

**FORM 2A
UPDATED LISTING STATEMENT
TERRANUEVA CORPORATION**

DATED JANUARY 24, 2019

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1. DEFINITIONS

The following is a glossary of certain definitions used in this Listing Statement. Terms and abbreviations used in this Listing Statement and appearing in the documents attached as schedules to the Listing Statement (including the financial statements) are defined separately if the terms and abbreviations defined below are not used therein, except where otherwise indicated. Any capitalized term used but not defined in this Listing Statement have the meanings ascribed thereon in the CSE's policies. Words below importing the singular, where the context requires, include the plural and vice versa, and words importing any gender include all genders. All dollar amounts herein are in Canadian dollars, unless otherwise stated.

“**Affiliate**” has the meaning ascribed thereto in National Instrument 45-106 – Prospectus and Registration Exemptions;

“**Agent**” means Leede Jones Gable Inc. or any intermediary who referred subscribers to the Company within the scope of the Axe Financing;

“**Agent Warrant**” means a non-transferable common share purchase warrant issued to an Agent entitling the holder thereof to acquire one Common Share of the Company at a price of \$0.50 for a period of 18 months from the Closing of the Axe Financing. Each Agent Warrant and underlying Common Share issued pursuant to the Agent Warrant is subject to a mandatory hold period of four (4) months and one (1) day from the Closing of the Axe Financing;

“**Associate**” when used to indicate a relationship with a Person or Company, means:

- (a) an issuer of which the Person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than ten percent (10%) of the voting rights attached to outstanding securities of the issuer;
- (b) any partner of the Person or company;
- (c) any trust or estate in which the Person or company has a substantial beneficial interest or in respect of which a Person or company serves as trustee or in a similar capacity;
- (d) in the case of a Person, a relative of that person, including:
 - (i) that Person's spouse or child; or
 - (ii) any relative of the Person or of his spouse who has the same residence as that person;but
- (e) where the Exchange determines that two (2) Persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships with respect to that Member firm, Member corporation or holding company.

“**Acquisition**” means the acquisition of Terranueva pursuant to the Share Purchase Agreement;

“**Articles**” means the Company's articles dated October 17, 2007;

“**Affiliated entity**” has the meaning ascribed to it in Ontario Securities Commission Rule 45-501;

“**Annual Financial Statements of Axe**” means the audited financial statements for the 12 months ended September 30, 2018, 2017 and 2016 of Axe Exploration Inc. and the corresponding annual Management Discussion and Analysis, as indicated at Item 25.1 - Audited Financial Statements for the Issuer and for Corporation Terranueva Pharma of this Listing Statement and attached in Appendix B to this Listing Statement;

“**Audited Financial Statements of Terranueva Pharma**” means the audited financial statements for the 10-month period ended September 30, 2018 and the corresponding annual Management Discussion and Analysis, as indicated at Item 25.1 - Audited Financial Statements for the Issuer and for Corporation Terranueva Pharma of this Listing Statement and attached in Appendix C to this Listing Statement;

“**Axe Financing**” means the private placement of Units by Axe completed on December 14, 2018 pursuant to which Axe has issued 4,620,000 Units at a price of \$0.50 each for an aggregate gross proceed of approximately \$2.31 million, including the payment of any commission in connection with such private placement;

“**Axe MD&A**” means the management’s discussion and analysis for the years ended September 30, 2018, 2017 and 2016 and the management’s discussion and analysis for the year ended September 30, 2018 which have been filed under Axe’s profile on SEDAR and are hereby incorporated by reference;

“**Board**” means the board of Directors of the Company;

“**Cannabis Act**”: means An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts, which received Royal Assent on June 21, 2018 and effective October 17, 2018;

“**Cannabis Laws**” mean collectively, the Cannabis Act, the Cannabis Regulations, the Food and Drug Act, the Cannabis Exemption (Food and Drug Act) Regulations, the Medical Devices Regulations, the Natural Health Product Regulations, the Narcotic Control Act and the Narcotic Control Regulations and all provisions of any laws, statutes, ordinances, rules, regulations, or governmental directives applicable to the production, testing, packaging, labeling, sending, delivering, transporting, selling, possessing, disposing and exporting of cannabis or any class of cannabis, as amended from time to time or individually, the relevant law, statute, ordinance, rule, regulation, governmental directive applicable to the production, testing, packaging, labeling, sending, delivering, transporting, selling, possessing, disposing and exporting of cannabis or any class of cannabis, as amended from time to time;

“**Cannabis Regulations**” mean Health Canada’s cannabis regulation.;

“**CBCA**” means the *Canadian Business Corporation Act* R.S.C. 1985 C-44, as amended;

“**CEO**” means an individual who acted as the Company’s chief executive officer, or acted in a similar capacity, for any part of the most recently completed financial year;

“**CFO**” means an individual who acted as the Company’s chief financial officer, or acted in a similar capacity, for any part of the most recently completed financial year;

“**Charter**” means *Canadian Charter of Rights and Freedoms* (Canada), as amended;

“**Circular**” means the Company’s information circular dated October 23, 2018;

“**Closing Date**”, “**Closing**” or “**Closing Time**” means the closing of the Acquisition on December 14, 2018;

“**Common Shares**” means the common shares without par value in the capital of the Company;

“**Company**” or “**Axe**” or “**Terranueva**” means Corporation Terranueva, formerly Axe Exploration Inc., incorporated on October 17, 2007 under the CBCA;

“**Consolidation**” means the consolidation of the Common Shares of Axe for a ratio of 16 old Common Shares for each new Common Shares effective as of November 23, 2018;

“**CRA License**”: the license required under the Excise Act, 2001 to cultivate, grow and package cannabis products for both medical and non-medical purposes granted by the CRA;

“**CRDU**” means the Centre for Research and Development Unit of Terranueva Corporation;

“**CSE**” means the Canadian Securities Exchange, operated by CNSX Markets Inc.;

“**Designated Executive Officers**” means (i) the President and Chief Executive Officer of the Company; (ii) the Chief Financial Officer of the Company; (iii) as well as the most highly compensated executive officer of the Company, with the exception of the Chief Executive Officer and the Chief Financial Officer, for the year ended September 30, 2018, and of which the total salary and bonus was greater than \$150,000 during the last fiscal year;

“**Director**” means the Director appointed under section 260 of the CBCA;

“**Facility**” means Terranueva proposed facility, located in the City of L’Assomption, Québec;

