ATOM ENERGY

(An Exploration Stage Company)

Financial Statements

Years ended August 31, 2018 and 2017

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Atom Energy Inc.

We have audited the accompanying financial statements of Atom Energy Inc., which comprise the statements of financial position as at August 31, 2018 and 2017 and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years 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 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 financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Atom Energy Inc. as at August 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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Emphasis of Matter

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

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

December 20, 2018

ATOM ENERGY INC.
(An Exploration Stage Company)
Statements of Financial Position
(Expressed in Canadian dollars)
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	Notes		August 31, 2018		August 31, 2017
ASSETS					
Current assets					
Cash		**$**	**1,874,003**	$	234
Receivables	4		**4,550**		1,821
Prepaids			**173,187**		-
Total current assets			**2,051,740**		2,055
TOTAL ASSETS			**2,051,740**		2,055
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**205,488**	$	525,220
TOTAL LIABILITIES			**205,488**		525,220
SHAREHOLDERS' EQUITY (DEFICIENCY)					
Share capital	8		**14,267,571**		11,210,073
Reserves	8		**1,083,484**		950,784
Accumulated deficit			**(13,504,803)**		(12,684,022)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		**$**	**1,846,252**	$	(523,165)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		**$**	**2,051,740**	$	2,055

Nature and continuance of operations (Note 1)
Subsequent Events (Note 15)

On behalf of the Board of Directors:

"John Veltheer" Director *"D. Barry Lee"* Director

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

ATOM ENERGY INC.
(An Exploration Stage Company)
Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Notes	Year Ended August 31, 2018	Year Ended August 31, 2017
EXPENSES			
Bank charges, forex, and interest		**1,968**	1,632
Management and Consulting	9	**296,500**	46,500
Office and miscellaneous		**1,691**	1,183
Professional fees		**191,350**	16,964
Rent		**19,500**	18,000
Regulatory and filing fees		**19,132**	20,061
Share Based Compensation	8	**-**	7,650
Research and Development	2	**297,285**	-
Travel		**10,492**	4,422
Loss before other item		**(837,918)**	(116,412)
Gain (Loss) from Debt Settlement		**17,137**	(124,035)
Net loss and comprehensive loss for the year		**(820,781)**	(240,447)
Basic and diluted loss per common share	7	**(0.05)**	(0.14)
Basic and diluted weighted average number of common shares outstanding	7	**15,316,076**	1,688,336

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

ATOM ENERGY INC.
(An Exploration Stage Company)
Statement of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian dollars)

	Share Capital				
	Number of Shares	**Amount ($)**	**Reserves ($)**	**Accumulated Deficit ($)**	**Total ($)**
Balance at August 31, 2016	913,727	10,861,874	950,784	(12,443,575)	(630,917)
Shares Issued for Private Placement	500,000	82,500	-	-	82,500
Shares Issued for Debt Settlement	679,630	241,649	-	-	241,649
Shares Issued for exercise of options	60,000	24,050	(7,650)	-	16,400
Share Based Payments	-	-	7,650	-	7,650
Net loss for the year	-	-	-	(240,447)	(240,447)
Balance at August 31, 2017	2,153,357	11,210,073	950,784	(12,684,022)	(523,165)
Balance at August 31, 2017	**2,153,357**	**11,210,073**	**950,784**	**(12,684,022)**	**(523,165)**
Shares Issued for Private Placement	23,430,000	3,237,500	-	-	3,237,500
Shares Issued for Debt Settlement	1,023,455	51,173	-	-	51,173
Finder's fees	-	(98,475)	-	-	(98,475)
Fair value of finder's warrants	-	(132,700)	132,700	-	-
Net loss for the year	-	-	-	(820,781)	(820,781)
Balance at August 31, 2018	**26,606,812**	**14,267,571**	**1,083,484**	**(13,504,803)**	**1,846,252**

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

ATOM ENERGY INC.
(An Exploration Stage Company)
Statements of Cash Flows
(Expressed in Canadian dollars)

