to a buy-down to 1% for \$2,000,000. An annual advance royalty payment of \$25,000 is payable to the Company which began on December 31, 2012, and is capped at \$250,000. As of December 31, 2017, the Company has received a total of \$150,000 (2016 - \$125,000) in advance royalty payments which are recorded as royalty income.

**6. SHARE CAPITAL**

**Authorized** - unlimited number of common shares without par value

**Issued and outstanding** – 115,302,521 (2016 – 115,302,521) common shares were issued and outstanding

**Stock options**

Under the Company's stock option plan, it may grant stock options for the purchase of up to 18,000,000 common shares. Options granted to directors, employees and consultants have a five-year term and the exercise prices and the vesting periods are determined by the Board of Directors at the time of the option grant.

The Company's outstanding stock options for 2017 and 2016 were as follows:

	<b>December 31, 2017</b>		<b>December 31, 2016</b>	
	<b>Number</b>	<b>Weighted average Exercise Price</b>	<b>Number</b>	<b>Weighted average Exercise Price</b>
Outstanding, beginning of year	<b>11,175,000</b>	<b>\$0.06</b>	7,305,000	\$0.09
Granted	-	-	5,300,000	0.05
Expired / cancelled	<b>(1,405,000)</b>	<b>(0.10)</b>	<b>(1,430,000)</b>	<b>(0.19)</b>
Outstanding, end of year	<b>9,770,000</b>	<b>\$0.05</b>	11,175,000	\$0.06

During the year ended December 31, 2017, 1,405,000 (2016 – 1,430,000) options with an exercise price of \$0.10 expired. As a result, the fair values of these expired options of \$68,484 (2016 – \$199,101) were reclassified to deficit from options reserve.

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**6. SHARE CAPITAL (CONTINUED)**

At December 31, 2017, the Company's outstanding and exercisable stock options were as follows:

<b>Expiry date</b>	<b>Options outstanding and exercisable</b>	<b>Exercise price</b>	<b>Weighted average remaining contractual life (in year)</b>
February 7, 2019	1,870,000	\$ 0.05	1.11
July 17, 2020	2,600,000	\$ 0.05	2.54
March 16, 2021	4,000,000	\$ 0.05	3.21
June 9, 2021	1,300,000	\$ 0.05	3.44
	<b>9,770,000</b>		<b>2.66</b>

The fair values of stock options granted during the year ended December 31, 2016 were calculated using the Black-Scholes option pricing model with the following assumptions:

	<b>2017</b>	<b>2016</b>
Risk-free interest rate	-	0.703%
Expected annual volatility	-	108.99%
Expected life (in year)	-	5
Expected dividend yield	-	0.00%
Forfeiture rate	-	0.00%
Weighted average fair value of option	-	\$0.026

Expected volatility was determined based on the historical movements in the closing price of the Company's common shares for a length of time equal to the expected life of each option.

During the years ended December 31, 2017 and 2016, the Company recognized share-based payments expense of \$675 and \$136,560 respectively.

**Warrants**

On October 20, 2017, 2,000,000 warrants exercisable at \$0.10 expired. As a result, the fair values of these expired warrants of \$40,000 (2016 – \$nil) were reclassified to deficit from warrant reserve. At December 31, 2017, no warrants were outstanding (2016 – 2,000,000). There was no warrant activity during the year ended December 31, 2016.

**7. RELATED PARTY TRANSACTIONS**

**Exploration and Evaluation Asset Acquisition**

On September 23, 2016, the Company acquired all of the issued and outstanding shares of Bearing Resources Ltd.'s wholly owned subsidiaries, BRZ Mex Holdings Ltd. ("BRZM") and Minera BRG SA de CV ("Minera BRG"). The asset acquisition was a related party transaction with the Chief Executive Officer being a common executive/director for both Bearing and Commander (Note 5(a)).

**Services**

The Company's related parties consist of companies controlled by certain of the Company's directors. The fees and expenses with those companies for the years ended December 31, 2017 and 2016 were as follows:

	<b>2017</b>	<b>2016</b>
Rent	\$ 37,506	\$ 34,058
Office administration	618	3,905
	<b>\$ 38,124</b>	<b>\$ 37,963</b>

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**7. RELATED PARTY TRANSACTIONS (CONTINUED)**

**Compensation of Key Management**

Key management includes the Company's directors, the President and Chief Executive Officer, VP Exploration, VP Corporate Development, Chief Financial Officer and Corporate Secretary. Their remuneration was as follows:

	<b>Nature of Compensation</b>	<b>2017</b>	<b>2016</b>
President and Chief Executive Officer	Salary and consulting	<b>\$ 103,583</b>	\$ 107,198
Vice President, Corporate Development	Consulting	<b>30,000</b>	30,000
Vice President, Exploration (1)	Consulting and exploration and evaluation costs	<b>57,811</b>	28,306
Chief Financial Officer	Accounting and audit	<b>48,000</b>	34,500
Corporate Secretary	Consulting	<b>36,000</b>	28,500
Director (former)	Consulting	-	11,000
		<b>275,394</b>	239,504
Share -based payments	Stock options	-	136,560
		<b>\$ 275,394</b>	\$ 376,064

<sup>(1)</sup> \$27,811 (2016 - \$10,806) of the consulting fees were related to geological consulting in exploration and evaluation costs and \$30,000 (2016 - \$17,500) were expensed as consulting in profit and loss.

**8. COMMITMENT**

The Company has a commitment of \$29,400 for its Vancouver office lease which expires on August 31, 2018. Commander is obligated to make monthly rent payments of \$3,675. The Company has the option to terminate the lease with a two months' notice.

**9. SUPPLEMENTAL CASH FLOW INFORMATION**

	<b>2017</b>	<b>2016</b>
Marketable securities received for exploration and evaluation assets (Note 4)	<b>\$ 89,250</b>	\$ 2,640,000
Fair value of shares issued for exploration and evaluation assets (Note 5(a))	-	660,000
Reclassification of fair value on expired options from reserves to share capital (Note 6)	<b>68,484</b>	199,101
Reclassification of fair value on expired warrants from reserves to share capital (Note 6)	<b>40,000</b>	-
Exploration and evaluation assets in accounts payable and accrued liabilities	-	50,000
Other cash flow information:		
Interest received	<b>\$ 4,893</b>	\$ 4,737
Interest paid	-	-
Income tax paid	<b>10,448</b>	-

**10. SEGMENT INFORMATION**

The Company operates in one single reportable segment, being the acquisition and exploration of resource properties. The Company's non-current assets are located in Canada and Mexico. The carrying value of the Company's non-current assets in Mexico total \$1 (2016 - \$1). The carrying value of the Company's non-current assets in Canada as at December 31, 2017 were \$1,144,965 (2016 - \$5,364,248).



