

**FINANCIAL STATEMENTS**

**YEARS ENDED APRIL 30, 2014 AND 2013**

## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of Wabi Explorations Inc.:

We have audited the accompanying consolidated financial statements of Wabi Explorations Inc. and its subsidiary, which comprise the consolidated statements of financial position as at April 30, 2014 and the consolidated statements of loss and comprehensive loss, equity and cash flows for the year then ended, and 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 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 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 audit. We conducted our audit 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 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 the auditor's 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, the auditor considers 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.

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Wabi Explorations Inc. and its subsidiary as at April 30, 2014 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

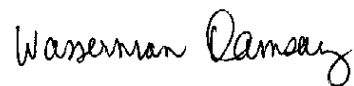
**Emphasis of matter**

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which indicates that the Company had continuing losses during the year ended April 30, 2014 and a working capital deficiency at April 30, 2014. These conditions, along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

**Other matter**

The consolidated financial statements of the Company has at April 30, 2014 and for the year then ended were audited by other auditors who expressed an unmodified opinion on those statements in their report dated August 23, 2014.

Markham, Ontario  
August 21, 2014



Chartered Accountants  
Licensed Public Accountants

**WABI EXPLORATION INC.**  
**Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

As at	April 30, 2014 \$	April 30, 2013 \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash (Note 12)	1,189	1,359
Amounts receivable (Note 6)	165	-
<b>TOTAL CURRENT</b>	<b>1,354</b>	<b>1,359</b>
Equipment (Note 4)	-	536
<b>TOTAL</b>	<b>1,354</b>	<b>1,895</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 76)	88,353	82,832
Advance from related party (Note 13)	54,976	13,500
Accrued interest on convertible debenture	1,788	1,138
Convertible debenture (Note 8)	65,000	62,802
<b>TOTAL</b>	<b>210,117</b>	<b>160,272</b>
<b>SHAREHOLDERS' DEFICIENCY</b>		
<b>CAPITAL STOCK</b> (Note 9(b))	<b>2,251,464</b>	<b>2,251,464</b>
<b>EQUITY PORTION OF CONVERTIBLE DEBENTURE</b> (Note 8)	<b>10,292</b>	<b>10,292</b>
<b>SHARE-BASED PAYMENTS RESERVE</b> (Note 10)	<b>73,743</b>	<b>91,243</b>
<b>DEFICIT</b>	<b>(2,544,262)</b>	<b>(2,511,376)</b>
<b>TOTAL SHAREHOLDERS' DEFICIENCY</b>	<b>(208,763)</b>	<b>(158,377)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>	<b>1,354</b>	<b>1,895</b>

**GOING CONCERN** (Note 1)  
**SUBSEQUENT EVENTS** (Note 17)  
**CONTINGENCIES** (Note 14)

**APPROVED ON BEHALF OF THE BOARD:**

Signed, "Andrew McQuire" Director

Signed, "James Brady" Director

See notes to the accompanying financial statements.

**WABI EXPLORATION INC.**  
**Statements of Operations and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**

For the years ended April 30,	2014	2013
	\$	\$
<b>EXPENSES</b>		
<b>Exploration expenditures</b>		
Claims renewal fee	9,639	9,005
Technical consulting	600	2,363
	<b>10,239</b>	<b>11,368</b>
<b>General and administrative expenses</b>		
Professional fees	5,235	12,464
Office and general	7,869	12,056
Shareholder relations	23,531	15,636
Accretion expense (Note 8)	2,198	9,791
Interest on convertible debenture	650	655
Amortization	536	536
Interest and bank charges	127	119
	<b>40,147</b>	<b>51,257</b>
<b>Other</b>		
Write-off of exploration and evaluation property	-	24,000
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(50,386)</b>	<b>(86,625)</b>
Loss per share - basic and diluted	<b>(0.00)</b>	<b>(0.00)</b>
Weighted average number of shares outstanding - basic and diluted	<b>19,033,699</b>	<b>19,033,699</b>

See notes to the accompanying financial statements.