“**Finder’s Fees**” means the finder’s fees payable to Séguin Racine, Attorneys in the context of the Acquisition in the amount of \$625,000 through the issuance of 1,250,000 Common Shares (post-Transaction) at a price of \$0.50 per Common Share;

“**Governmental Authority**” means any multinational, federal, provincial, territorial, state, regional, municipal, local or other government or governmental body and any division, agent, official, agency, commission, board or authority of any government, governmental body, quasi-governmental or private body (including the CSE or any other stock exchange) exercising any statutory, regulatory, expropriation or taxing authority under the authority of any of the foregoing and any domestic, foreign or international judicial, quasi-judicial or administrative court, tribunal, commission, board, panel or arbitrator acting under the authority of any of the foregoing;

“**IFRS**” means the International Financial Reporting Standards as adopted by the International Accounting Standards Board, as amended from time to time;

“**Lease**” means the lease agreement for the Facility among Corporation Terranueva Pharma and Gestion Immobilière Harmonie SENC;

“**License**” means any license granted by Health Canada for the production, testing, packaging, labeling, sending, delivering, transporting, selling, effecting research on, possessing, cultivating, processing, analytical testing, disposing and exporting of cannabis or any class of cannabis;

“**Licensed Producer**” means the status of being a licensed producer of cannabis for medical purposes under past and current Cannabis Laws;

“**Listed Issuer**” and “**Issuer**” both mean an issuer which has its securities qualified for listing on Exchange or which has applied to have its securities qualified for listing on the Exchange, as applicable;

“**Listing Statement**” means this CSE Form 2A Listing Statement dated effective January 24, 2019;

“**Material Contracts**” means, collectively, any Contract (or amendment thereto) to which Terranueva or Terranueva Pharma or its subsidiaries is a party or by which its respective assets are bound that: (A) is material to the operational activities of Terranueva or Terranueva Pharma; (B) if terminated by the other party, would reasonably be expected to result in a Material Adverse Effect; or (C) is a Contract that contains any non-competition obligations restricting in any material way the business of Terranueva or Terranueva Pharma;

“**Meeting**” means the Company’s special meeting held on November 23, 2018 and any adjournment(s);

“**Member**” means a person or company who has executed the members’ agreement, as amended from time to time, among the CSE and each person or company who, from time to time, is accepted as and becomes a member of the CSE under the CSE requirements;

“**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

“**MPU**” means Modular Production Unit of the Company;

“**NCR**” means the *Narcotic Control Regulations (Canada)*;

“**Options**” means the outstanding and unexercised options to purchase Common Shares granted under the Stock Option Plan;

“**Person**” includes an individual, sole proprietorship, corporation, body corporate, incorporated or unincorporated association, syndicate or organization, partnership, limited partnership, limited liability company, unlimited liability company, Joint Venture, joint stock company, trust, natural person in his or her capacity as trustee, executor, administrator or other legal representative, a government or Governmental Authority or other entity, whether or not having legal status;

“**Proceedings**” means any court, administrative, regulatory or similar proceeding (whether civil, quasi-criminal or criminal), arbitration or other dispute settlement procedure, investigation or inquiry before or by any Governmental Authority, or any claim, action, suit, demand, arbitration, charge, indictment, hearing, demand letter or other similar civil, quasi-criminal or criminal, administrative or investigative matter or proceeding, including by any third party whatsoever;

“**Regulation 45-106**” means the Regulation 45-106 respecting prospectus exemptions;

“**Regulatory Approvals**” means any consent, waiver, permit, exemption, review, order, decision or approval of, or any registration and filing with, any governmental entity, or the expiry, waiver or termination of any waiting period imposed by Law or a governmental entity, in each case in connection with the Share Purchase Agreement;

“**Related Entity**” means, in respect of a Listed Issuer (a) a person (i) that is an affiliated entity of the Listed Issuer, (ii) of which the Listed Issuer is a control block holder; (b) a management company or distribution company of a mutual fund that is a Listed Issuer; or (c) a management company or other company that operates a trust or partnership that is a Listed Issuer;

“**Related Party**” has the meaning ascribed to it in MI 61-101;

“**Related Person**” means, in respect of a Listed Issuer:

- (a) a Related Entity of the Listed Issuer;
- (b) a partner, director or officer of the Listed Issuer or Related Entity;

- (c) a promoter of or person who performs Investor Relations Activities for the Listed Issuer or Related Entity;
- (d) any Person that beneficially owns, either directly or indirectly, or exercises voting control or direction over at least 10% of the total voting rights attached to all voting securities of the Listed Issuer or Related Entity; and
- (e) such other Person as may be designated from time to time by the Exchange.

“**Reporting Issuer**” has the meaning ascribed to it in the *Securities Act* (Québec) and in Alberta, British-Columbia and Ontario, as amended;

“**Right**” or “**Rights**” means the right, pursuant to the Rights Offering, to subscribe for one (1) Common Share upon payment of the subscription price of \$0.64 per Common Share (post-Transaction) for a period of 90 days from November 28, 2018, the whole subject to the terms and conditions disclosed in the Rights Offering Notice and the Rights Offering Circular;

“**Rights Offering**” means the offering by Terranueva of Rights to each of its shareholders pursuant to the prospectus exemption through rights offering under Regulation 45-106 on the basis of one (1) Right for every sixteen (16) Common Shares (pre-Transaction) held. Each Right entitles the holder thereof to subscribe for one (1) Common Share upon payment of the subscription price of \$0.64 per Common Share (post-Transaction) for a period of ninety (90) days from November 28, 2018, the whole subject to the terms and conditions disclosed in the Rights Offering Notice and the Rights Offering Circular;

“**Rights Offering Circular**” means the rights offering circular completed by the Corporation according to Form 45-106F15 pursuant to Regulation 45-106 to be available on www.sedar.com;

“**Rights Offering Notice**” means the rights offering notice completed by the Corporation according to Form 45-106F14 pursuant to Regulation 45-106 to be available on www.sedar.com;

“**Securities Act**” means the Securities Act (Québec), as it may be amended or re-enacted from time to time;

“**Securities Authorities**” means the *Autorité des marchés financiers* (Québec) and any other applicable securities commission or securities regulatory authority of a province of Canada;

“**Securities Laws**” means the Securities Act and all other applicable Canadian provincial and territorial securities Laws;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval available on the Internet at <http://www.sedar.com>;

“**Share Purchase Agreement**” means the share purchase agreement dated November 22, 2018;

“**SQDC**” means Société québécoise du cannabis;