**COMMANDER RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
*(EXPRESSED IN CANADIAN DOLLARS)*

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## **11. CAPITAL MANAGEMENT**

The Company defines its capital as all components of equity. The Company manages its capital structure by maintaining adequate funds to support the acquisition and exploration of minerals assets. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. There were no changes in the Company's approach to capital management for the year ended December 31, 2017. The Company is not subject to externally imposed capital requirements.

## **12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

### **Fair value**

The Company has classified its financial instruments as follows:

- Cash and cash equivalents – as FVTPL
- Marketable securities – as AFS
- Receivables – as loans and receivables
- Accounts payable and accrued liabilities, and advance from optionee – as other financial liabilities

The carrying values of receivables, accounts payable and accrued liabilities, and advance from optionee approximate their fair values due to the short-term to maturity of these financial instruments. The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value. The Company's cash and cash equivalents, and marketable securities are classified as a level 1 financial asset. The fair value hierarchy is as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### **Liquidity risk**

Liquidity risk is the risk that the Company's financial assets are insufficient in meeting its financial obligations as they become due. The Company manages this risk by forecasting cash flows from operations and anticipated investing and financing activities to ensure there is sufficient liquidity to meet the obligations. At December 31, 2017, the Company had cash and cash equivalents of \$379,422 to settle its current liabilities of \$25,976. The Company has sufficient liquidity to settle its obligations, however, it requires additional financing to continue operations for at least the next 12 months (Note 1).

### **Credit risk**

Credit risk is the risk that if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is equal to the carrying value of cash and cash equivalents and receivables. Receivables primarily comprise GST receivable. To minimize the credit risk, Commander places cash and cash equivalents at high credit rating financial institution.

### **Price risk and foreign currency risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to price risk with respect to its marketable securities. A 10% change in the share prices would affect their fair values and comprehensive loss (income) by approximately \$255,840. In September 2016, the Company acquired exploration and evaluation assets located in Mexico (Note 5(a)) and may be subject to future foreign currency risk. The risk as at December 31, 2017, was insignificant.

**COMMANDER RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
*(EXPRESSED IN CANADIAN DOLLARS)*

**13. INCOME TAX**

A reconciliation of income taxes at statutory rate with the reported taxes is as follows:

	<b>2017</b>	<b>2016</b>
Loss for the year before taxes	\$ (3,156,810)	\$ 782,829
Expected income tax recovery	\$ (823,000)	\$ 204,000
Change in statutory tax rates and other	(269,552)	143,000
Permanent difference	3,000	51,000
Change in unrecognized deductible temporary differences	1,100,000	(398,000)
<b>Total income tax expense <sup>(1)</sup></b>	<b>\$ 10,448</b>	<b>\$ -</b>

<sup>(1)</sup> During the year ended December 31, 2017, Canada Revenue Agency assessed a total tax payable of \$10,448 (2016 - \$nil) resulting from sales of marketable securities in 2016.

The significant components of the Company's deferred tax assets that have not been included on the statement of financial position are as follows:

	<b>2017</b>	<b>2016</b>
Deferred tax assets (liabilities)		
Exploration and evaluation assets	\$ 2,012,000	\$ 1,283,000
Investment tax credit	236,000	236,000
Equipment	64,000	64,000
Share issue costs	-	1,000
Investment in securities	194,000	(42,000)
Non-capital losses available for future periods	1,245,000	1,109,000
	3,751,000	2,651,000
Unrecognized	(3,751,000)	(2,651,000)
<b>Net deferred tax assets (liabilities)</b>	<b>\$ -</b>	<b>\$ -</b>

Significant components of the Company's deductible temporary differences and unused tax losses are as follows:

	<b>2017</b>	<b>Expiry Date</b>	<b>2016</b>	<b>Expiry Date</b>
		<b>Range</b>		<b>Range</b>
<b>Temporary Differences</b>				
Exploration and evaluation assets	\$ 7,739,000	No expiry date	\$ 4,933,000	No expiry date
Investment tax credit	319,000	2026 to 2033	319,000	2026 to 2033
Equipment	245,000	No expiry date	245,000	No expiry date
Share issue costs	1,000	2038	3,000	2037 to 2039
Non-capital losses available for future periods	4,789,000	2027 to 2037	3,944,000	2027 to 2036

Tax attributes are subject to review and potential adjustment by tax authorities.



## **Management's Discussion and Analysis**

For the Year Ended  
December 31, 2017

**FORWARD-LOOKING STATEMENTS**

This Management Discussion and Analysis ("MD&A") contains forward-looking information within the meaning of National Instrument 51-102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators that involve risks and uncertainties.

Such forward-looking statements include statements of the Company's future plans, estimation of mineral resources, government regulations of the mining industry, requirements for operational funding, environmental risks, and anticipated timing of completion of property dispositions or acquisitions. These known or unknown risks and uncertainties could cause actual performance of the Company to differ materially from results implied by such forward-looking information. These uncertainties include future commodity pricing, capital market access, global economy and politics, government regulations, environmental restrictions, exploration results, permitting time lines, as well as those factors discussed in the section entitled "Risks and Uncertainties" in this MD&A.

This MD&A has been prepared based on available information up to the date of this report, February 27, 2018 (the "Report Date") and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017. The financial information disclosed in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information is available on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website [www.commandersources.com](http://www.commandersources.com).

**BUSINESS OF THE COMPANY**

Commander Resources Ltd. ("Commander") is in the business of acquisition, exploration and development of resource properties. In September 2016, Commander acquired from Bearing Resources Ltd. ("Bearing") 100% of the issued and outstanding shares of BRZM which included BRZM's wholly-owned subsidiary, Minera BRG. BRZM and Minera BRG together hold a 100% interest of four exploration stage properties in Canada and Mexico: October Dome (BC), Mt. Polley (BC), Flume (Yukon) and Pedro (Durango, Mexico). In addition, three royalty interests were also acquired. One of these royalties includes a production-defined royalty on a portion of the Boundary Zone deposit at the Mt. Polley Mine in BC owned by Imperial Metals Corporation.

As consideration, Commander issued to Bearing 12,000,000 shares valued at \$660,000, \$15,000 in cash, plus \$3,900 (the amount equal to cash holdings of BRZM and Minera BRG, less outstanding accounts payable due by these entities). Commander has treated this as an asset acquisition with 100% of the consideration (\$678,900) being attributed to the four mineral properties on a pro rata basis based on their historical carrying values.

Commander is a reporting issuer in British Columbia and Alberta, and listed on the TSX Venture Exchange under the symbol "CMD".

Robert Cameron, P.Geol., President and Chief Executive Officer and a Qualified Person under National Instrument 43-101, has reviewed and approved the technical information presented in this MD&A.