**WABI EXPLORATION INC.**  
**Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**

For the year ended April 30,	2014	2013
	\$	\$
<b>Operating activities:</b>		
Net loss for the year	(50,386)	(86,625)
Non-cash items included in net loss:		
Accretion expense	2,198	9,791
Amortization	536	536
Write-off of exploration and evaluation property	-	24,000
Net change in non-cash working capital balances:		
Amounts receivable	(165)	2,543
Prepaid expenses	-	607
Accounts payable and accrued liabilities	5,521	9,581
Interest on convertible debenture	650	1,138
Cash used in operating activities	(41,646)	(38,429)
<b>Financing activities:</b>		
Advance from related party	41,476	13,500
Cash provided by financing activities	41,476	13,500
Increase (decrease) in cash	(170)	(24,929)
Cash, beginning of year	1,359	26,288
Cash, end of year	1,189	1,359
<b>Supplemental Information:</b>		
Interest paid	-	-
Taxes paid	-	-

See notes to the accompanying financial statements.

**WABI EXPLORATION INC.**  
**Statements of Changes in Equity**  
**(Expressed in Canadian Dollars)**

	Number of Shares	Capital Stock \$	Equity Portion of Convertible Debenture \$	Share- based Payments Reserve \$	Retained Earnings (Deficit) \$	Total Equity \$
<b>Balance May 1, 2012</b>	19,033,699	2,251,464	6,539	107,003	(2,447,050)	(82,044)
Net Loss After Tax	-	-	-	-	(86,625)	(86,625)
Expiry of warrants	-	-	-	(15,760)	15,760	-
Extension of convertible debenture (Note 7)	-	-	3,753	-	6,539	10,292
<b>Balance April 30, 2013</b>	19,033,699	2,251,464	10,292	91,243	(2,511,376)	(158,377)
Net Loss After Tax	-	-	-	-	(50,386)	(50,386)
Expiry of options	-	-	-	(5,000)	5,000	-
Expiry of warrants	-	-	-	(12,500)	12,500	-
<b>Balance April 30, 2014</b>	19,033,699	2,251,464	10,292	73,743	(2,544,262)	(208,763)

See notes to the accompanying financial statements.

**WABI EXPLORATION INC.**  
**Notes to the Financial Statements**  
**For the years ended April 30, 2014 and 2013**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Wabi Exploration Inc. (the "Company") currently has an interest in an exploration property in Manitoba, Canada. The Company is in the process of exploring and evaluating its interests in resource properties. Substantially all of the Company's efforts are devoted to financing this property. There has been no determination whether the Company's interest in its mineral property contains mineral reserves which are economically recoverable. The Company is incorporated and domiciled in Ontario, Canada. The registered address of the Company and its principal place of business is 400-365 Bay Street, Toronto, ON M5H 2V1. The Company's shares are listed on the CNSX (Canadian National Stock Exchange).

The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the property on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of the property, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), applicable to a going concern, under which material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern must be disclosed. As at April 30, 2014, the Company had not yet achieved profitable operations and continues to be dependent upon its ability to obtain sufficient working capital from external financing to meet the Company's liabilities as they become payable, and ultimately to generate profitable future operations. As at April 30, 2014 the Company had a working capital deficiency of \$208,764. These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of operations, and at amounts different from those in the financial statements.

**2. BASIS OF PRESENTATION**

**(i) Statement of Compliance**

These financial statements of Wabi Exploration Inc. as at and for the years ended April 30, 2014 and 2013, have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The policies set out below were consistently applied to all the years presented unless otherwise noted.

These financial statements of the Company for the years ended April 30, 2014 and 2013 were approved and authorized for issue by the Board of Directors on August 21, 2014.

**(ii) Significant accounting judgements, estimates and assumptions**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and these differences could be material.



**WABI EXPLORATION INC.**  
**Notes to the Financial Statements**  
**For the years ended April 30, 2014 and 2013**

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The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Contingencies

See Note 14.

- Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These accounting policies have been used throughout all years presented in the financial statements.

**(i) Presentation currency**

The Company's presentation and functional currency is the Canadian Dollar ("CAD").

**(ii) Share-based payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

**WABI EXPLORATION INC.**  
**Notes to the Financial Statements**  
**For the years ended April 30, 2014 and 2013**

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The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Stock option expense incorporates an expected forfeiture rate for those options that do not vest immediately.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods, or when the counterparty renders the service.

Upon expiry the value of share-based payments such as stock options and warrants will be reallocated from share-based payments reserve to deficit.

**(iii) Taxation**

**Current tax**

Income tax expense represents the tax currently payable on the taxable income using tax rates that have been enacted or substantively enacted by the end of the reporting period, adjusted for amendments to tax payable with regards to previous years.

**Deferred tax**

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are presented as non-current.