“**Stock Option Plan**” means the stock option plan of the Company dated March 1st, 2011;

“**Subsidiary**” or “**Subsidiaries**” has the meaning specified in Section 1.1 of Regulation 45-106, as in effect on the date of the Share Purchase Agreement;

“**Terranueva**” means Corporation Terranueva/Terranueva Corporation, formerly Axe Exploration Inc;

“**Terranueva Pharma**” means the private company Terranueva Pharma Corporation / Corporation Terranueva Pharma;

“**Terranueva Pharma Shares**” means the Class “A” shares of the capital stock of the private company Terranueva Pharma Corporation;

“**Terranueva Pharma Shareholders**” means Francisco Perez Jr., Fiducie Castillo, GMTN Inc., Fiducie Goliath, Alain Bureau, Pierre Monet, Esquilin S.E.N.C., Michel Renaud, AMAFLO (1999) Inc., Chantal Guimont M.D. Ltée, Sylvain Belzile M.D. Inc. and 11643777 Canada Inc.;

“**Transaction**” means collectively the Acquisition and the Axe Financing, including the payment of any commission;

“**TSX-V**” means the TSX Venture Exchange;

“**Unit**” means a unit issued to a subscriber to the Axe Financing at a price of \$0.50 per unit consisting of one (1) Common Share and one half (1/2) Warrant. Each whole Warrant entitles the holder thereof, subject to an adjustment in certain circumstances, to acquire one additional Common Share of the Corporation at a price of \$0.65 for a period of 18 months from the Closing Date. Each Unit, Common Share and Warrant issued pursuant to the Axe Financing is subject to a mandatory holding period of four (4) months and one (1) day from the Closing Date;

“**U.S.**” or “**United States**” means the United States of America, its territories and possessions, and any state of the United States and the District of Columbia;

“**Warrants**” means Common Share purchase warrants in the capital of the Company. Each Warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.65 per Common Share for a period of 18 months from the Closing of the Axe Financing;

“**we**”, “**us**”, “**our**” “**the Corporation**” or “**Terranueva**” means Terranueva Corporation;

Forward-Looking Statements

The information provided in this Listing Statement, including information incorporated by reference, may contain “forward-looking statements” about us. In addition, we may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by us that address activities, events or developments that we expect or anticipate will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on our then current expectations and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- the regulatory, speculative and competitive nature of the medical cannabis industry;

- the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interests; and
- other risks described in this Listing Statement and described from time to time in our documents filed with Canadian securities regulatory authorities.

Consequently, all forward-looking statements made in this Listing Statement and our other documents are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will be realized or, even if realized, that they will have the expected consequences or effects. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward- looking statements that we and/or persons acting on our behalf may issue. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation. See Section 17 – *Risk Factors*.

Market and Industry Data

This Listing Statement includes market and industry data that has been obtained from third party sources, including industry publications. We believe that this industry data is accurate and that the estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, we have not independently verified any of the data from third party sources referred to in this Listing Statement or ascertained the underlying economic assumptions relied upon by such sources.

2. CORPORATE STRUCTURE

2.1 Name, Address and Incorporation

This Listing Statement has been prepared with respect to Terranueva Corporation, formerly Axe Exploration Inc. The Company’s head office and principal place of business is located at 255 Curé-Labelle Blvd, Suite 204, Laval, Québec, Canada.

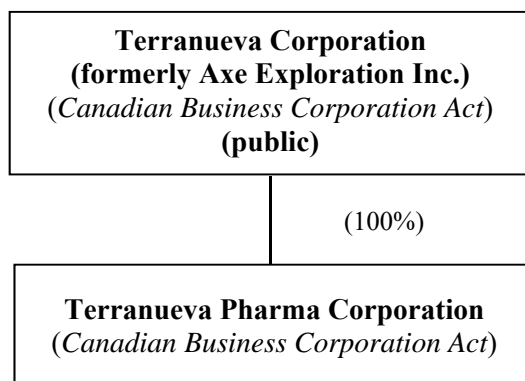
The principal place of Terranueva Pharma Corporation / Corporation Terranueva Pharma, a wholly-owned Subsidiary of the Company, is located at 803 L’Ange-Gardien Blvd, L’Assomption, Québec, Canada. Terranueva Pharma’s registered and records office is located at 803 L’Ange-Gardien Blvd, L’Assomption, Québec, Canada.

2.2 Jurisdiction of Incorporation

The Company was incorporated on October 17, 2007 under the CBCA as “Diamond Frank Exploration Inc./ Exploration Diamond Frank Inc., changed its name to Axe Exploration Inc. on April 2, 2013 and to Terranueva Corporation / Corporation Terranueva on November 23, 2018. Since December 17, 2018 Terranueva is listed on the CSE under the symbol TEQ. From April 8, 2013 to November 27, 2018, the Common Shares were listed on the TSX-V under the symbol AXQ. Previously, the Common Shares were listed on the TSX-V under the symbol DOD.

2.3 Inter-corporate Relationships

The Company has the following corporate structure:



2.4 Fundamental Change

Except for the Transaction, nothing.

2.5 Incorporation Outside Canada

This is not applicable to the Company and its Subsidiary.

3. **GENERAL DEVELOPMENT OF THE BUSINESS**

3.1 General Development of the Business

The Company intends to become a major producer of cannabis, for medical and recreational purposes. According to its business plan, Terranueva Pharma received a Confirmation of Readiness from Health Canada in the first quarter of 2018 and expects to obtain its licence to produce in the first quarter of 2019 and a Sales licence in the second quarter of 2019, in accordance with the Cannabis Laws. The founder of Terranueva Pharma has been involved in the business since May 2016.

The Subsidiary is a Québec-based company operating in L'Assomption (Québec) that aspires to be at the forefront of research and development focused on therapeutic cannabis treatment. The principle mission of the Company is to enhance the lives of those who experience chronic pain, migraines, sleeping disorders or anxiety, through innovative approaches to cannabis-related treatment. The business vision is to produce medicinal and recreational cannabis to the highest standards in terms of effectiveness, quality and stability.

The value proposition of Terranueva is as follows: (i) deliver to the market a quality of products and services that will be beyond reproach (eventually endorsed by the Canadian medical community); (ii) provide a range of products resulting from strains which target chronic pain, migraines, sleeping disorders and anxiety (including alternatives, to the consumption of dried cannabis); (iii) establish a program of research and development, the economic engine of the Resulting Issuer; (iv) have efficient and modern production and management processes (including Modular Production Units ("MPU") that are intelligent and rely heavily on automation and digital technology); (v) become a responsible Licensed Producer with the capacity to provide detail traceability of every gram produced and sold (from seed to sale); (vi) offer an effective distribution network through the medical community across

Québec and Canada; and (vii) support the health network and the population in their collective education.

