

TOP STRIKE RESOURCES CORP.

Audited Financial Statements

Years ended April 30, 2018 and 2017

(Expressed in Canadian Dollars)

K. R. MARGETSON LTD.

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Chartered Professional Accountant

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Top Strike Resources Corp.:

I have audited the accompanying financial statements of Top Strike Resources Corp., which comprise the statements of financial position as at April 30, 2018 and April 30, 2017 and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years ended April 30, 2018 and 2017, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

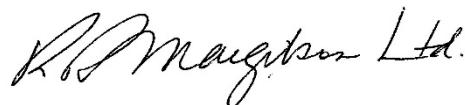
My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of Top Strike Resources Corp. as at April 30, 2018 and April 30, 2017 and its financial performance and its cash flows for the years ended April 30, 2018 and 2017 in accordance with International Financial Reporting Standards.



Chartered Professional Accountant

Vancouver, Canada
August 15, 2018

TOP STRIKE RESOURCES CORP.Statements of Financial Position
(Expressed in Canadian dollars)

As at		April 30 2018	April 30 2017
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents	5	\$ 71,791	\$ 108,810
Other receivables		927	595
Prepays		833	833
		73,551	110,238
<hr/>			
TOTAL ASSETS		\$ 73,551	\$ 110,238
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LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 9,143	\$ 25,561
TOTAL LIABILITIES		9,143	25,561
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SHAREHOLDERS' EQUITY			
Share capital	6(b)	17,757,383	17,757,383
Contributed surplus		33,256	33,256
Deficit		(17,726,231)	(17,705,962)
TOTAL SHAREHOLDERS' EQUITY		64,408	84,677
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 73,551	\$ 110,238

Nature and continuance of operations (Note 1)

Subsequent event (Note 12)

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

On behalf of the Board:

<u>“David Safton”</u>	Director	<u>“Dale Styner”</u>	Director
David Safton		Dale Styner	

TOP STRIKE RESOURCES CORP.Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

For the years ended April 30		2018	2017
	Notes		
Expenses			
Office and miscellaneous	\$	241	\$ 58
Travel		-	2,063
Professional fees		11,042	50,959
Corporate communication		9,524	20,275
		20,807	73,355
Other income			
Finance income		538	1,075
		538	1,075
Loss and comprehensive loss for the year	\$	20,269	\$ 72,280
Loss per common share			
Basic and diluted	6(e) \$	0.00	0.00
Weighted average number of common shares outstanding			
Basic and diluted		16,431,428	16,431,428

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

TOP STRIKE RESOURCES CORP.

Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Shares outstanding	Share capital	Contributed surplus	Deficit	Total shareholders' equity
Balance at May 1, 2017	16,431,428	\$ 17,757,383	\$ 33,256	\$ (17,705,962)	\$ 84,677
Loss and comprehensive loss for the year	-	-	-	(20,269)	(20,269)
Balance at April 30, 2018	16,431,428	\$ 17,757,383	\$ 33,256	\$ (17,726,231)	\$ 64,408
Balance at May 1, 2016	16,431,428	\$ 17,757,383	\$ 33,256	\$ (17,633,682)	\$ 156,967
Loss and comprehensive loss for the year	-	-	-	(72,280)	(72,280)
Balance at April 30, 2017	16,431,428	\$ 17,757,383	\$ 33,256	\$ (17,705,962)	\$ 84,677

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

TOP STRIKE RESOURCES CORP.

Statements of Cash Flows

(Expressed in Canadian dollars)

For the years ended April 30		2018	2017
	Notes		
Operating activities			
Net loss for the year	\$	(20,269)	\$ (72,280)
Changes in non-cash working capital:			
Other receivables		(332)	421
Accounts payable and accrued liabilities		(16,418)	13,738
Net cash used in operating activities		(37,019)	(58,121)
Change in cash and cash equivalents for the year		(37,019)	(58,121)
Cash and cash equivalents, beginning of year		108,810	166,931
Cash and cash equivalents, end of year	\$	71,791	\$ 108,810
Supplementary disclosures			
Cash received during the year for interest	\$	126	\$ 1,618
Cash paid during the year for interest	\$	-	-
Cash paid during the year for income taxes	\$	-	-

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

TOP STRIKE RESOURCES CORP.