**HIGHLIGHTS OF OPERATIONS**

**[Option Agreement with K2 Gold Corporation on the Flume Property, Yukon](#)**

On March 6, 2017, Commander entered into an option agreement with K2 Gold Corporation ("K2") granting K2 the option to acquire 100% interest in the Flume property in two stages. For the first 60% interest, K2 must spend \$2,000,000 in exploration (\$200,000 firm commitment in year one), pay \$400,000 in cash and issue 1,000,000 shares to Commander. For the remaining 40% interest, K2 must spend additional \$3,000,000 in exploration, pay additional \$250,000 in cash and issue further 2,000,000 shares to Commander.

For further details of the terms of the option agreement, see section under "Exploration and Evaluation Assets".

[Option Agreement with Roughrider Exploration Inc. on the Sabin Property, Ontario](#)

On March 6, 2017, Commander entered into a conditional agreement with Roughrider Exploration Inc. ("Roughrider") allowing Roughrider to acquire up to a 100% interest in the Sabin property over a nine-year period. Roughrider had until May 31, 2017, to execute the agreement. On May 31, 2017, Roughrider informed Commander that it would not proceed with the option. During the due diligence period (March to May), Roughrider expanded the property by 2,983 hectares which were transferred to Commander for consideration of \$13,829.

[Option Agreement with Kivalliq Energy Corporation on the Baffin Property, Nunavut](#)

On May 5, 2017, Commander entered into an option agreement with Kivalliq Energy Corporation ("Kivalliq") allowing Kivalliq to acquire a 100% interest in the Baffin property which includes six mineral claims and the signed 2017 Mineral Exploration Agreement ("MEA") with Nunavut Tungasuvvingat Inc. ("NTI") on two blocks within Inuit Owned Land parcel BI-35 ("IOL BI-35").

For the terms of the option agreement, see "Exploration and Evaluation Assets".

[Letter of Intent with Fjordland Exploration Inc. \("Fjordland"\) on the South Voisey's Bay, Labrador](#)

On June 5, 2017, Commander and Fjordland entered into a Letter of Intent ("LOI") whereby Fjordland has the option to acquire an 85% interest in the South Voisey's Bay project in addition to the 15% interest it has already owned. Fjordland may acquire the 85% interest by making an aggregate cash payment of \$290,000, issuing 4,500,000 shares and spending \$8,000,000 in exploration expenditures over seven years.

## **EXPLORATION AND EVALUATION ASSETS**

### **CANADA**

[October Dome Property, BC](#)

The October Dome gold property, is located in the "Quesnel Trough" in central BC, near the town of Likely. The October Dome property is located 10km north of Imperial Metals Corporation's ("Imperial") Mt. Polley porphyry copper gold mine property and 7 km to the southeast of Barkerville Gold Mines Ltd.'s QR skarn gold mine property. The October Dome claims are subject to net smelter return ("NSR") royalties of between 1.5% and 2%. The October Dome target is defined by a grid area of some 4.0 km by 1.1 km that has been surveyed by magnetic and Induced Polarization ("IP") surveys and soil geochemistry. In 2013 Bearing completed a 1,086-metre (six holes) diamond drill program targeting the northern end of a four-kilometre-long gold and arsenic soil anomaly that is coincident with an induced polarization (IP) chargeability anomaly. Holes OD-5 through OD-7 encountered diorite and monzonite intrusions within hornfelsed sediments and propylitized basalts. Hole OD-6 encountered a 15-metre core length of massive magnetite skarn with semi-massive pyrite layers accompanied by chalcopyrite, epidote and garnet at the sediment/basalt contact. A nine-metre section of this skarn assayed 0.7 gram per tonne gold, including a three-metre length that returned 1.3 g/t Au. For full details of the drill program reference should be made to Bearing Resources news release dated December 3, 2013.

During the year ended December 31, 2017, Commander wrote off \$585,753 from the carrying value of the Flume property in profit and loss as there was no significant work planned on the property.

[Mt. Polley Property, BC](#)

The Mt. Polley properties are located adjacent to Imperial's Mt. Polley open-pit copper gold mine, which is approximately 100 km northeast of Williams Lake, BC. The claims are subject to a NSR of up to 2%. The Mt. Polley properties had previously included an additional area (~37 hectares) adjacent to Imperial's Boundary Zone that was sold to Imperial and over which the Company retains a royalty. The royalty is \$2.50 per tonne for the first 400,000 tonnes of material milled and the \$1.25 per tonne for all tonnes milled in excess of 400,000 tonnes. The royalty per

tonne in excess of 400,000 tonnes milled can be reduced to \$0.62 per tonne by Imperial making a payment of \$1 million. The Company is entitled to 90% of the royalty payments. Three royalty payments were received by Bearing in Q1 2012.

At the year ended December 31, 2017, \$37,428 was written off from the Mt. Polley property as Commander has no significant work planned on the project.

#### Rebel Property, BC

In November 2016, the Company acquired the Rebel zinc and lead property by way of staking. The 1,620-hectare Rebel property occurs on the southern end of the Kechika trough, a geological feature that is host to numerous sedimentary exhalative (sedex) zinc-lead-silver-boron deposits and showings and covers the Rebel prospect. Public records indicate that it was first identified in 1979 when prospectors working for Esperanza Explorations discovered a 40-metre horizon of interbedded massive pyrite beds and black shale. Esso Resources optioned the property and over the next several years conducted geological mapping, stream, soil and rock sampling as well as various geophysical surveys concluding with five short diamond drill holes in 1982, none of which tested the pyrite horizon. Most of these data are unavailable. In 1994, Teck Resources completed geological mapping and extended the Esso soil grid to the west.

Compilation of available public domain data shows a 1.7-kilometre lead-in-soil (40-part-per-million cut-off) anomaly that is partially coincident with the massive pyrite and ferricrete outcrops. Reported assays from the massive pyrite zone contain low to anomalous Pb, Zn and Ba with the best sample being 0.5 per cent Zn, 0.2 per cent Pb and 24.6 grams per tonne Ag.

Geological mapping, soil sampling and detailed XRF analyses of pyrite horizons were completed in August 2017. A total of 52 soil and 4 rock samples were collected and 93 XRF analyses were completed. Mapping confirmed the presence of two distinct pyritic SEDEX horizons (up to 30 m thick) with elevated Zn and Pb values and defined the southern horizon that extends for more than 2 km and is open ended to the east and west. XRF analyses demonstrated the massive pyrite horizon is anomalous in Pb with values up to 0.58%. A zone 10 m thick with 4 spaced readings returned 0.29% Pb and an average of 0.14% Pb taken from the overall pyritic horizon.

At December 31, 2017, Rebel's carrying value of \$32,901 was written off to profit and loss as no significant work is planned on the property.