Management will Develop Terranueva in 3 Distinct Phases:

PHASE 1: Build the Certification, Research and Development Unit (“CRDU”) and progress on two interrelated fronts: (i) the first step will be to set up the infrastructure and the equipment, to develop best operational practices and to establish the required quality controls and standards; and (ii) the second step will follow on the heels of the first one, and will commence a first production with a hybrid strain that targets pain.

PHASE 2: Develop the first MPU to mitigate operational risk as the company proceeds to an industrialisation process.

PHASE 3: Large-scale deployment. Once certification from Health Canada is obtained and the process of large-scale industrialisation proven, Terranueva will be in a position to run at full available capacity. The site can accommodate as many as fifteen additional MPUs.

Prior to the Transaction, the Company was primarily engaged in the acquisition and exploration of mineral properties located in Canada. The Company’s properties included the non-material properties of Destorbelle, Gold Peak, Commandant and Unique. The Company has not carried exploration work during the year ended on September 30, 2018 and the book value of the four (4) properties as of September 30, 2018 was nominal. The Company did not earn any revenues and was in the exploration stage.

3.2 Significant Acquisition and Disposition

Transaction

On December 14, 2018, the Company acquired all Terranueva securities for consideration in shares of \$10,930,000 by the issuance of 21,860,000 Common Shares at a deemed price of \$0.50 per Common Share.

The Transaction constitutes an arm’s length transaction within the meaning of applicable regulations. All parties to the Transaction are transacting at arm’s length with respect to the assets and business of Terranueva, that is otherwise an insider of Terranueva.

Concurrently with the Acquisition, the Company closed the Axe Financing with several qualifying investors (the Acquisition and the Axe Financing collectively referred to as the “Transaction”). These stages of the Transaction followed a prior name change of the Corporation to “Terranueva Corporation”.

Prior to the Transaction’s Closing Date, the Company has completed the Axe Financing.

Further to the completion of the Transaction (including the Axe Financing and the Finder’s Fees), 31,663,293 Common Shares are issued and outstanding. 17,699,852 Common Shares of the resulting issuer, representing 55.90% of Common Shares, are held by Related Persons and 13,963,441 Common Shares representing approximately 44.10% of the Common Shares are held by public shareholders, including former shareholders of Axe Exploration.

3.3 Trends, Commitments, Events or Uncertainties

Except as disclosed herein, there are no trends, commitments, events or uncertainties known to management which could reasonably be expected to have a material effect on the Company’s business,

the Company's financial condition or results of operations. In addition, there are significant risks associated with the Company's business, as described in Item 17 – *Risk Factors*.

Canadian Regulatory Environment

Terranueva's activities related to medical cannabis are regulated by the applicable Cannabis Laws which will continue to evolve. While the retail model for distribution and sale of cannabis and cannabis products will be the result of provincial and territorial legislation and regulations, the aforementioned legislation outlines four minimum conditions that provinces and territories would need to meet, specifically: i) only cannabis obtained from a federally Licensed Producer can be sold; ii) selling to a person younger than 18 years of age subject to provincial specific regulation) is prohibited; iii) the province/territory would need to develop a system of distribution and retail sale; and iv) the retail model would need to be developed with an eye to public health and public safety concerns. The current licensing regime for medical access is governed by the Cannabis Act.

Legislation to legalize adult recreational use – Bill C-45, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts* – received royal assent on June 21, 2018, making Canada the second nation to legalize recreational cannabis. The official date of legalization is October 17, 2018. Only Licensed Producers are authorized to sell cannabis into the adult recreational market. As at September 30, 2018, there were 120 Licensed Producers¹. Regulation of the sale of adult recreational cannabis in retail and online environments is the responsibility of the provinces and territories. Most jurisdictions will require Licensed Producers to sell all cannabis products to provincial and territorial control boards, which will sell to consumers online and through their own outlets or licensed private outlets.

The Cannabis Law governs the use of cannabis for medical purposes. Therefore, patients who require cannabis for medical purposes will continue to have access either by using their medical document to register as customers of a licensed seller or by cultivating cannabis plants themselves. Registered patients will be allowed to have a maximum of 150 grams of dried cannabis in their possession in a public place, while the Cannabis Act allows up to 30 grams for any adults aged 18 and older. Note, however, that provincial legislation applicable to each jurisdiction may impose, and in most cases have imposed, stricter criteria.

Holders of Licenses to sell for medical purposes will be required to provide reports to the Minister on a monthly basis which include, among other matters, information about the number of registered clients, transfers of clients to other license holders and some statistics such as the average daily quantity of dried cannabis mentioned on medical documents as well as information about health care practitioners who provide medical documents.

In the province of Québec, the sale of recreational cannabis is through stores owned by a designated institution, named SQDC, a state-controlled corporation.

See “*Risk Factors – Risks Relating to the Medical Cannabis Industry*”.

License

Terranueva' application to become a Licensed Producer was submitted by the founder of Terranueva Pharma to Health Canada. The application is currently in the Detailed Review and Initiation of Security Clearance Process stage of the licensing process. On March 13, 2018, Terranueva Pharma received a

¹<https://www.canada.ca/fr/sante-canada/services/drogues-medicaments/cannabis/producteurs-autorises/producteurs-autorises-approves-medicales.html#a2>.

confirmation of readiness letter by Health Canada stating that the initial review of the license application was completed and that Terranueva is now at the readiness stage. When licensed, the Facility's cannabis cultivation capacity is estimated to be up to 22.9 metric tonnes of dried cannabis per annum, subject to regulatory approvals, market demand and other variables. See Item 17 – *Risk Factors – Licensing Requirements Under the Cannabis Laws*.