**(iv) Exploration and evaluation property**

All acquisition costs and/or option payments are capitalized and recorded as exploration and evaluation properties on the statement of financial position. Exploration and evaluation costs are expensed as incurred. Once a project has been established as commercially viable and technically feasible, subsequent development expenditures are capitalized. On the commencement of commercial production, depletion of each property will be provided on a unit of production basis using estimated resources as the depletion base.

**(v) Government grants**

Grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Grants relating to intangible assets or property, plant and equipment are deducted from the carrying amount of the asset.

**WABI EXPLORATION INC.**  
**Notes to the Financial Statements**  
**For the years ended April 30, 2014 and 2013**

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**(vi) Impairment of Non-Financial Assets**

The carrying values of exploration and evaluation properties and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or classes of assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other classes of assets. This generally results in the Company evaluating its non-financial assets on a geographical basis.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the statement of operations so as to reduce the carrying amount to its recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of operations.

**(vii) Financial instruments**

Financial instruments are classified into one of the following five categories: loans and receivables; fair value through profit or loss; held-to-maturity; available-for-sale; and other financial liabilities. Financial instruments are initially measured at fair value. Subsequent measurement and recognition of the changes in fair value of financial instruments depends upon their initial classifications, as follows:

- Financial assets and financial liabilities at fair value through profit and loss include financial assets and financial liabilities that are held for trading or designated upon initial recognition as fair value through profit or loss. These financial instruments are measured at fair value with changes in fair values recognized in the statement of operations. Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:
  - Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
  - Level 2 - valuation techniques based on 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 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of all the Company's financial instruments approximates the carrying value, due to their short-term nature.

- Financial assets classified as available-for-sale are measured at fair value, with changes in fair values recognized as other comprehensive income ("OCI") in the statement of comprehensive loss, except when there is objective evidence that the asset is impaired, at which point the cumulative loss that had been previously recognized in OCI is recognized within the statement of operations.
- Financial assets classified as held-to-maturity and loans and receivables are measured subsequent to initial recognition at amortized cost using the effective interest method.

**WABI EXPLORATION INC.**  
**Notes to the Financial Statements**  
**For the years ended April 30, 2014 and 2013**

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- Financial liabilities, other than financial liabilities classified as fair value through profit or loss, are measured in subsequent periods at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a short period, to the net carrying amount on initial recognition.

The Company has classified its financial instruments as follows:

<u>Asset / Liability</u>	<u>Classification</u>	<u>Measurement</u>
Cash	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Convertible debenture	Other financial liabilities	Amortized cost
Advances from related party	Other financial liabilities	Amortized cost

The Company's cash in the statement of financial position is comprised of cash held at financial institutions.

*Impairment of Financial Assets:*

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset is impaired. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

The fair values of the Company's cash, amounts receivable, accounts payable and accrued liabilities and convertible debenture approximate their carrying values because of the immediate or short-term to maturity of these financial instruments.

*De-recognition:*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized

**WABI EXPLORATION INC.**  
**Notes to the Financial Statements**  
**For the years ended April 30, 2014 and 2013**

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**(viii) Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. The Company does not have any provisions for the years ended April 30, 2014 and 2013.

**(ix) Cash and cash equivalents**

The Company defines short-term investments with maturity dates of less than ninety days as cash equivalents. The Company invests cash in term deposits maintained in high credit quality institutions. As at April 30, 2014, the cash balance was \$1,189 (April 30, 2013 - \$1,359).

**(x) Equipment**

Equipment consists of computers and is carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis. Depreciation is recognized based on the cost of an item of equipment, less its estimated residual value, over its estimated useful life at the following rates:

Computers - 3 years, straight-line basis

**(xi) Loss per share**

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

Diluted loss per share is calculated using the denominator of the basic calculation described above adjusted to include the potentially dilutive effect of outstanding stock options and warrants. The denominator is increased by the total number of additional common shares that would have been issued by the Company assuming exercise of all stock options and warrants with exercise prices below the average market price for the year.

All shares issuable on exercise of stock options and warrants for the years ending April 30, 2014 and 2013 were not included in the computation of diluted loss per share because the effect would have been anti-dilutive.

**(xii) Foreign currency translation**

The Canadian Dollar is the functional currency of the Company's operations. The financial statements, the results, and financial position are expressed in Canadian Dollars. Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

**(xiii) Rehabilitation provision**

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling

**WABI EXPLORATION INC.**  
**Notes to the Financial Statements**  
**For the years ended April 30, 2014 and 2013**

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operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground and/or environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the statement of operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the statement of operations. The Company does not have any rehabilitation provisions as of April 30, 2014 and April 30, 2013.