#### Flume Property, Yukon

On March 6, 2017, Commander entered into an option agreement with K2 Gold Corporation ("K2") allowing K2 to acquire a 100% interest in the Flume property as follows:

For the initial 60% interest, K2 must spend \$2,000,000 in exploration, make cash payments of \$400,000, and issue 1,000,000 shares to Commander in accordance with the following schedule:

- Upon signing - \$25,000 (received) and 100,000 shares (received with a fair value of \$35,000)
- Year one anniversary – \$35,000 and 100,000 shares, and incur \$200,000 in exploration
- Year two anniversary - \$50,000 and 150,000 shares
- Year three anniversary - \$75,000 and 150,000 shares,
- Year four anniversary- \$215,000 and 500,000 shares, and incur \$1,800,000 in exploration

To earn the remaining 40% interest, K2 must meet the following conditions over three years by:

- spending an additional \$3,000,000 in exploration
- making additional cash payments of \$250,000
- issuing a further 2,000,000 shares

If K2 has acquired a 100% interest and announced a decision to commence production, it will pay Commander a balloon payment of either (i) \$10,000,000 in cash or (ii) \$5,000,000 in cash and \$5,000,000 value in K2 shares. Commander retains a 1% net smelter royalty on the property.

As announced on November 6, 2017, K2 collected 398 soil samples and 63 rock grab samples. Soil sampling in the northern section of the property confirmed an Au-in-soil anomaly approximately 1.2 km by 3 km in size with values up to 247 ppb Au (15% of soil samples were greater than 25 ppb Au). A new Au-in-Soil anomaly was also outlined in the south-eastern portion of the property marked by values up to 68 ppb Au (8% of soil samples were greater than 25 ppb Au). In addition, rock grab prospecting in the south-central portion of Flume, in the area of historical exploratory drilling, yielded assays up to 4.76 g/t within variably silicified, carbonate altered and mineralized metasedimentary rocks (22% of rock samples were greater than 0.5 g/t Au). Note that grab samples are selective by nature and values reported may not be representative of mineralized zones.

At December 31, 2017, the Company recognized an impairment write-off of \$8,347 on the Flume property as there was no significant work planned on the property.

#### *South Voisey's Bay Property, Labrador*

The South Voisey's Bay property is located in central Labrador approximately 80 km due south of the operating Voisey's Bay nickel mine and covers parts of the Pants Lake gabbro complex in the South Voisey's Bay area. The Pants Lake Complex contains host rocks with alteration and nickel mineralization styles that are similar to the Voisey's Bay hosts.

In September 2014, Commander signed a Memorandum of Understanding ("MOU") granting Fjordland Exploration Inc. an option to earn up to a 70% interest in the South Voisey's Bay property, by funding \$5,500,000 in exploration expenditures, and issuing a total of 2,250,000 shares to Commander. Upon signing the agreement Fjordland subscribed for 2,000,000 shares of Commander at a price of \$0.05, for net proceeds to Commander of \$100,000.

In November 2014, Commander (as Operator) conducted UTEM and ground mag surveys over the most prospective areas of the claims. The cost of the program was approximately \$250,000 and was completed by mid-December. The ground UTEM covered an area 2.5 km by 2.6 km, with a total of 22.5 line km's surveyed, and the ground mag survey covered 42 line-km. Results of the 2014 UTEM – EM survey have outlined an intense horizontal conductor and 4 strong sub-vertical conductors near the Worm Gabbro referred to as the Sandy Target. (see News Release dated March 2, 2015).

In December 2014, the MOU was amended to enable Fjordland to earn up to 75% interest in the property by increasing the Initial Work Commitment from \$250,000 to \$350,000 and increasing the Initial Option interest from 10% to 15%. Fjordland has accordingly earned a 15% interest in the project. In August 2015, the Option Agreement was terminated. On March 23, 2016, Commander transferred 15% interest in the project to Fjordland.

Tenure has been adjusted periodically to accommodate required work commitments while maintaining coverage of the Sandy conductor target.

On June 5, 2017, Commander and Fjordland entered into a new Letter of Intent ("LOI") whereby Fjordland has the option to acquire the remaining 85% interest in the project by making a total cash payment of \$290,000, issuing a total of 4,500,000 post-consolidation shares of Fjordland and spending \$8,000,000 in exploration expenditures.

The 85% interest can be acquired in 3 stages:

- 1) 20% interest - \$600,000 in exploration by October 31, 2017 (completed) and issue 200,000 shares to Commander (issued)
- 2) 40% interest – cash payment of \$10,000 and 250,000 shares issued by July 26, 2018  
cash payment of \$15,000 and 300,000 shares issued by July 26, 2019  
cash payment of \$25,000 and 350,000 shares issued by July 26, 2020  
cash payment of \$40,000 and 400,000 shares issued by July 26, 2021

3) 25% interest - \$5,000,000 in exploration incurred by October 31, 2024, \$200,000 in cash and 3,000,000 shares

Upon Fjordland vesting a 100% interest, Commander will retain a 2% NSR. Fjordland has the right to buy 50% of the NSR for \$5,000,000 in cash or \$2,500,000 in cash plus the issuance of post-consolidated Fjordland shares having a fair market value of \$2,500,000. When commercial production starts, Fjordland will make an advance royalty payment of \$10,000,000 to Commander.

The property has been expanded to 29,400 hectares including the acquisition of the South Gabbro complex where historical (2002) reconnaissance drilling by Falconbridge had encountered narrow but high-grade nickel values in drilling.

In October 2017, Fjordland completed a drill program of 1,469 metres which tested six shallow UTEM geophysical targets. Best results were from holes 17-2 which returned 0.8 metres grading 0.63% nickel, 0.30% copper and 0.1% cobalt and hole 17-6 which returned 3.9 metres grading 0.37% nickel, 0.27% copper and 0.1 % cobalt. The intersections are semi-massive to massive sulphide comprised of pyrrhotite, pentlandite and chalcopyrite. Both intersections occur within or at the base of the Worm Gabbro within a sequence of troctolite. They are overlain by several metres of blebby and net textured sulphides. Holes 17-3, 5 and 7 returned low nickel values. Three holes, 17-1, 17-4 and 17-8, located 1.8 km south of hole 17-6 tested a prominent low angle conductor within paragneiss adjacent to an arm of the Worm Gabbro and all three holes encountered zones of high sulphide with low nickel values hosted by structures and sometimes accompanied by mixed gabbro breccia. Borehole Electro-Magnetic (BHEM) data, collected by Crone Geophysics in November, defined several extremely high conductivity targets between holes 17-1, 17-4, and 17-8. In addition, BHEM data from holes 17-6 and 17-7 delineate a strong conductor associated with the intersected sulphides, and an even stronger non-decaying off-hole conductor.