Market

The market is divided into two segments, users who consume for medical reasons and those who consume for recreational reasons. According to a recent Health Canada reports², in December 2017, there were just over 269,000 medical cannabis registered clients across the country, contributing to sales in the last quarter (Q3 2017/2018) of 6,000 kg. This output was shared approximately 50/50 between dried cannabis and oil. In May 2017, Health Canada³ reported that, on average, the number of clients enrolled increased by 10% per month; while sales of dried cannabis grew by 6% per month, and sales of cannabis oil increased by 16% per month. It should also be noted that Ontario and Alberta account for most of the clients, or 225,000 of the total. In Québec, there is a delay with fewer than 7,500 registered customers, which confirms a weak exploitation of the Québec market for cannabis for medical purposes to date.⁴

Indeed, according to research conducted by the Brighton Group and reported in an article by Visual Capitalist⁵, the worldwide cannabis market is expected to explode from \$ 7.7 billion to \$ 31.4 billion between 2017 and 2021. As for the Canadian market it should contribute \$ 8.9 billion in 2021, with \$ 5.07 billion from the recreational segment and \$ 3.82 billion from the medical segment. Similarly, a study by Dundee Capital Partners predicts that recreational cannabis sales could reach on its own \$ 8.9 billion by 2023.⁶

The social acceptability of recreational cannabis use has changed significantly in recent years and is leading to a second segmentation of the cannabis market. According to a Deloitte study⁷, approximately 40% of the adult Canadian population support legalization. This percentage even reaches 64% including undecided respondents. The openness of Canadians to the legalization of cannabis will make Canada the first country member of the G7 to legalize it for recreational purposes. This opens the door for Canadian Licensed Producers and offers them a significant competitive advantage on the international scene with the emergence of new markets that are not far behind Canada regarding legalisation.

² Santé Canada. Rapport T3 2017/2018 Données sur le marché, Producteurs autorisés.

³ Santé Canada. Rapport T3 2017/2018 Données sur le marché, Producteurs autorisés.

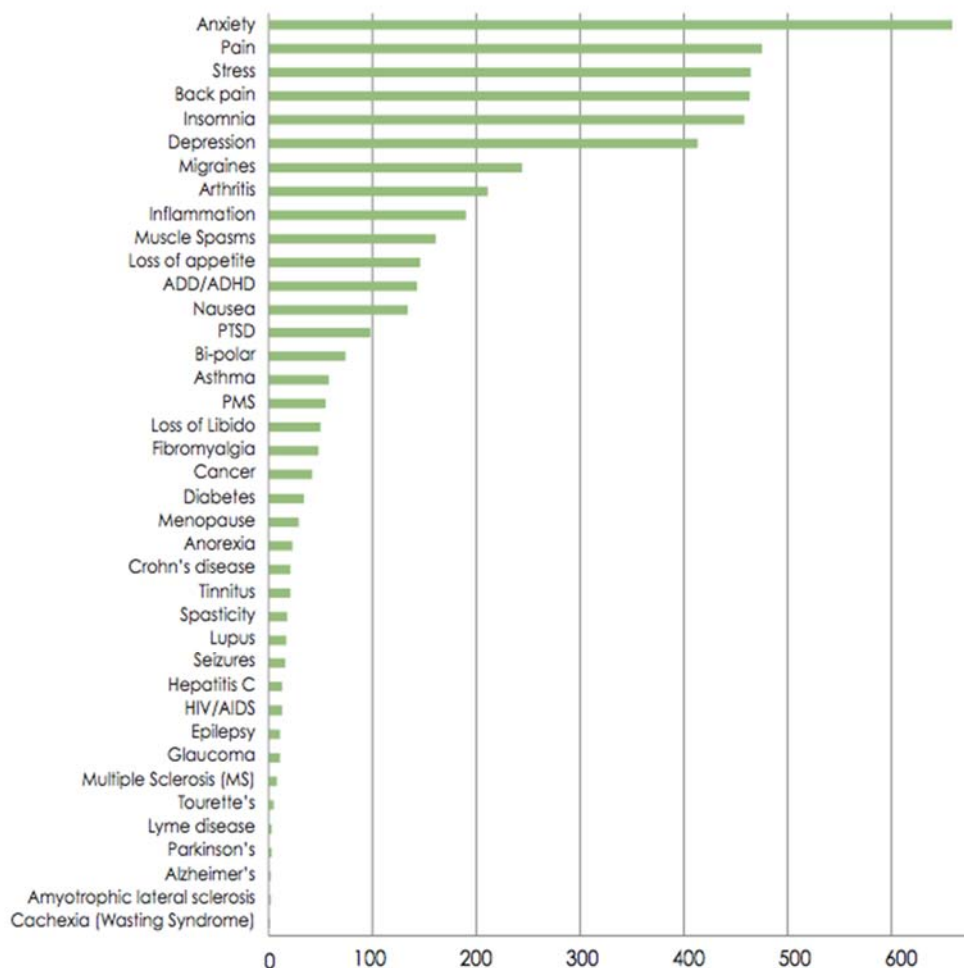
⁴ Santé Canada. Rapport T3 2017/2018 Données sur le marché, Producteurs autorisés.

⁵ Visual Capitalist – 9 things cannabis investors should know, available at <http://www.visualcapitalist.com/9-things-cannabis-investors-should-know/>.

⁶ Dundee Capital Partners, Medical marijuana sector, January 11, 2017, page 7.

⁷ Analyse de Deloitte. Marijuana récréative. Les perspectives et les possibilités.

The Top Reasons People Use Medical Marijuana⁸



In Québec, the SQDC is the sole buyer and vendor for recreational marijuana.

Trends

Notwithstanding the breadth of the data for each segment of the cannabis market described above, it would be reasonable to think that the recreational and medical segments described above are two distinct segments, but this is not the case if we dwell on the motivations behind the choice. Indeed, there is a direct link and overlap between medical and recreational clienteles creating cumulative opportunities. In the Deloitte study⁹, the two main motivators for recreational use were identified as desire to relax or sleep (51%), to reduce anxiety or stress (49%), whereas medical reasons given by 1,400 interlocutors that motivate their desire to consume cannabis include at the top of the list: anxiety, stress, pain, insomnia and migraines. This conclusion is confirmed when compared to the conclusions of other similar studies.

⁸ Source : The Top Reasons People Use Medical Marijuana By [notsofasteddie](#), February 29, 2016 in [Medical Marijuana and Pharmaceuticals](#).

⁹ Analyse de Deloitte. Marijuana récréative. Les perspectives et les possibilités.

Future Developments

To be determined as new federal and provincial regulations roll out and other countries decide to follow in Canada's footsteps.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

4.1 General

The following disclosure contains forward-looking statements, including with respect to the Company's business objectives and milestones upon completion of the Acquisition. Such statements involve known and unknown risks, uncertainties and other factors outside of management's control, including the risk factors set forth elsewhere in this Listing Statement, that could cause results to differ materially from those described or anticipated in such forward- looking statements. See "*Risk Factors*".