Notes to Financial Statements
Years ended April 30, 2018 and 2017
(Expressed in Canadian Dollars)

1. Nature and continuance of operations

Top Strike Resources Corp. (the "Company") currently has no activity and to date has not earned significant revenues. The Company has evaluated several oil and gas as well as other opportunities. The Company had previously focused on international and domestic oil and gas projects but has expanded its scope to consider other industries as well.

The Company trades under the symbol "TSR.H" on the NEX board, which is a separate board of the TSX Venture Exchange. The Company's principal place of business is located in Calgary, Alberta. The address of the Company's registered office is Suite 1000, Livingston Place West, 250 2nd Street SW, Calgary, Alberta, T2P 0C1.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company had working capital of \$64,408 as at April 30, 2018 (2017 - \$84,677) and has not generated any revenues and has accumulated losses of \$17,726,231 (2017 - \$17,705,962). The Company has sufficient working capital to operate for the next twelve months and meet its financial obligations as they become due. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

2. Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Accounting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These financial statements were approved and authorized for issuance by the Board of Directors on August 15, 2018.

b) Basis of measurement

These financial statements have been prepared on a historical cost basis.

c) Functional and presentation currency

The Company's presentation currency is Canadian dollars. The functional currency of the Company is Canadian dollars.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

a) Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks and cashable guaranteed investment certificates.

TOP STRIKE RESOURCES CORP.

Notes to Financial Statements

Years ended April 30, 2018 and 2017

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

b) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

c) Financial instruments

Financial assets and liabilities are classified as either financial assets or liabilities at fair value through profit and loss ("FVTPL"), loans and receivables, held to maturity investments, available for sale financial assets, or other liabilities, as appropriate. Financial assets and liabilities are recognized initially at fair value.

Subsequent measurement of financial instruments is based on their initial classification. FVTPL financial assets and liabilities are measured at fair value and changes in fair value are recognized in profit or loss. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive loss until the instrument is derecognized or impaired. The remaining categories of financial instruments are recognized at amortized cost using the effective interest rate method.

The transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability classified as FVTPL are expensed immediately. For a financial asset or financial liability carried at amortized cost, transaction costs directly attributable to acquiring or issuing the asset or liability are added to or deducted from the fair value on initial recognition and amortized through profit or loss income over the term of the financial instrument.

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Notes to Financial Statements

Years ended April 30, 2018 and 2017

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

(i) *Non-derivative financial instruments*

Cash and cash equivalents are classified as FVTPL. Other receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

(ii) *Derivative financial instruments*

The Company may enter into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices. These instruments will not be used for trading or speculative purposes. The Company will not designate its financial derivative contracts as effective accounting hedges and therefore will not apply hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, all derivative contracts will be classified as FVTPL and will be recorded on the statement of financial position at fair value. Transaction costs will be recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives will be measured at fair value, and changes therein will be recognized immediately in profit or loss.

The Company may enter into physical delivery sales contracts for the purposes of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements as executory contracts. As such, these contracts are not considered to be derivative financial instruments and will not be recorded at fair value on the statement of financial position. Settlements on these physical delivery contracts will be recognized in petroleum and natural gas revenue in the period of settlement.

Fair value

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the valuation date. For financial instruments that have no active market, fair value is determined using valuation techniques including the use of recent arm's length market transactions, reference to the current market value of equivalent financial instruments and discounted cash flow analysis.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

d) Share-based compensation:

The Company accounts for share-based compensation granted to directors, officers, employees and consultants using the Black-Scholes option-pricing model to determine the fair value of the plan at grant date. An estimated forfeiture rate is incorporated into the fair value calculated and adjusted to reflect the actual number of options that vest. Share-based compensation expense is recorded and reflected as share-based compensation expense over the vesting period with a corresponding amount reflected in contributed surplus. At exercise, the associated amounts previously recorded as contributed surplus are reclassified to common share capital.

e) Per share amounts:

Basic per share amounts are computed by dividing net earnings (loss) by the weighted average number of common shares outstanding for the period. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if stock options or other dilutive instruments were exercised into common shares. The treasury stock method assumes that any proceeds upon the exercise of dilutive instruments, including remaining unamortized compensation costs, would be used to purchase common shares at the average market price of the common shares during the period.