Although not formally documented, as Fjordland has met its initial commitment by spending \$600,000 in exploration by October 31, 2017, its ownership interest in the property has been increased from 15% to 35%.

During the year ended December 31, 2017, the Company performed an impairment assessment of the South Voisey's Bay project based on the terms of the LOI with Fjordland. The assessment determined that the project's carrying value was lower than the recoverable amount, which is the greater of the its value in use ("VIU") and its fair value less cost to sell ("FVLCS"). The recoverable amount was determined to be the FVLCS. In calculating the FVLCS, the Company used significant assumptions and estimates as follows: i) discount rate of 15%, ii) probability-weighted cash flows from the option payments, and iii) probability-weighted fair values of Fjordland's common shares to be received, with an estimated share price of \$0.35. As a result, the Company recognized an impairment loss of \$1,933,200 in profit or loss.

#### **Storm Property, Nunavut**

On February 18, 2016, the Company completed the sale transaction of the Storm Property with Aston Bay Holdings Ltd. ("Aston") and received 11,000,000 shares of Aston with a fair value of \$2,640,000. These shares are pooled and will be released in four equal tranches of 2,750,000 shares on each anniversary date starting February 18, 2017 to 2020. As of the report date, the Company held 13.87% of Aston's total outstanding common shares.

Commander retains a 0.875% Gross Overriding Royalty ("GOR") after the property is brought into production. Aston has the right to buy down the GOR from 0.875% to 0.4% for \$4,000,000.

#### **Baffin Island Project, Nunavut**

This property has yielded discovery of numerous orogenic gold occurrences over 10 years in several geological environments permissive to hosting major gold deposits. Approximately 18,000 m of drilling has been carried out over three prospective areas, known as Malrok, Ridge Lake and Kanosak, with appreciable gold intersections.

Non-core claims were not renewed in 2015. In 2016, a new exploration agreement with Nunavut Tungasuvvingat Inc. ("NTI") was applied for and agreement was reached and signed in December 2016 (effective date of January 1, 2017). The new exploration agreement covers the previously explored Malrock, Ridge Lake and Kanosak targets.



**Commander Resources Ltd.**  
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**For the Year ended December 31, 2017**

February 27, 2018

The Baffin project has been inactive since 2013. The exploration camp over this period was subject to damage from weather and the Company received government notice for the site cleanup. In November 2016, the Company filed a cleanup plan with the government authorities. In August 2017, the cleanup was completed with a total cost of \$93,638.

On May 5, 2017, Commander entered into an option agreement with Kivalliq Energy Corporation ("Kivalliq") allowing Kivalliq to acquire a 100% interest in the Baffin property which includes six mineral claims (5,948 hectares) and the signed 2017 Mineral Exploration Agreement ("MEA") with NTI on two blocks within Inuit Owned Land parcel BI-35 ("IOL BI-35") (8,105 hectares).

*Under the terms of the Option Agreement, Kivalliq will:*

- make a cash payment of \$10,000 (received) upon execution of the agreement
- issue 500,000 shares (250,000 shares issued) within 12 months of execution of the agreement
- fulfill Commander's Year 1 obligations to NTI under the MEA on IOL BI-35 following execution of the agreement
- issue 500,000 shares at a Bankable Feasibility Study
- make a cash payment of up to \$6,000,000 upon commencement of commercial production

Commander will retain a 0.25% to 0.5% NSR royalty on the Baffin optioned lands. In addition, as part of a data purchase agreement, Kivalliq will grant Commander a 0.25% NSR on Kivalliq's Baffin mineral tenures contiguous to Commander's Baffin optioned lands. Financial terms of the option agreement may be adjusted up until the date of the first royalty payment to reflect the possible impact of any past commercial arrangement or interests.

On October 25 the Company announced results from Kivalliq's 2017 field program. 424 rock samples confirmed high-grade gold in banded iron formation (BIF) and (intrusion?) - metasediment hosted quartz veins. Highlight grab and channel sample assays include:

- 268 g/t Au, (Malrok BIF grab sample)
- 211 g/t Au over 0.5 m and 102.5 g/t Au over 0.5 m (Kanosak quartz vein channel sample)
- 114.5 g/t and 96.2 g/t Au, (Brent quartz vein grab sample)
- 86.14 g/t Au over 0.96 m, includes 193 g/t Au over 0.32 m, (W Kanosak/Qim 4 BIF channel sample)
- 20% of rock samples taken in 2017 (85) were > 0.5 g/t Au

Results from 492 till geochemical samples identified a new 10 km long corridor of anomalous gold at south Kanosak, and further outlined seven anomalous areas warranting follow-up at Kanosak, Brent and Central Belt west.

- Rock and new till geochemical results have extended the strike length of known gold occurrences at Brent, confirmed gold in BIF over 5 km and 6 km at west and north Kanosak, and expanded anomalies around historic gold in till results
- 65 km<sup>2</sup> of high resolution airborne drone imagery flown in key target areas will be used to develop digital surface models and aid structural interpretation.

At December 31, 2017, \$65,870 was written off from the Baffin property as Commander does not have significant work planned on the property.

**Sabin Property, Ontario**

The property is located at the north margin of the mineral-rich Sturgeon Lake Greenstone belt of Archean metavolcanic and metasedimentary rocks in the Wabigoon Sub-Province of the Superior Province, 400 km northwest of Thunder Bay, Ontario. The property is known to host a VMS base-precious metal deposit called the Marchington Zone.

The Company completed a desktop compilation of all pre-existing and historical exploration data. A site visit was carried out in September 2016 that comprised limited geological mapping and GPS surveying of historical drill sites.

On March 6, 2017, Commander entered into a conditional agreement with Roughrider Exploration Inc. ("Roughrider") granting it to acquire up to a 100% interest in the Sabin property. On May 31, 2017, Roughrider advised that it would not proceed with the transaction. Over this due diligence period, Roughrider expanded the property by 2,983 hectares which were transferred to Commander for consideration of \$13,829. This amount was capitalized as acquisition costs and written off as at December 31, 2017 as no significant work planned on the property.

#### *Omineca Property, BC*

The property is located in North Central BC within the prolific copper-gold producing Quesnel terrane.

2012's field program on the Omineca project included reconnaissance prospecting, mapping and geochemical sampling, which identified high copper and gold soil geochemistry within the Abe property. An overlapping anomalous zone of >1,000 ppm Cu (0.1%) in soils and up to 250 ppb Au in soils (0.25 g/t Au) covers over 1.8 km in extent. Anomalous gold values (>50 ppb) extend a further 1.5 km beyond this zone. This gold-copper zone has not been drill-tested. In 2015, the claim holdings were reviewed in light of work or cash payment requirements and some non-core claims were not renewed.