	Year Ended August 31, 2018 ($)	Year Ended August 31, 2017 ($)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	**(820,781)**	(240,447)
Items not affecting cash		
(Gain) Loss on Debt Settlement	**(17,137)**	124,035
Share Based Compensation	**-**	7,650
Changes in non-cash working capital items:		
Increase in receivables	**(2,729)**	(90)
Increase in prepaids	**(173,187)**	-
Increase (decrease) in accounts payable and accrued liabilities	**(251,422)**	8,905
Net cash used in operating activities	**(1,265,256)**	(99,947)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issuance of shares (net of costs)	**3,139,025**	98,900
Repayment of note payable	**-**	(20,000)
Net cash provided by financing activities	**3,139,025**	78,900
Change in cash during the year	**1,873,769**	(21,047)
Cash, beginning of the year	**234**	21,281
Cash, end of the year	**1,874,003**	234

Supplemental disclosure with respect to cash flows (Note 11)

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

1. Nature and continuance of operations

Atom Energy Inc. (the "Company") was incorporated under the Business Corporations Act (BC) on June 6, 2007. The offices of the Company are located at Suite 830 – 1100 Melville Street, Vancouver, BC V6E 4A6. The Company traded on the NEX board of the TSX Venture Exchange ("NEX") under the ticker symbol 'AGY.H' until May 29, 2018 after which it voluntarily delisted from the NEX. The Company is currently evaluating business acquisition opportunities.

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. 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.

The Company has suspended its exploration and development plans and does not have claim or title to any exploration projects. Current market conditions and volatility, combined with the Company's cumulative operating losses cast significant doubt upon the Company's ability to continue as a going concern.

On September 21, 2016 the Company consolidated its share capital on the basis of one post-consolidation common share for each seven and one-half pre-consolidation common shares. All references to the number of common shares and per share amounts have been retroactively restated to give effect to the consolidation.

These financial statements were authorized for issue on December 19, 2018 by the Board of Directors of the Company.

2. Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards board ("IASB") and the interpretations of the International Financial Reporting Interpretations committee ("IFRIC"). The accounting policies applied in these financial statements are based on IFRS issued and in effect as of August 31, 2018.

The financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The Company's reporting currency and the functional currency is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

Significant accounting judgments, estimates and assumptions

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. Significant accounting policies (cont'd)

Income taxes

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

Critical accounting judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

The preparation of our financial statements requires us to make judgments regarding the going concern of the Company as discussed in Note 1.

Cash and cash equivalents

Cash is comprised of cash on hand and demand deposits.

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the period.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently re-measured. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

2. Significant accounting policies (cont'd)

Financial instruments

a) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, available-for-sale.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash is classified as FVTPL.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 (twelve) months after the end of the reporting period. These are classified as non-current assets. The Company's receivables are classified as loans and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 (twelve) months after the end of the reporting period. The Company has not classified any of its financial instruments as held-to-maturity.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses. The Company has not classified any of its financial instruments as available-for-sale financial assets.

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

2. Significant accounting policies (cont'd)

b) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. The Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate 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 discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Share capital

The Company's common shares are classified as equity instruments.
Incremental costs directly attributable to the issue of new shares or options are charged directly to share capital.

Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, that investors pay for the flow through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company has the intention and sufficient resources to complete development and to use or sell the asset. The expenditure capitalized in respect of development activities includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs. Other development expenditure is recognized in profit or loss as incurred.

In subsequent periods, capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

During the year ended August 31, 2018, the Company incurred $297,285 in research fees paid to 6th Wave Innovations Corp. for research into applications for technology owned by 6th Wave Innovations Corp.

2. Significant accounting policies (cont'd)

Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. 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. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. 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 number of stock options that are expected to vest.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Income taxes

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

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

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

Comprehensive income (loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the periods presented, comprehensive loss was the same as net loss.

3. New standards, amendments, and interpretations not yet effective

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

i. IFRS 9: New standard that replaces IFRIC 9 and IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.
ii. IFRS 15: Revenue from Contracts from Customers (new, to replace IAS 11, IAS 18, IFRIC 13 and IFRIC 15) effective for annual periods beginning on or after January 1, 2018; and
iii. IFRS 16: Leases. Effective for annual periods beginning on or after January 1, 2019.

The Company does not expect the impact of such changes on the financial statements to be material.

4. Receivables

As at August 31, 2018, the Company's amount receivable of $4,550 (August 31, 2017: $1,821) is comprised of Goods and Services Tax / Harmonized Sales Tax ("GST") due from government taxation authorities.

5. Exploration and evaluation assets

During the year ended August 31, 2017, the Company's sole exploration and evaluation asset, known as the McCarthy Lake claims, expired. The Company no longer has any exploration and evaluation assets.