TOP STRIKE RESOURCES CORP.

Notes to Financial Statements

Years ended April 30, 2018 and 2017

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

f) Income taxes:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

g) Finance income and expenses:

Finance income consists of interest earned on guaranteed investment certificates. Finance expenses include, bank fees on bank guarantees issued to regulatory bodies and accretion of the discount on decommissioning obligations.

h) Determination of fair value:

A number of the Company's accounting policies and disclosures required the determination of fair value, both for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into three categories based on the degree to which fair value is observable:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis;

Level 2 – Valuations are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; including forward prices for commodities, time value and volatility factors which can be substantially observed or corroborated in the marketplace; and

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Notes to Financial Statements
Years ended April 30, 2018 and 2017
(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

Level 3 – Inputs that are not based on observable data for the asset or liability.

Financial instruments comprise cash and cash equivalents, other receivables, and accounts payable and accrued liabilities.

The Company's policy is to recognize transfers in and out of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfer. There were no such transfers during the period.

Fair values have been determined for measurement and disclosure purposes as follows:

Cash and cash equivalents, other receivables, accounts payable and accrued liabilities

The fair values of these financial instruments approximate their carrying amounts due to their short term to maturity.

Share-based compensation

The fair value of stock options is measured using a Black Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds).

i) New standards and interpretations not yet adopted:

Standards that are issued but not yet effective and that the Company reasonably expects to be applicable at a future date are listed below.

Revenue from contracts with customers

In April 2016, the IASB issued its final amendments to IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations. The new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue; at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is to be recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and timing of the revenue recognized. The new standard applies to contracts with customers and does not apply to insurance contracts, financial instruments or lease contracts. The new standard is to be adopted either retrospectively or using a modified retrospective approach for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company will adopt the standard for its fiscal year commencing May 1, 2018 using the retrospective approach. As the Company has not earned significant revenues to date, the adoption of this standard will not have a significant impact on the Company's recognition and measurement of revenue.

Financial instruments: recognition and measurement

In July 2014, the IASB issued the complete IFRS 9 *Financial Instruments* to replace IAS 9 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes a principle-based approach for the classification and measurement of financial assets, a single 'expected credit loss' impairment model and a new hedge accounting standard which aligns hedge accounting more closely with risk management. The new standard is to be adopted retrospectively with some exemptions for annual periods on or after

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Notes to Financial Statements

Years ended April 30, 2018 and 2017

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

January 1, 2018, with early adoption permitted. Top Strike intends to adopt IFRS 9 on a retrospective basis on May 1, 2018. The Company determined that there will not be any material changes to the measurement and carrying values of the Company's financial instruments as a result of the adoption of IFRS 9. Top Strike does not currently apply hedge accounting to its financial instrument contracts and does not currently intend to apply hedge accounting to any of its financial instrument contracts upon adoption of IFRS 9.

Leases

In January 2016, the IASB issued IFRS 16 *Leases*. This standard introduces a single recognition and measurement model for leases, which would require the recognition of assets and liabilities for most leases with a term of more than 12 months. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the initial adoption date of January 1, 2018. The new standard is to be adopted either retrospectively or using a modified retrospective approach. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on May 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

4. Management judgements and estimates

The timely preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgements made by management in the preparation of these financial statements are out-lined below.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in these financial statements.

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Recognition of deferred income tax assets

The recognition of deferred income tax assets requires judgements regarding the likelihood and applicability of future income tax deductions. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and ability to apply income tax deductions.

Key sources of uncertainty

The following are the key assumptions concerning the sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing adjustments to the carrying amounts of the assets and liabilities.