(1) Business

The Company is a Québec-based company operating in L'Assomption (Québec) that intends to become a major producer of cannabis, for medical purposes and for recreational purposes. It aspires to be at the forefront of research and development focused on therapeutic cannabis treatments. The principle mission of Terranueva Corporation is to enhance the lives of those who experience chronic pain, migraines, sleeping disorders or anxiety, through innovative approaches to cannabis-related treatment. Terranueva's business vision is to produce cannabis to the highest standards in terms of effectiveness, quality and stability.

To achieve this goal, Terranueva is implementing a modular production approach incorporating the latest advances and innovations in process automation. As a technology driven company, we aim to develop the most sophisticated automated cannabis production system that will help to create a traceability of our product and increase the yield of each of our strain to produce a premium quality product in the most efficient manner. The production Facility is in L'Assomption, Quebec and the application to become a Licenced Producer under Canada's Cannabis Laws has been filed to Health Canada.

(a) Business Objectives

The business objectives of the Company for the next 36-month period are as follows and are part of a 3-Phase Plan:

Phase 1

The first effort is to set up the CRDU which will progress on two inter-dependent fronts. The first axis will be used to set up the infrastructure with the equipment, develop the best practices of operations and ratify the quality controls and standards. The second axis will be on the heels of the first one. It is expected that the UCRD will produce the first hybrid strain culture to target pain. Terranueva's management will work towards building links with clinical and academic researchers and the medical community. Best practices and controls to ensure medicinal quality products is intended to become Terranueva's value proposition. In these first instances, the Terranueva team will make genetic studies and will orient itself on its choice of strains to answer one by one the specific needs of its customers. Mothers, clones and a first crop for commercial sale will begin at the premises of the certification and research and development unit. At the end of this phase, Terranueva must have demonstrated the control of its process, the safety of these facilities and the extent of its know-how to secure from Health Canada the issuance of a first certification for the culture and sale of its products.

Phase 2

This phase will allow the development of the first MPU. This will enable us to start making the investment in PHASE 1 profitable and generate the first significant revenues. Beyond the financial benefits the main reason for this phase is to contain the risk generally attributed to a transfer of production in laboratory mode to an industrial mode. Indeed, large-scale production brings risks that are specific to the process. Sound management requires validation of the industrial process before deployment or major investment to manage risk and avoid costly mistakes. It is in this second phase that Terranueva will qualify and optimize these production processes

Phase 3

Deployment on a large scale. With Health Canada's certification in hand, and the large-scale industrialization process proven, Terranueva will be able to proceed with its expansion with the objective of exploiting the full capacity available on its site at L'Assomption (Québec). This represents up to fifteen (15) additional MPU. To support this higher volume of production Terranueva plans to build a warehouse, a processing unit to transform dry flowers into oil, and a packaging and distribution center on the site to support its entire business plan. Terranueva also intends to develop its distribution and sales channels through the medical community for medicinal applications and with the SQC and other designated authorities mandated to sell cannabis for recreational use throughout Canada.

(b) Significant Events or Milestones

Over the next 36-month period, the Company expects to complete the milestones set out in Item 4.1(a) – “*Business Objectives*” above.

Readiness stage confirmation was granted to the founder of Terranueva Pharma by Health Canada in March 2018. Once the confirmation was obtained, Terranueva Pharma entered into an agreement to rent the facility for 10 years including a 5-year renewal period. The lease agreement features an option in favor of Terranueva to buyback 50% of the facility by August 31, 2022 and the remaining 50% afterwards.

In July 2018, Terranueva Pharma started the work related to leasehold improvements and placed orders and installation of various facility and security equipment, such as the CRDU and automated management systems.

The following are the significant events and milestones:

Phase 1 - Implementation cost of CRDU is \$3.1M for leasehold improvements, equipment and security (leasehold improvements work is completed).

Objective: Establish the certification and research and development unit with annual initial capacity of 150 kg of dried cannabis. Documentation has been transmitted to Health Canada.

Milestones of CRDU Phase 1:

Work completed and equipment installed:	Completed
Health Canada authorizes production:	Q1 – 2019
Crop begins:	Q1 – 2019
First harvest:	Q2 – 2019
Final production and licence for sale granted by Health Canada:	Q2 – 2019

Phase 2 - Implementation cost of 1st MPU: (i) \$5.8M (including a 10% contingency); (ii) Objective: Validation of the industrial and production processes; (iii) Annual capacity 1,400 kg of dried cannabis.

Milestones of MPU Phase 2:

Begin construction work and equipment installation:	2019
Work completed and equipment installed:	2019
Health Canada certifies MPU:	2019 – 2020
Crop begins:	2020
First harvest:	2020
Complimentary production and sales licence from Health Canada:	2020

Phase 3 - The cost of additional MPUs and a warehouse and processing plant is: (i) \$5M (for each additional MPU); (ii) A warehouse and processing plant must also be built to support the additional MPUs: \$5M; (iii) Total cost of the 15 MPUs and the warehouse and processing plant (aggregate \$80M)

Objective: Industrial production and Annual capacity of 15 MPUs is 22.9 metric tonnes of dried cannabis

(c) *Available Funds and principal purposes*

Based on the information available as at the date hereof, the Company had approximately \$2,700,000 of available funds upon completion of the Transaction and the Axe Financing.

The Company's ability to continue operations is dependent upon successfully raising the necessary financing. The Company has in place planning and budgeting processes to help determine the funds required to support normal operating requirements on an ongoing basis as well as its planned development and capital expenditures.

(d) *Purpose of Funds*

The following table sets out information respecting the Company's intended uses of such cash over the next 12 months. The amounts shown in the table below are estimates only and are based on the information available to the Company as at the date of the Listing Statement.

Principal Uses of Proceeds	Amount (\$)
Working capital	500,000
Salaries	770,000
Rent	135,000
Professional fees	115,000
Investors relations, Transfer Agent, Escrow Agent, Printer, continuous disclosure obligations filings, CSX, etc.	110,000
Travel, etc.	12,000
Office expenses	50,000
Safety	100,000
Phase II / operations	908,000
Total	2,700,000

Notwithstanding the foregoing, there may also be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Company to achieve its objectives. The Company may also require additional funds in order to fulfill all its expenditure requirements and to meet its objectives, in which case the Company expects to either issue additional shares or incur debt. There is no assurance that any additional funding required by the Company will be available if required.