**(xiv) Operating segments**

The Company's operating segments are organized around the geographical locations of the projects. Since the Company only has interests in properties in Canada, it only has one operating segment.

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**4. FUTURE ACCOUNTING PRONOUNCEMENTS**

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for the Company's accounting periods beginning on April 1, 2014 or later periods. Many of these updates are not applicable or are not consequential to the Company and have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 effective date has yet to be determined. Early adoption is permitted.

IAS 32 – Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted.

**WABI EXPLORATION INC.**  
**Notes to the Financial Statements**  
**For the years ended April 30, 2014 and 2013**

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**5. EQUIPMENT**

	Computers
<b>Gross carrying amount</b>	
Balance at May 1, 2012	\$ 1,608
Additions	-
<b>Balance at April 30, 2013 and April 30, 2014</b>	<u>\$ 1,608</u>
<b>Accumulated amortization</b>	
Balance at May 1, 2012	\$ 536
Amortization	536
Balance at April 30, 2013	1,072
Amortization	536
<b>Balance at April 30, 2014</b>	<u>\$ 1,608</u>
<b>Carrying amount, April 30, 2013</b>	<u>\$ 536</u>
<b>Carrying amount, April 30, 2014</b>	<u>\$ -</u>

**6. AMOUNTS RECEIVABLE**

	April 30, 2014	April 30, 2013
GST/HST receivable	<u>\$ 165</u>	<u>\$ -</u>

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	April 30, 2014	April 30, 2013
Accounts payable and accrued liabilities	<u>\$ 88,353</u>	<u>\$ 82,832</u>

**8. CONVERTIBLE DEBENTURE**

The Company's President and CEO, James Brady, from time to time, advances funds to the Company for working capital needs. In August 2011, Mr. Brady executed a promissory note in the amount of \$65,000 in the form of a convertible debenture. The debenture is convertible into common shares of the Company at a price of \$0.05 per common share, was originally due August 3, 2012, is unsecured and bears interest at 1% per annum. In August 2012, Mr. Brady opted to extend the terms of repayment of the debenture for one year to August 3, 2013. Subsequent to the year ended April 30, 2014, Mr. Brady again opted to extend the terms of repayment for one year. The debenture is now due August 3, 2015. Wabi entered into this related party transaction due to current global financial conditions and limited alternate sources of financing.

The debenture is classified as a liability, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the debenture being less than face value. The discount is being accreted over the term of the debenture utilizing the effective interest rate method at a 20.0% (2013 – 20.0%) discount rate. An amount of \$2,198 was recorded as accretion expense on the statement of operations and comprehensive loss for the year ended April 30, 2014 (2013 - \$9,791).

**WABI EXPLORATION INC.**  
**Notes to the Financial Statements**  
**For the years ended April 30, 2014 and 2013**

**9. CAPITAL STOCK**

(a) As at April 30, 2014 and April 30, 2013, the Company's authorized number of common shares was unlimited without par value.

(b) **Common Shares**

<b>Issued</b>	<b>Shares</b>	<b>Amount</b>
19,033,699 Common Shares	<b>#</b>	<b>\$</b>
Balance, April 30, 2013 and April 30, 2014	19,033,699	2,251,464

(i) On August 9, 2011, the Company received approval of its application to list its common shares on the Canadian National Stock Exchange ("CNSX"). Effective August 11, 2011, the Company's common shares began trading on the CNSX under the trading symbol "WAB". Pursuant to CNSX policies, shares belonging to related parties held prior to listing were put into escrow. As at April 30, 2014, 1,353,297 shares were held in escrow and were subsequently released on August 11, 2014.

**10. SHARE-BASED PAYMENTS RESERVE**

	Number of Options	Weighted Average Exercise Price	Value of Options	Number of Warrants	Weighted Average Exercise Price	Value of Warrants	Total Value
Balance May 1, 2012	500,000	\$ 0.10	\$ 5,000	10,053,604	0.08	\$102,003	\$107,003
Expired	-	-	-	(5,000,000)	(0.05)	(15,760)	(15,760)
Balance April 30, 2013	500,000	\$ 0.10	\$ 5,000	5,053,604	0.11	86,243	\$ 91,243
Expired	(500,000)	0.10	(5,000)	(1,250,000)	(0.15)	(12,500)	(17,500)
Balance April 30, 2014	-	\$ -	\$ -	3,803,604	0.10	73,743	\$ 73,743

**Warrants**

Summary of warrants and broker warrants outstanding at April 30, 2014:

Number of Warrants	Weighted Average Exercise Price \$	Estimated Grant Date Fair Value \$	Expiry Date
3,803,604	0.10	73,743	October 28, 2015

In June 2013, 1,250,000 warrants with a weighted average exercise price of \$0.15 expired unexercised.