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Notes to Financial Statements
Years ended April 30, 2018 and 2017
(Expressed in Canadian Dollars)

4. Management judgements and estimates (continued)

Income taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period which the change occurs.

Share-based payments

The Company measures the cost of its share-based payments to directors, officers, employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The assumptions used in determining fair value include: share price, expected lives of the options, risk-free rates of return, share price volatility and the estimated forfeiture rate. Changes to assumptions may have a material impact on the amounts presented.

5. Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks and cashable guaranteed investment certificates. Cash and cash equivalents at the end of the reporting period as shown in the statement of financial position are comprised of:

As at	April 30, 2018	April 30, 2017
Cash and bank balances	\$ 10,576	\$ 27,098
Guaranteed investment certificates	61,215	81,712
	<u>\$ 71,791</u>	<u>\$ 108,810</u>

6. Share capital

a) Authorized

Unlimited number of common shares with no par value.

b) Issued

	Number of shares	Amount
<u>Balance at April 30, 2017 and 2018</u>	<u>16,431,428</u>	<u>\$ 17,757,383</u>

c) Share-based compensation – stock options

The Company has a share option plan for directors, officers, employees and consultants of the Company whereby share options representing up to 10% of the issued and outstanding common shares can be granted by the Board of Directors. Share options are granted for a term of three to five years and vest immediately. The exercise price of each option equals no less than the market price of the Company's common shares on the date of the grant.

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Notes to Financial Statements
Years ended April 30, 2018 and 2017
(Expressed in Canadian Dollars)

6. Share capital (continued)

The Company accounts for share-based compensation granted to directors, officers, employees and consultants using the Black-Scholes option-pricing model to determine the fair value of the plan at grant date. Share-based compensation expense is recorded and reflected as share-based compensation expense over the vesting period with a corresponding amount reflected in contributed surplus.

A summary of stock options outstanding as at April 30, 2018 and 2017 is as follows:

Average	Number	Weighted
	of options	Exercise Price
<u>Outstanding at April 30, 2017 and 2018</u>	900,000	\$ 0.10
<u>Exercisable at April 30, 2017 and 2018</u>	900,000	\$ 0.10

The fair value of stock options granted during the year ended April 30, 2015 was \$3,475. The options were granted to directors and/or officers on January 6, 2015 with a 5-year term, and vested immediately. Accordingly, all options expire January 6, 2020 and have 1.69 years remaining as at April 30, 2018.

d) Warrants

The Company had no warrants outstanding as at April 30, 2018 or 2017.

e) Per share amounts

Basic loss per share is calculated based on net loss and the weighted-average number of common shares outstanding. The Company has recorded a loss in each of the years presented and therefore any addition to basic shares is anti-dilutive.

Year ended April 30	2018	2017
<u>Loss for the year</u>	\$ 20,269	\$ 72,280
<u>Weighted average number of common shares (basic and diluted)</u>	16,431,428	16,431,428
<u>Basic and diluted loss per share</u>	\$ 0.00	\$ 0.00

At April 30, 2018, there were 900,000 (2017 – 900,000) stock options considered anti-dilutive.

7. Compensation of key management personnel

The Company considers its directors and executives to be key management personnel. The key management personnel compensation is comprised of the following:

Year ended April 30	2018	2017
<u>Consulting and professional fees (including director's fees)</u>	\$ 4,388	\$ 5,400
	\$ 4,388	\$ 5,400

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Notes to Financial Statements

Years ended April 30, 2018 and 2017

(Expressed in Canadian Dollars)

8. Related party transactions

During the year ended April 30, 2018, the Company paid or accrued accounting fees of \$4,388 (2017 - \$5,400) to a company controlled by an officer of the Company. These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

As at April 30, 2018, accounts payable and accrued liabilities included amounts payable to related parties totaling \$2,700 (2017 - \$3,827) for accounting fees.

9. Management of capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish 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.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its cash balances and components of shareholders' equity (deficiency). The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or adjust the amount of cash and cash equivalents and investments.

At this stage of the Company's development, in order to maximize on-going development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended April 30, 2018. The Company is not subject to externally imposed capital requirements.