(2) Principal Products or Services

Terranueva is a proposed Canadian Licensed Producer. Terranueva's Facility is at the Cannabis Regulations Detailed Review and Initiation of Security Clearance Process stage of review. Upon becoming a Licensed Producer, Terranueva plans to begin the planting of its various strains and ramp to cultivation and production for sale of medical cannabis. Terranueva will make available to the medical community a variety of strains specifically designed to treat and assist with several common ailments and conditions. Terranueva intends to become a well-respected household name within the cannabis and medical community.

- The quality of the products and services to be offered by Terranueva is paramount to its success. Terranueva will ensure that its products are free from harmful pesticides, fungi and bacteria, mold, heavy metals and other harmful substances. We intend to offer a recreational product to the standard of products intended for the medical market. To achieve this, Terranueva has chosen to cultivate its cannabis strains in an indoor environment, built to the highest specification standards to control, among other things, temperature, brightness, humidity, carbon dioxide, water quality, nutrients supplied to plants and PH. This approach will ensure a recreational or medical product reaches to the quality standards of the pharmaceutical sector. Terranueva also intends to ensure the homogeneity of its harvests and maximize the efficiency of its productivity by implementing 10,000 square feet of automated MPU. Unlike a large-scale crop, its MPUs will be dedicated to growing only one strain of cannabis at a time. By optimizing the unique gestation environment for each strain, Terranueva will ensure superior quality for each of its crops and maximum yield to generate lowest production cost.
- The Terranueva product line will come from strains that primarily target chronic pain, migraines, sleep disorders and anxiety.
- We will offer alternatives to the means of consumption that go beyond cannabis dried flowers. Terranueva's proposed product line will include creams, oils, capsules and sprays to name a few.
- Research and development will be the economic engine of the company. Terranueva plans to conduct pre-clinical and clinical research in partnership with experts in the field to innovate and improve its value proposition. To achieve this, we have set a goal of investing 8% of our annual sales to support our commitment to research and development.
- Terranueva's production and management processes will be efficient and modern. Terranueva will implement intelligent MPUs that will focus on automation and digitization. We are currently commissioning its certification, research and development center, and a first MPU to develop our first service offering. Terranueva plans to gradually build these MPUs to exploit the full capacity of the site at the pace of market demands and therefore on a short horizon of less than 3 years. Each MPU has an average annual production capacity of 1,400 kg of cannabis. Terranueva's long-term intention is to develop production sites of similar size throughout Québec, Canada and finally internationally to better support the industrial scheme that such a company requires.

- Terranueva, as a responsible approved producer, will provide detailed traceability of each gram of cannabis produced and sold (from cradle to grave).
- Terranueva will endeavor supporting the health network and the consumers in their collective education by providing specific information and advice on the products sold, their risks and benefits. The web site of Terranueva will also support the vertical integration of the Terranueva's distribution network by creating the vital link between producers, pharmacists and doctors to the great benefit of end users.
- Terranueva will endeavor to support a distribution network through the medical community.

(3) Production and Sales

Please refer to Item 4.1(2) – *Principal Products or Services*.

(4) Competitive Conditions and Position

Please refer to Item 3.3 – *Trends, Commitments, Events or Uncertainties* and Item 4.1(2) - *Principal Products or Services*.

The current market of producers of cannabis for medical and recreational purposes is controlled by several large-scale Licensed Producers in Canada such as Canopy Growth, Tweed, Tilray and Aurora. As at September 30, 2018, there were 120 Licensed Producers¹⁰. It is possible that several new producers in the same industry segments of Terranueva will add or emerge in the near future. The SQDC has already granted purchase orders to producers for its recreational market. There is thus potential that the Corporation will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and production and marketing experience than Company.

Terranueva's value proposition will differentiate it from many of the other producers as we will focus on four primary medical motivators which makes up more than 80% of the combined recreational and medical cannabis market.

By favoring a highly control and automated facility to grow its cannabis Terranueva will raise the quality control and standards above others hence reducing certifications, production risks, and raising customer experience while at the same time optimizing production yield at the lowest possible cost.

By vertically integrating itself and pursuing the transformation of dry flowers into an oil, Terranueva will allow most end users to consume with discretion and without the nuisance and health risks normally attributed with smoking.

By allocating an 8% allowance of its sales to research and development, Terranueva will be able to pursue the clinical trials so necessary to engage and support the medical community.

By pursuing a full traceability from seed to sale, Terranueva shows the discipline and rigor necessary to reassure all potential end users and Health Canada.

As a best practices Terranueva will not seek to compare itself to competitors but rather to continually strive for excellence and lead the marketplace.

¹⁰ <https://www.canada.ca/fr/sante-canada/services/drogues-medicaments/cannabis/producteurs-autorises/producteurs-autorises-approves-medicales.html#a2>.

(5) Lending and Investment Policies and Restrictions

Not Applicable

(6) Bankruptcy and Receivership

The Company has not been the subject of any bankruptcy or any receivership or similar proceedings against the Company or any voluntary bankruptcy, receivership or similar proceedings by the Company, within the three most recently completed financial years or the current financial year.

(7) Material Restructuring

Please refer to Item 3.1 – *General Development of the Business* for additional details regarding the Acquisition.

Following shareholder approval obtained on November 23, 2018 and the Closing of the Axe Financing, and prior to the final listing of the Corporation on the CSX, Terranueva has acquired all the outstanding shares of Terranueva Pharma.

(8) Social and Environmental Policies

Terranueva is acutely aware of the debate over the legalization of cannabis for both medical and recreational use. To this end, Terranueva is fully committed to support the health network and the population in their collective education and will through its web site and research and development trials add meaningful and serious value to the development of this new industry.

Cannabis production is a clean and green production process. Although it is an industry that is a high energy consumer it is perfectly suited for the renewable hydro electric energy available in the province of Québec.

It is management intention to be accredited to or to the standard of ISO1400 Environmental Management standards within the first three years of operations.

(9) Specialized Skills and Employees

As at the date of and over the period covered by the Audited Financial Statements of Terranueva Pharma, Terranueva Pharma had less than five (5) employees excluding subcontractors and consultants.

Since the Transaction, the Company hired a botanist and a master grower. Terranueva Pharma will also hire additional employees such as such geneticists, an expert in automation, an industrial engineer, a programmer, security expert and an expert in clinical research. Additional employees (production, sale, distribution, etc.) will subsequently be hired to deal with the growth of the company's level of activities. Among its current team, Terranueva already has engineers (mechanical, industrial, automation and smart factory specialist, etc.), a chemist with experience in quality assurance in pharmaceutical process, peoples with construction and building facilities experience, financial and public companies' expertise, and production, health and safety environment expertise.