**Options**

(i) The Company's Stock Option Plan ("the Plan") provides for the granting of stock options to directors, officers, employees and consultants of the Company. The Plan is administered by the Board of Directors, which determines individual eligibility under the Plan, number of shares reserved for optioning to each individual (not to exceed 5% of issued and outstanding shares to any one individual) and the vesting period. The maximum number of shares of the Company that are issuable pursuant to the Plan is limited to 10% of the issued and outstanding shares of the Company as at the date of the grant of options.

On October 29, 2013, 500,000 options with a weighted average exercise price of \$0.10 per option expired unexercised. As at April 30, 2014, the Company had no options outstanding.



**WABI EXPLORATION INC.**  
**Notes to the Financial Statements**  
**For the years ended April 30, 2014 and 2013**

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**11. CAPITAL MANAGEMENT**

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 evaluation of its properties. The capital of the Company consists of shareholder's loan, capital stock and share-based payments reserve. 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 property in which the Company currently has an interest is in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing 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 years ended April 30, 2014 or 2013. The Company is not subject to externally imposed capital requirements.

**12. FINANCIAL INSTRUMENTS**

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 3.

Financial assets and liabilities as at April 30, 2014 and April 30, 2013 were as follows:

	Cash, loans and receivables	Other liabilities	Total
April 30, 2014	\$	\$	\$
Cash	1,189	-	1,189
Accounts payable and accrued liabilities	-	(88,353)	(88,353)
Accrued interest on convertible debenture	-	(1,788)	(1,788)
Advance from related party	-	(54,976)	(54,976)
Convertible debenture	-	(65,000)	(65,000)
	1,189	(210,117)	(208,928)

	Cash, loans and receivables	Other liabilities	Total
April 30, 2013	\$	\$	\$
Cash	1,359	-	1,359
Accounts payable and accrued liabilities	-	(82,832)	(82,832)
Accrued interest on convertible debenture	-	(1,138)	(1,138)
Advance from related party	-	(13,500)	(13,500)
Convertible debenture	-	(62,802)	(62,802)
	1,359	(160,272)	(158,913)

**WABI EXPLORATION INC.**  
**Notes to the Financial Statements**  
**For the years ended April 30, 2014 and 2013**

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**Financial Instrument Risk Factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies or procedures during the years ended April 30, 2014 and 2013.

**Credit Risk**

The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash consists of bank deposits which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote.

**Liquidity Risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at April 30, 2014, the Company had cash and amounts receivable of \$1,354 (April 30, 2013 - \$1,359) to settle current liabilities of \$210,117 (April 30, 2013 - \$160,272).

**Market Risk**

**(a) Interest rate risk**

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. Management considers interest rate risk to be minimal given that, as at April 30, 2014, no amounts were held in short-term deposit certificates.

**(b) Foreign currency risk**

The Company's functional currency is the Canadian Dollar and major purchases are transacted in Canadian Dollars. Management believes the foreign exchange risk derived from currency conversions at this time are small and therefore, does not hedge its foreign exchange risk. The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

**(c) Price risk**

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company's mineral properties. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Price risk is remote since the Company is not currently a revenue producing entity.

**Fair value**

Fair value estimates are made at the reporting date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The carrying amounts for cash, amounts receivable, convertible debenture and accounts payable and accrued liabilities on the statement of financial position approximate fair value because of the limited term of the instruments. It is not possible to determine if the advances from related party are at fair value as there is no comparable market value for such a loan.

At April 30, 2014, the Company had no financial instruments that are carried at fair value.

**WABI EXPLORATION INC.**  
**Notes to the Financial Statements**  
**For the years ended April 30, 2014 and 2013**

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**13. RELATED PARTY DISCLOSURES**

The amounts due to related parties of the Company at year end, as disclosed in the table below, arose as a result of transactions entered into with the related parties in the ordinary course of business.

	<u>April 30, 2014</u>	<u>April 30, 2013</u>
Officers and directors	\$ 71,311	\$ 60,000
Convertible debenture	\$ 65,000	\$ 62,802
Accrued interest on convertible debenture	\$ 1,788	\$ 1,138
Advance from related party	\$ 54,976	\$ 13,500

The convertible debenture is owed to the Company's President and CEO, James Brady, and is convertible into common shares of the Company at a price of \$0.05 per common share, is due August 3, 2014, is unsecured and bears interest at 1% per annum (Note 8).