6. Notes payable

During the year ended August 31, 2016, the Company received loans totaling $20,000 from various lenders under a series of promissory notes. The notes were unsecured, had no fixed terms of repayment and paid simple interest at 1.5% per month. During the year ended August 31, 2017, the Company repaid $20,000 of outstanding notes payable and $1,500 of accrued interest. At August 31, 2018 there are $nil notes payable.

7. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended August 31, 2018 and 2017 were based on the loss attributable to common shareholders of $820,781 (2017: $240,447) and the weighted average number of common shares outstanding of 15,316,076 (2017: 1,688,336).

8. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value.

Issued share capital

At August 31, 2018 there were 26,606,812 issued and fully paid common shares and nil preferred shares issued. On August 31, 2017 there were 2,153,357 issued and fully paid common shares and nil preferred shares issued.

Changes in share capital during the year ended August 31, 2018

On June 18, 2018, the Company completed a private placement and issued 8,730,000 common shares at a price of $0.25 per common share for total proceeds of $2,182,500. In connection with the private placement, the Company paid a cash finder's fee of $37,975 and issued 151,900 finder's warrants where each warrant entitles the holder to purchase an additional common share at $0.25 for a period of 12 months.

On January 4, 2018, the Company completed a private placement and issued 6,400,000 common shares at a price of $0.10 per common share for total proceeds of $640,000. In connection with the private placement, the Company paid a cash finder's fee of $60,500 and issued 605,000 finder's warrants where each warrant entitles the holder to purchase an additional common share at $0.125 for a period of 12 months.

(Expressed in Canadian dollars)

8. Share capital (cont'd)

On November 16, 2017, the Company completed a debt settlement whereby it issued 1,023,455 units at a price of $0.05 per unit to settle outstanding debts of $51,173. Each unit consisted of one common share and one common share purchase warrant enabling the holder to purchase an additional common share at $0.065 for a period of 12 months.

On November 17, 2017, the Company completed a private placement and issued 8,300,000 units at a price of $0.05 per unit for total proceeds of $415,000. Each unit consisted of one common share and one common share purchase warrant enabling the holder to purchase an additional common share at $0.065 for a period of 12 months. The Company paid no finder's fees in connection with the private placement.

Changes in share capital during the year ended August 31, 2017

On January 6, 2017, the Company completed a debt settlement whereby it issued 679,630 common shares at $0.36 per share to settle outstanding debts of $112,139. The difference between the market price of the common shares issued and the value of debt settled resulted in a loss of $129,510.

On January 18, 2017, the Company completed a private placement and issued 500,000 common shares at a price of $0.165 per share. The Company paid no finder's fees in connection with the private placement.

During the year ended August 31, 2017, the Company issued 60,000 common shares, and transferred $7,650 from reserves to share capital, in connection with the exercise of stock options.

Please refer to the Statement of Changes in Shareholders' Equity for a summary of changes in share capital and reserves for the year ended August 31, 2018 and the year ended August 31, 2017. Reserves relate to stock options, agent's unit options, and compensation warrants that have been issued by the Company.

Warrants

The continuity schedule of share purchase warrants is as follows:

	Number of share purchase warrants
Balance, August 31, 2017 and 2016	-
Granted	10,080,355
Expired	-
Balance, August 31, 2018	**10,080,355**

A summary of the Company's outstanding and exercisable warrants as at August 31, 2018 is as follows:

Weighted average exercise price	**Remaining contractual life**	**Number of warrants outstanding**	**Expiry Date**
$0.065	0.21 years	1,023,455	November 16, 2018 (1)
$0.065	0.21 years	8,300,000	November 17, 2018 (1)
$0.125	0.35 years	605,000	January 4, 2019
$0.25	0.80 years	151,900	June 18, 2019
$0.07	**0.23 years**	**10,080,355**	

(1) See Note 15

The 756,900 finder's warrants granted during the year ended August 31, 2018 were valued at $132,700 based upon the Black-Scholes Method using the following weighted average assumptions:

Risk-free interest rate	1.6%
Expected dividend yield	0%
Share price	$0.29
Exercise price	$0.15
Expected stock price volatility	100%
Expected life	1 year

(Expressed in Canadian dollars)

8. Share capital (cont'd)

Share-based payments

Stock options

The Company has adopted a "rolling" stock option plan (the "Plan"), pursuant to which a maximum of 10% of the issued and outstanding common shares of the Company, less any outstanding stock options previously granted, will be reserved for issuance as options and will be granted at the discretion of the Board of Directors to eligible optionees under the Plan. Stock options granted vest at the discretion of the Board of Directors. The options can be granted for a maximum term of 10 years.