At December 31, 2014, the Company decided not to conduct exploration of the Omineca Properties, but maintained the claims. As a result, \$230,446 was written off to profit and loss in 2014.

A compilation of historical work was undertaken during the first half of 2017. Additional claims were added to the property to cover possible extensions of the soil anomaly to the south of the existing targets. Reconnaissance geological mapping and soil sampling was completed in August 2017. A total of 8 rock and 58 soil samples were collected to delineate the southern boundary of Au in soils in historical soil data. This program succeeded in extending the Au in soil anomaly another 1 km along strike to a combined size of 1 x 5 km area with > 100 ppb Au which is open to the south and east. A vein sampled in this area returned 20.9 g/t Au.

The costs of compilation and the added claims totalling \$33,138 were capitalized as acquisition costs and written off as at December 31, 2017 as Commander does not have significant work planned on the property.

#### *Nepisiquit-Stewart Property, New Brunswick*

In August 2010, Commander optioned the Nepisiquit property to Stratabound Minerals for shares of Stratabound and work commitments. Stratabound could earn an initial 60% interest in the property. Stratabound carried out option work until 2014.

In May 2015, Stratabound announced a business combination with Silver Stream Mining Corp. Stratabound under the new management decided not to continue with the project. As a result, the project costs of \$1,131,626 were written off to profit and loss in 2016.

#### *Olympic Property, Yukon*

The property covers a very large (+10 km) hematite breccia complex with numerous copper and copper-gold showings, which are similar in style and age to the Olympic Dam deposit in Australia. Two deep seated magnetic blocks have recently been identified which underlie the western portion of the breccia complex based on ground magnetic surveys. Although some drilling has been completed at Olympic, these new targets have not been evaluated or tested.

The Olympic property is located just within the proposed boundary of the Peel Watershed Plan. In 2014 the Yukon Government presented its plan for the Peel Watershed area. It now encompasses the Olympic Rob Property in a Protected Area designation that could impact the company's ability to access or develop a mine at that site. Request for relief from assessment work was applied for due to the uncertainties surrounding the Peel Watershed plan. The plan has not yet been finalized and is subject to further challenges.

In April 2016, the Yukon Government provided additional relief from assessment work due to the uncertainties surrounding the Peel Watershed plan and the claims are now in good standing until January 1, 2019.

## **MEXICO**

### **Pedro Property, Durango**

The wholly owned Pedro claims are located approximately 100 kilometres from the city of Torreon. Pedro is comprised of a number of targets including the HP Breccia prospect, a gold soil anomaly extending over an 1,800 x 600m area that coincides with extensive silicified sedimentary breccias and conglomerate, and the Las Lajas gold prospect.

In July 2014, Newmont de Mexico, S.A de C.V terminated an option agreement with Bearing Resources over the Pedro claims. The drill program comprised 11 drill holes totaling 1,744 metres, of which two holes (409 metres) were cored and the remaining drilled by reverse circulation. Areas tested included the HP breccia prospect and its northern extension, a distance of approximately three kilometres. The best results were encountered in hole LP-013-R that returned a core length of 10.5 metres grading 0.51 gram per tonne gold from silicified conglomerate of the Ahuichila formation. For full details of the drill program reference should be made to Bearing Resources news release dated July 3, 2014.

At December 31, 2017, as the Company does not have significant work planned on the property, \$8,417 was written off from the property's carrying value.

## **INVESTMENT IN MARTIME and SHARE PURCHASE AGREEMENT**

On April 1, 2016, Commander re-evaluated its investment in Maritime and concluded that significant influence no longer existed due to the consideration factors that Commander has no representation on Maritime's board of directors, no involvement in business decisions, no interchange of management personnel, and no provision of essential technical information. As a result, as of April 1, 2016, Maritime ceased to be an associated company and the investment in Maritime has been designated as an available-for-sale security and measured at fair value with changes in fair value recognized in accumulated other comprehensive income. Prior to the cessation date, the investment in Maritime was being accounted for using the equity method and included a pro-rata share of Maritime's change in net assets for each reporting period.

On April 6, 2016, Commander and Maritime amended the Option Agreement entered in February 2015 regarding the time frames and purchase prices of the shares owned by Commander ("Optioned Shares"). On April 7, 2016, Maritime exercised the option and purchased 1,000,000 Option Shares at \$0.14 per share resulting in net proceeds of \$138,600 to Commander. On August 29, 2016, Maritime bought another 1,500,000 Optioned Shares (1,000,000 shares at \$0.14 per share and 500,000 shares at \$0.21 per share) bringing in additional proceeds of \$245,000.

Maritime had the option to identify third parties to purchase an additional 2,000,000 shares prior to August 31, 2017 at a price of \$0.31. On August 31, 2017, this agreement expired and is no longer in force.

As of the report date, Commander held 6,944,000 shares representing 9.31% of Maritime's total outstanding common shares. In addition to share ownership, Commander holds a 2% NSR royalty on production from Maritime's Green Bay property, other than from the Orion deposit.

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On March 2, 2017, Maritime released the results of a Prefeasibility Engineering Study and Economic Assessment (the "Study") completed by WSP Canada Inc. (see Maritime's news release dated March 2, 2017 and posting on SEDAR for additional details and assumptions). The Study concluded the planned project would return an internal rate of return ("IRR") after tax of 34.8% and a net present value (NPV 8%) after tax of \$44.2 million based on a revised geological resource and reserve:

Proven and Probable Reserves: 439,200 tonnes @ 12.70 g Au/t (179,400 oz) from  
 Measured and Indicated Resources: 925,670 tonnes @ 10.60 g Au/t (315,600 oz) and  
 Inferred Resources: 1,557,000 tonnes @ 7.53 g Au/t (376,800 oz)

**SELECTED ANNUAL INFORMATION**

The Company's selected annual information for the years ended December 31, 2017, 2016 and 2015 are as follows:

	2017	2016	2015
Total revenue	\$ -	\$ -	\$ -
Net (loss) income before deferred tax recovery	(3,167,258)	782,829	(439,214)
Deferred tax recovery	-	-	-
Net (loss) income for the year	(3,167,258)	782,829	(439,214)
Basic and diluted (loss) income per share	(0.027)	0.007	(0.004)
Total assets	3,232,191	8,159,886	6,405,441
Total long-term liabilities	-	-	-

In 2017, total assets were decreased by \$4.9 million from 2016 primarily due to impairment write-offs of \$2.7 million on both the South Voisey's Bay project and the properties acquired from Bearing Resources in 2016 plus the reduced fair values of the marketable securities of \$1.6 million in 2017 from 2016.