10. Financial risk management

Financial risks

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

The Company's credit risk is primarily attributable to cash and other receivables. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of a chequing account at a reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to \$100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institutions and for receivables by standard credit checks. At April 30, 2018, the Company's exposure to credit risk is minimal.

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Notes to Financial Statements
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(Expressed in Canadian Dollars)

10. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

As at April 30, 2018, the Company had a cash and cash equivalents balance of \$71,791 (2017 - \$108,810) to settle current liabilities of \$9,143 (2017 - \$25,561).

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements and loans from related and other parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest risk

The Company has cash balances, a guaranteed investment certificate and had non-interest-bearing loans payable. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of April 30, 2018, the Company had \$61,215 in investment-grade short-term deposit certificates bearing an interest rate of 0.8%.

b) Foreign currency risk

The Company does not have any balances denominated in a foreign currency and believes it has no significant foreign currency risk.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

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Notes to Financial Statements
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(Expressed in Canadian Dollars)

11. Income taxes

a) Income tax reconciliation

The Company's income tax provision differs from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 27.0% (2017 – 27.0%) to the net loss before income taxes as follows:

	2018	2017
Loss before taxes	\$ 20,269	\$ 72,280
Expected income tax recovery	5,467	19,516
Unrecognized benefits from tax loss incurred during year but not recognized	(5,467)	(20,633)
Share issuance cost deductible for income tax	-	1,117
<u>Income tax recovery</u>	<u>\$ -</u>	<u>\$ -</u>

b) Exploration and development expenditures

The Company has undeducted exploration and development expenditures of approximately \$3.4 million, the benefit of which has not been reflected on these financial statements, which can be carried forward indefinitely to offset future taxable income.

c) Capital losses

The Company has capital losses of approximately \$0.9 million, the benefit of which has not been reflected in these financial statements, which can be carried forward indefinitely to offset future capital gains.

d) Temporary differences

A deferred income tax asset reflects the net effect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred income tax assets based on the expected income tax rate of 27% (2017 – 27%) are noted below. A valuation allowance to eliminate the recognition of the benefits of these temporary differences has been recorded as management believes it is more likely than not that the benefits will never be utilized.

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11. Income taxes (continued)

	2018	2017
Income tax effect of deductible temporary differences		
Exploration and development expenditures deductible for income tax in excess of net book value of mineral properties	\$ 913,937	\$ 913,937
Non-capital losses carried forward	780,520	775,053
Capital losses carried forward	233,490	233,490
	1,927,947	1,922,480
Valuation allowance	(1,927,947)	(1,922,480)
<u>Net recognized future tax asset</u>	<u>\$ -</u>	<u>\$ -</u>

e) Non-capital losses

The Company has accumulated non-capital losses carried forward for income tax purposes of approximately \$2.9 million, the benefit of which has not been reflected in these financial statements. These losses may be applied against future taxable income within the limitations prescribed by the Income Tax Act (Canada) and expire as follows:

	(\$000s)
2026	\$ 802
2027	788
2028	432
2029	235
2030	203
2031	14
2032	81
2033	89
2034	105
2035	21
2036	24
2037	76
<u>2038</u>	<u>20</u>
	<u>\$ 2,890</u>

12. Subsequent event

On July 3, 2018, the Company announced a proposed private placement together with appointment of a new management team and board of directors (the "Management Recapitalization Transaction"). The Company plans to, as a condition of the Management Recapitalization Transaction, complete a private placement (the "Private Placement") of between \$5 million and \$25 million at a price of \$0.06 per unit ("Unit"). Each Unit will be comprised of one Common Share and one-half of one Common Share purchase warrant. In addition to the Private Placement, the new management team, together with additional subscribers identified by the new management team, will subscribe for units ("Insider Units") of the Company for aggregate gross proceeds of up to \$1.5 million at a price of \$0.05 per Insider Unit (the "Insider Private Placement").

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Notes to Financial Statements

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12. Subsequent event (continued)

The Private Placement and Insider Private Placement have not closed as yet and there can be no assurance that they will close.