On February 27, 2017, the Company granted 40,000 share purchase options to a consultant of the Company entitling the holder thereof the right to acquire one common share for each option at a price of $0.26 until February 27, 2018. These options vested immediately.

On April 19, 2017, the Company granted 20,000 share purchase options to a consultant of the Company entitling the holder thereof the right to acquire one common share for each option at a price of $0.30 until April 19, 2018. These options vested immediately.

The continuity schedule of stock options is as follows:

	Number of stock options	Weighted Average Exercise Price ($)
Balance, August 31, 2016	-	-
Cancelled	-	-
Granted	60,000	0.27
Exercised	(60,000)	0.27
Balance, August 31, 2017 and 2018	**-**	**-**

There were no stock options granted, expired, or exercised during the year ended August 31, 2018.

The stock options issued during the year ended August 31, 2017 were valued at $7,650 based upon the Black-Scholes Method using the following weighted average assumptions:

Risk-free interest rate	0.87%
Expected dividend yield	0%
Share price	$0.27
Exercise price	$0.27
Expected stock price volatility	100%
Expected life	1 year

9. Related party transactions

The Company entered into the following transactions with key management personnel, being those persons determined as having authority and responsibility for planning, directing and controlling the activities of the Company. Key management includes the Company's board of directors and executive officers.

	Year ended	
	August 31, 2018	**August 31, 2017**
Fees paid or accrued to a company controlled by the CFO (1)	$ 25,000	$ -
Fees paid or accrued to the CEO (1)	$ 90,000	$ -
	$ 115,000	$ -

(Expressed in Canadian dollars)

9. Related party transactions (cont'd)

(1) Included in Management and Consulting fees

As at August 31, 2018, $Nil (August 31, 2017: $69,761) is due to the CFO or to a company controlled by the CFO of the Company, which is unsecured, has no stated terms of repayment and is non-interest bearing. The amount is included in accounts payable and accrued liabilities.

There are no management contracts in place for either the CEO or the CFO.

10. 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 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 components of shareholders' equity. 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 equivalents and investments.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends. 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 year ended August 31, 2018 or the year ended August 31, 2017. The Company is not subject to externally imposed capital requirements.

11. Supplemental disclosure with respect to cash flows

	year ended			
		August 31, 2018		**August 31, 2017**
Cash paid for income taxes	$	-	$	-
Cash paid for interest	$	-	$	1,500
Fair value of finder's warrants	$	132,700	$	-

During the year ended August 31, 2018 the Company negotiated a reduction of $17,137 in accounts payable for no consideration.

12. Financial risk management

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels, with cash classified as Level 1:

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

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

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

As at August 31, 2018 the carrying values of receivables, accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity.

12. **Financial risk management** (cont'd)

The Company is exposed to Credit, Liquidity and Market risks from its use of financial instruments, as follows:

Credit risk

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of accounts at a reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances of 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 a high quality financial institution. At August 31, 2018, the Company's exposure to credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

At August 31, 2018, the Company had a cash balance of $1,874,003 (August 31, 2017: $234) to settle accounts payable and accrued liabilities of $205,488 (August 31, 2017: $525,220).

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. See Note 1 for further details.

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 and notes payable bearing interest at 1.5% per month. 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. At August 31, 2018, the Company had $nil in investment-grade short-term deposit certificates.

b) Foreign currency risk - Foreign currency risk is the risk that variation in exchange rates between the Canadian dollar and a foreign currency will affect the Company's operating and financial results. The Company does not have any balances or transactions denominated in a foreign currency.

c) Price risk - The Company is exposed to price risk with respect to 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. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

13. **Segment information**

The Company operates in one reportable operating segment, being the evaluation of potential business opportunities. All assets are located in Canada.