**SUMMARY OF QUARTERLY RESULTS**

	2017				2016			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Royalty income	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000	\$ -	\$ -	\$ -
Net (loss) income	\$ (856,763)	\$ (2,044,475)	\$ (110,161)	\$ (155,859)	\$ (318,971)	\$ (1,278,927)	\$ 524,457	\$ 1,856,270
Total comprehensive (loss) income	\$ (763,643)	\$ (1,957,505)	\$ (409,381)	\$ (1,729,739)	\$ (2,095,962)	\$ (1,728,673)	\$ 2,620,810	\$ 2,171,808
Basic and diluted (loss) income per share	\$ (0.007)	\$ (0.020)	\$ (0.001)	\$ (0.001)	\$ (0.003)	\$ (0.012)	\$ 0.005	\$ 0.018

**RESULTS OF OPERATIONS**

***For the three months ended December 31, 2017 and 2016***

The Company incurred loss of \$886,949 in the fourth quarter of 2017 as compared to \$318,971 for the same period in 2016. The higher loss in the fourth quarter of 2017 was primarily due to the impairment loss of \$799,473 from the write-downs of \$639,945 on the Bearing mineral assets and \$159,528 on other inactive properties whereas only \$246 was recognized in the comparative quarter of 2016.

Administrative expenses for the three months ended December 31, 2017 were \$112,947 (2016 - \$143,818). The higher expenses in 2016 were mainly attributed to the consulting fees of the VP Corporate Development with his annual fees settled in the fourth quarter of 2016.

***For the years ended December 31, 2017 and 2016***

In 2017, the Company reported loss of \$3,167,258 as compared to income of \$782,829 for the year 2016. The 2017 loss was mainly the result of the write-down of various mineral properties: 1) the Bearing mineral assets of \$631,028

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and 2) the South Voisey's Bay project of \$1,933,200. The income of 2016 was from the sale of the Storm Property to Aston Bay Holdings Ltd. ("Aston") with a gain of \$1,951,462 and the sale of 3,500,000 Aston shares for a net gain of \$741,784.

Administrative expenses for 2017 were \$518,325 (2016 - \$516,033). The higher expenses in 2017 were: (a) accounting and audit, (b) legal, (c) investor and shareholder relations, and (d) salaries and benefits offsetting partially by consulting and filing and transfer agent. Details of the variances are described below.

Accounting and audit fees were higher in 2017 over 2016 by \$23,448, results of the additional audit fees from 2016 were made in 2017 and the full-year accounting fees for the Mexican subsidiaries, BRZM and Minera BRG as compared to only 2 months of accounting fees in 2016.

Legal fees were higher by \$8,688 in 2017 due to fees related to the option agreements entered on various projects: Flume, Baffin, Sabin and South Voisey's Bay.

Investor and shareholder relations were higher by \$53,607 in 2017 due to the engagement of an investor relations consultant, advertising, map and data compilation for presentation and the participation in mining conferences to increase investor awareness of the Company's projects.

Salaries and benefits for 2017 were \$103,583 (2016 - \$57,198). The lower 2016 amount was because of the Chief Executive Officer's remuneration only started in the second quarter of 2016.

Impairment on exploration and evaluation assets were \$2,732,637 in 2017 (2016 - \$1,142,699). The Company wrote down the carrying value of the South Voisey's Bay after an impairment assessment based on the terms of the Letter of Intent with Fjordland. In addition, the mineral properties acquired from Bearing Resources in September 2016 were also written down by \$631,028 upon impairment evaluation. The 2016 impairment was related to the write-off of costs carried in inactive and option-terminated projects.

Consulting fees were lower by \$51,035 in 2017 as compared to 2016. The higher 2016 consulting fees were due to a fee paid to a former director and a bonus payment to the Chief Executive Office prior to the starting of his salary remuneration.

Share-based payments were \$675 and \$136,560 in 2017 and 2016 respectively. The higher 2016 expenses were attributable to the vesting of the two option grants in March and June 2016.

*Other Income and Expenses*

Share of loss and dilution loss in associated company, Maritime, was nil in 2017 (2016 - \$31,448). In April 2016, Commander reevaluated its investment in Maritime and concluded that as of April 1, 2016, it ceased to have significant influence on Maritime. As a result, Commander was no longer required to include a pro-rata share of Maritime's profit or loss for each reporting period.

Other income in 2016 included a gain of \$1,951,462 on the sale of the Storm Property to Aston and a gain of \$741,784 on the sale of 3.5 million shares of Aston offsetting by the loss of \$48,553 from the sale of 2.5 million Maritime shares.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company is at the exploration stage and no revenue has been generated to date. The Company has been relying on equity financings, sales of assets and marketable securities to sustain its operations. At December 31, 2017, the Company had cash and cash equivalents of \$379,422 and working capital of \$2,061,249. The Company ensures there is sufficient capital to meet its financial obligations by preparing projections of its funding requirements to reduce the liquidity risk and to continue as a going concern.

**OUTSTANDING SHARE DATA**

At February 27, 2018, the Company had 115,302,521 common shares issued and outstanding, 9,770,000 stock options with exercise prices of \$0.05, expiring between 2019 and 2021, and no outstanding warrants.

**OFF BALANCE SHEET ARRANGEMENTS and PROPOSED TRANSACTIONS**

As of the report date, the Company has no off-balance sheet arrangements or proposed transactions.

**COMMITMENT**

The Company has a commitment of \$29,400 for its Vancouver office lease which expires on August 31, 2018. Commander is obligated to make monthly rent payments of \$3,675. The Company has the option to terminate the lease with a two months' notice.

**RELATED PARTY TRANSACTIONS**

**Exploration and Evaluation Asset Acquisition**

On September 23, 2016, the Company acquired all of the issued and outstanding shares of Bearing Resources Ltd.'s wholly owned subsidiaries, BRZ Mex Holdings Ltd. ("BRZM") and Minera BRG SA de CV ("Minera BRG"). The asset acquisition was a related party transaction with the Chief Executive Officer being a common executive/director for both Bearing and Commander.

**Services**

The Company's related parties consist of companies controlled by certain of the Company's directors. The fees and expenses with those companies for the year ended December 31, 2017 and 2016 were as follows:

	<b>2017</b>	<b>2016</b>
Rent	\$ 37,506	\$ 34,058
Office administration	618	3,905
	<b>\$ 38,124</b>	<b>\$ 37,963</b>

**Compensation of Key Management**

Key management includes the Company's directors, the President and Chief Executive Officer, VP Exploration, VP Corporate Development, Chief Financial Officer and Corporate Secretary. The remuneration was as follows:

	<b>Nature of Compensation</b>	<b>2017</b>	<b>2016</b>
President and Chief Executive Officer	Salary and consulting	\$ 103,583	\$ 107,198
Vice President, Corporate Development	Consulting	30,000	30,000
Vice President, Exploration (1)	Consulting and exploration and evaluation costs	57,811	28,306
Chief Financial Officer	Accounting and audit	48,000	34,500
Corporate Secretary	Consulting	36,000	28,500
Director (former)	Consulting	-	11,000
		<b>275,394</b>	<b>239,504</b>
Share-based payments	Stock options	-	136,560
		<b>\$ 275,394</b>	<b>\$ 376,064</b>

<sup>(1)</sup> \$27,811 (2016 - \$10,806) of the consulting fees were related to geological consulting in exploration and evaluation costs and \$30,000 (2016 - \$17,500) were expensed as consulting in profit and loss.