The amount advanced from related party relates to a loan from Mr. Brady, which is due on demand, unsecured and non-interest bearing. No guarantees have been given for this amount.

The amounts to officers and directors are included in accounts payable and accrued liabilities at April 30, 2014. The total of \$71,311 consists of \$7,910 (April 30, 2013 - \$565) owing to the Company's CFO for management services rendered, and an additional \$63,401 (April 30, 2013 - \$59,435), which relates to legal services rendered by a lawyer who also acts as the Company's Corporate Secretary. These services were incurred for general corporate matters, attending to filings, and for attendance at board and committee meetings. During the year ended April 30, 2014, professional fees paid to the Corporate Secretary for legal services totaled \$7,979 (2013 - \$3,999). All services were provided in the normal course of business and were made on terms equivalent to prevailing market rates for arm's length transactions.

*Compensation of key management personnel of the Company*

The remuneration of directors and other members of key management personnel during the year was as follows:

	<u>Year ended</u>	
	<u>April 30,</u>	
	<b>2014</b>	2013
Salaries including bonuses	<b>\$ 8,000</b>	\$ 10,000
Share-based payments	-	-
Total remuneration	<b>\$ 8,000</b>	\$ 10,000

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

**14. ENVIRONMENTAL CONTINGENCIES**

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

**WABI EXPLORATION INC.**  
**Notes to the Financial Statements**  
**For the years ended April 30, 2014 and 2013**

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**15. EXPLORATION AND EVALUATION PROPERTY**

In December 2010, the Company entered into an agreement with a director of the Company to acquire 11 gold and base metal unpatented mineral exploration claims in the Snow Lake Area of Manitoba. Pursuant to the terms of the agreement, the Company had earned a 100% interest in these unpatented mining claims by making a cash payment of \$15,000 (paid), and by issuing a total of 400,000 common shares of the Company. Due to the downturn in the markets the carrying value of the property of \$24,000 was written off during the year ended April 30, 2013. During the year ended April 30, 2014, the Company dropped eight of its 11 claims and has retained a strategic block of three of the original claims. No exploration activities were carried out on the claims during year ended April 30, 2014; a payment in lieu of work was paid the Government of Manitoba, Department of Mines, to keep the claims in good standing.

The property is subject to a Net Smelter Royalty ("NSR") of 2%.

**16. INCOME TAXES**

a) Provision for income taxes

The major items causing the Company's income tax expense to differ from the Canadian combined federal and provincial statutory rate of 26.5% at April 30, 2014 (2013 – 26.5%) were:

<i>For the year ended April 30,</i>	2014	2013
	\$	\$
Net (loss) for the year before income taxes	(50,386)	(86,625)
Expected income taxes (recoverable) at statutory rates	(13,400)	(23,000)
Changes resulting from:		
Change in tax rates	-	(19,000)
Expenses not deductible for tax purposes	3,400	9,000
Capital gain on warrant expiry	1,650	2,100
Other	-(2,700)	(6,200)
Change in deferred tax assets not recognized	11,050	37,100
Deferred income tax provision	-	-

b) Deferred income tax balances

The Company has deferred tax assets not recognized as follows:

	2014	2013
	\$	\$
Deferred income tax assets		
Non-capital losses	130,600	95,500
Resource properties	-	313,100
Equipment	400	7,000
Capital losses	-	200
	131,000	415,800

**WABI EXPLORATION INC.**  
**Notes to the Financial Statements**  
**For the years ended April 30, 2014 and 2013**

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The Company has approximately \$493,000 of non-capital losses in Canada which, under certain circumstances can be used to reduce the taxable income of future years. The losses expire in the following periods:

<u>Year</u>	<u>Amount</u> <u>\$</u>
2028	59,000
2029	52,000
2030	50,000
2031	43,000
2032	157,000
2033	91,000
2034	41,000
	<u>493,000</u>

**17. SUBSEQUENT EVENTS**

- i) Subsequent to the year ended April 30, 2014, Wabi's President and CEO advanced \$1,500 to the Company for general working capital purposes and paid invoices of \$2,316 on the Company's behalf. The amount owing is due on demand, unsecured and non-interest bearing. No guarantees have been given for this amount.
- ii) See also Notes 8 and 9(b)(i).