(Expressed in Canadian dollars)

14. Income Taxes

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

	2018	2017
Loss for the year	$ 820,781	$ 240,447
Expected income tax recovery	(222,000)	$ (63,000)
Change in statutory, foreign tax, foreign exchange rates and other	38,000	(87,000)
Share issue cost	(27,000)	-
Change in unrecognized deductible temporary differences	211,000	150,000
Total income tax expense (recovery)	**$ -**	**$ -**

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

	2018	2017
Deferred Tax Assets (liabilities)		
Exploration and evaluation assets	$ 1,231,000	$ 1,231,000
Share issue costs	(5,000)	-
Non-capital losses	1,357,000	1,142,000
Total deferred tax asset (liability)	$ 2,583,000	$ 2,373,000
Unrecognized deferred tax assets	(2,583,000)	(2,273,000)
Net deferred tax assets	**$ -**	**$ -**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2018	Expiry Date Range	2017	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	$ 4,508,000	None	$ 4,508,000	None
Investment tax credit	18,000	2019 to 2038	18,000	2018 to 2037
Share issue costs	(20,000)	2039 to 2042	-	2038 to 2041
Non-capital losses available for future periods	5,025,000	2026 to 2037	4,229,000	2026 to 2037

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

15. Subsequent events

- **On September 11, 2018** the Company announced that it has entered into an Agreement and Plan of Merger (the "Agreement") with 6th Wave Innovations Corp. ("6th Wave"), a private corporation existing under the laws of the State of Delaware, pursuant to which the Company will acquire 100% of the outstanding shares of 6th Wave in exchange for common shares of the Company and cash consideration (the "Merger Transaction"). In connection with the Transaction, the Company intends to apply to list its common shares on the Canadian Securities Exchange ("CSE" or the "Exchange").

  6th Wave Innovations Corp. is a development stage nanotechnology company focused on technologies for extraction and detection of target substances at the molecular level.

  The closing of the Agreement is contingent upon the Company's shares becoming listed on the Canadian Securities Exchange and on the Company completing an equity financing concurrent with the listing in an amount not less than $10 million (the "Concurrent Financing"), and other standard conditions precedent to be fulfilled prior to the closing of the Merger Transaction (the "Closing").

  Following are the significant terms of the Merger Transaction as detailed in the Agreement:

  - Aggregate consideration will consist of approximately USD$7.7 million, to be settled with a mixture of securities of the Company (with an approximate value of USD$6.5 million) and cash of approximately USD$1.2 million.

  - Securities of the Company issued to 6th Wave shareholders to settle the above consideration will be of the same class issued in the Concurrent Financing and will be valued based on the pricing at which the securities are issued in the Concurrent Financing (the "Concurrent Financing Price"), subject to a cap of CDN$0.60 per unit of securities.

  - In the money options and warrants of 6th Wave will be settled with securities of the Company, with the amount by which the options and warrants are in the money being paid by the issue of securities of the Company of the same class issued in the Concurrent Financing, valued at the Concurrent Financing Price.

  - Out of the money options of 6th Wave will be cancelled.

  - Out of the money warrants of 6th Wave will be converted to warrants at a variety of different strike prices and terms based on the Concurrent Financing Price and the current exercise price of the 6th Wave warrants.

  - The Company has extended a Bridge Loan to 6th Wave in the principal amount of CDN$1,250,000 in order to fund operations until the closing of the transaction.

  - Pursuant to the Merger Agreement, the Company has agreed to repay approximately US$2.4 million of existing indebtedness of 6th Wave on closing, with an additional US$2.1 million to be repaid over 24 months.

  - The closing of the transactions contemplated by the Merger Agreement are subject to an outside date of December 31, 2018, which may be extended by the Company to March 31, 2019, subject to certain conditions.

  - The Merger Transaction is subject to customary regulatory approval.

- **On October 26, 2018** the Company announced that it intends to undertake a non-brokered private placement of up to 10 million Common Shares of the Company at a price of $0.25 per share. Net proceeds from the private placement will be used to fund working capital and other corporate purposes as the Company continues to work toward closing the acquisition of 6th Wave.

  Further, the Company has granted a total of 2,650,000 options to directors and consultants. The options are exercisable at a price of $0.40 per share and will expire on October 22, 2023. One third of the options will vest after 6 months, with an additional one third to vest every 6 months thereafter.

  The Company further advises that it has amended the terms of certain share purchase warrants of the Company. A total of 1,023,455 warrants were originally issued on November 16, 2017 pursuant to debt settlement agreements and 8,300,000 were issued on November 17, 2017 pursuant to a private placement. Each of the share purchase warrants entitled the holder to purchase one common share of the company at a price of $0.065 per common share for a term of 12 months. The Company has extended the term of the share purchase warrants such that they now expire on November 16, 2019 and November 17, 2019 respectively. Certain of the warrants are held by parties who are considered "related parties" of the Company.