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**NEW ACCOUNTING POLICIES**

**New, Amended and Future Accounting Policies**

Standards and amendments issued but not yet effective for the year ended December 31, 2017, are as follows:

IFRS 9, *Financial Instruments* addresses classification, measurement and recognition of financial assets and financial liabilities. In July 2014, IASB completed the final version of the Standard which replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a reformed approach to hedge accounting. The effective date for this standard is for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect any impact from this amendment.

IFRS 16, *Leases*, addresses accounting for leases and lease obligations and replaces the leasing guidance in IAS 17, *Leases*. The standard requires lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company does not expect any impact from this standard.

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Fair Value**

The Company has classified its financial instruments as follows:

- Cash and cash equivalents – as FVTPL
- Marketable securities – as AFS
- Receivables – as loans and receivables
- Accounts payable and accrued liabilities, and advance from optionee – as other financial liabilities

The carrying values of receivable, accounts payable and accrued liabilities, and advance from optionee approximate their fair values due to the short-term to maturity of these financial instruments. The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value. The Company's cash and cash equivalents, and marketable securities are classified as a level 1 financial asset. The fair value hierarchy is as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company is exposed to the following risks related to financial instrument:

**Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities to ensure it will have sufficient liquidity to meet obligations. At December 31, 2017, the Company had cash and cash equivalents of \$379,422 and working capital of \$2,061,249 to settle its current liabilities of \$25,976. The Company has sufficient liquidity to settle its obligations, however, it will require additional financing to continue operations for the next twelve months.

### **Credit Risk**

Credit risk is the risk that if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is equal to the carrying value of cash and cash equivalents and amounts receivable. Amounts receivable primarily comprises GST receivable. To minimize the credit risk, Commander places cash and cash equivalents at high credit rating financial institution.

### **Price Risk and Foreign Currency Risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to price risk with respect to its marketable securities. A 10% change in the share prices would affect their fair values and comprehensive loss by approximately \$255,840. In September 2016, the Company acquired exploration and evaluation assets located in Mexico and may be subject to future foreign currency risk. The risk as at December 31, 2017, was insignificant.

## **RISKS AND UNCERTAINTIES**

Mineral exploration involves high degree of risks. There is a significant probability that the expenditures made in exploring the Company's properties will not result in discoveries of economically viable quantities of minerals. Ongoing costly expenditures are required to locate and estimate ore reserves, which are the basis for further development of a property. Capital expenditures to attain commercial production stage are also very substantial. The principal risks faced by the Company are as follows:

### **Exploration**

The Company is seeking mineral deposits of commercial quantities on its exploration projects. There can be no assurance that economic concentrations of minerals will be determined to exist on the Company's property holdings. The failure to establish such economic concentrations could have a material adverse outcome on the Company and its securities.

### **Market**

The Company's securities trade on public markets and the trading value thereof is determined by the evaluations, perceptions and sentiments of both individual investors and the investment community taken as a whole. Such evaluations, perceptions and sentiments are subject to change; both in short term time horizons and longer-term time horizons. An adverse change in investor evaluations, perceptions and sentiments could have a material adverse outcome on the Company and its securities.

### **Metal Prices**

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of mineral resource are discovered, a profitable market will exist for the sale of it. The price of various metals has experienced significant movements over short periods of time, and is affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any metal will be such that the Company's exploration and evaluation assets can be mined at a profit.



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**Title**

Although the Company has exercised the usual due diligence with respect to title to properties in which it has interests, there is no guarantee that title to the properties will not be challenged or impugned. Commander's exploration and evaluation asset interests may be subject to prior unregistered agreements or transfers or land claims, and title may be affected by undetected defects.

**Financing**

Exploration and development of mineral deposits is an expensive process, and frequently the greater the level of interim stage success the more expensive it can become. The Company has no producing properties and generates no operating revenues; therefore, for the foreseeable future, it will be dependent upon selling equity in the capital markets to provide financing for its continuing substantial exploration budgets. While the Company has been successful in obtaining financing from the capital markets for its projects in recent years, there can be no assurance that the capital markets will remain favourable in the future, and/or that the Company will be able to raise the financing needed to continue its exploration programs on favourable terms, or at all. Restrictions on the Company's ability to finance could have a material adverse outcome on the Company and its securities.

**Share Price Volatility and Price Fluctuations**

In recent years, the securities markets in Canada have experienced a high level of volatility, and the share prices of securities of many companies, particularly junior exploration companies like the Company, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that these price fluctuations and volatility will not continue to occur.

**Key Personnel**

The Company's exploration efforts are dependent to a large degree on the skills and experience of certain of its key personnel. The Company does not maintain "key man" insurance policies on these individuals. Should the availability of these persons' skills and experience be in any way reduced or curtailed, this could have a material adverse outcome on the Company and its securities.

**Environmental and Other Regulatory Requirements**

The current or future operations of the Company, including development activities and commencement of production on its properties, require permits from various governmental authorities and such operations are and will be subject to laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards and other matters.

Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that approvals and permits required to commence production on its properties will be obtained on a timely basis, or at all. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

Amendments to current laws, regulations and permits governing operations and activities of mining companies could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or abandonment or delays in development of new mineral exploration properties. To the best of the Company's knowledge, it is currently operating in compliance with all applicable environmental regulations.



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#### **OFFICERS & DIRECTORS**

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*Chairman and Director*

Robert Cameron, P.Ge.  
*Director, President and Chief Executive Officer*

Bernard H. Kahlert, P.Eng.  
*Director and Vice President, Corporate Development*

Brandon MacDonald  
*Director*

Eric W. Norton, P.Eng.  
*Director*

Stephen Wetherup, P.Ge.  
*Vice President, Exploration*

Patricia Fong, CPA, CMA  
*Chief Financial Officer*

Janice Davies  
*Corporate Secretary*

#### **LISTINGS**

TSX Venture Exchange: CMD  
U.S. 12g Exemption: #82-2996

#### **CAPITALIZATION**

(As at Report Date)

Shares Authorized: Unlimited

Shares Issued: 115,302,521

#### **REGISTRAR & TRUST AGENT**

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