(10) Asset Backed Securities

The Company does not have any asset backed securities.

4.2 Companies with Mineral Projects

Please refer to Item 3.1 – *History*.

4.3 Companies with Oil and Gas Operations

The Company does not have oil and gas operations.

5. **SELECTED CONSOLIDATED FINANCIAL INFORMATION**

5.1 Selected Consolidated Financial Information

Terranueva Corporation.

Please refer to Item 6. – *Management’s Discussion and Analysis.*

Terranueva Pharma Corporation

Please refer to Item 6. – *Management’s Discussion and Analysis.*

5.2 Dividends

Terranueva Pharma has not paid dividends since its inception and it is not contemplated that any dividend will be paid in the immediate or foreseeable future. The Board of Directors has not adopted any dividend policy. There are no restrictions in the Terranueva Pharma’s articles and by-laws which could prevent Terranueva Pharma from paying dividends.

5.3 Foreign Generally Accepted Accounting Principles (GAAP)

Section 5.3 is not applicable to Terranueva Pharma.

6. **SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT’S DISCUSSION AND ANALYSIS**

Terranueva Corporation

With respect to Terranueva Corporation please refer to the annual Management Discussion and Analysis of the Company for the 12 months ended September 30, 2018, 2017 and 2016 which are attached at Appendix B of this Listing Statement. Those Management Discussion and Analysis reports must be read in conjunction with the information presented in this Listing Statement and in the audited annual financial statements of the Company for the financial years ended on September 30, 2018, 2017 and 2016 prepared in accordance with IFRS and attached at Appendix B of this Listing Statement.

Terranueva Pharma Corporation

With respect to Terranueva Pharma Corporation please refer to the Management Discussion and Analysis of Terranueva Pharma Corporation for the 10-month period ended September 30, 2018 which is attached at Appendix C of this Listing Statement. This Management Discussion and Analysis report must be read in conjunction with the information presented in this Listing Statement and in the audited annual financial statements of Terranueva Pharma Corporation for the 10-month period ended on September 30, 2018 prepared in accordance with IFRS and attached at Appendix C of this Listing Statement.

7. **MARKET FOR SECURITIES**

Since December 17, 2018, Terranueva is listed on the CSE under the symbol TEQ. From April 8, 2013 until November 27, 2018, the Common Shares were listed on the TSX-V under the symbol AXQ and trading has been suspended by the TSX Venture Exchange from July 24, 2018, the day of the

announcement of the proposed transaction with Terranueva Corporation. Previously, the Common Shares were listed on the TSX-V under the symbol DOD.

8. CAPITALIZATION

The following table summarizes our capitalization as at the date of this Listing Statement:

Designation of Security	Number of Authorized	Number of Common Shares Issued and Outstanding ⁽¹⁾
Common Shares	Unlimited	31,663,293

Note:

- (1) Excluding Common Shares reserved for issuance pursuant to outstanding Warrants, Agent Warrants, Rights and Options. For further details about our issued securities, see Section 14 – *Capitalization*.

9. STOCK OPTIONS TO PURCHASE SECURITIES

The following table summarizes the outstanding incentive Options to purchase Common Shares in the Company's authorized capital as of the date hereof. As of the date hereof, taking in consideration the Transaction and the Axe Financing, the Company has 3,166,329 Common Shares reserved for issuance upon exercise of as much Options under its Stock Option Plan, of which 400,000 Options are currently issued and 2,766,329 Options remained available to grant.

Group	Number of Options (Securities Under Option (post-Consolidation))	Exercise Price (post-Consolidation)	Date of Grant	Expiry Date	Market Value of the Common Shares on the Date of Grant (post-Consolidation)	Market Value of the Common Shares on the Date of the Listing Statement
Current and past executive officers (2 Nbr.) and Directors who are not also executive officers (2 Nbr.) of the Corporation	59,375 Options (59,375 Common Shares)	\$1.60	March 28, 2013	March 27, 2023	\$0.40	\$0.50
	68,750 Options (68,750 Common Shares)	\$0.80	January 22, 2014	January 21, 2024	\$0.64	\$0.50
	59,375 Options (59,375 Common Shares)	\$0.80	March 26, 2015	March 25, 2025	\$0.24	\$0.50

Group	Number of Options (Securities Under Option (post-Consolidation))	Exercise Price (post-Consolidation)	Date of Grant	Expiry Date	Market Value of the Common Shares on the Date of Grant (post-Consolidation)	Market Value of the Common Shares on the Date of the Listing Statement
	62,500 Options (62,500 Common Shares)	\$0.80	March 30, 2017	March 29, 2027	\$0.40	\$0.50
	31,250 Options (31,250 Common Shares)	\$1.20	January 11, 2018	January 10, 2028	\$1.20	\$0.50
Current and past executive officers (Nil.) and Directors who are not also executive officers (Nil) of the subsidiaries of the Corporation	Nil	Nil	Nil	Nil	Nil	Nil
Current and past other employees of the Corporation	Nil	Nil	Nil	Nil	Nil	Nil
Current and past other employees of the subsidiaries of the Corporation	Nil	Nil	Nil	Nil	Nil	Nil
Consultants of the Corporation	9,375 Options (9,375 Common Shares)	\$1.60	March 28, 2013	March 27, 2023	\$0.40	\$0.50
	6,250 Options (6,250 Common Shares)	\$0.80	January 22, 2014	January 21, 2024	\$0.64	\$0.50
	9,375 Options (9,375 Common Shares)	\$0.80	March 26, 2015	March 25, 2025	\$0.24	\$0.50
	93,750 Options (125,000 Common Shares)	\$1.20	January 11, 2018	January 10, 2028	\$1.20	\$0.50

Group	Number of Options (Securities Under Option (post-Consolidation))	Exercise Price (post-Consolidation)	Date of Grant	Expiry Date	Market Value of the Common Shares on the Date of Grant (post-Consolidation)	Market Value of the Common Shares on the Date of the Listing Statement
Other person or company, including any underwriter	Nil	Nil	Nil	Nil	Nil	Nil
TOTAL:	400,000 Options (400,000 Common Shares)					

Terms of the Stock Option Plan

Options are subject to the Stock Option Plan of the Corporation. Under the Stock Option Plan, options to purchase shares are granted to directors, officers, employees and consultants of the Corporation in order to encourage them to contribute in achieving its goal of increasing shareholder value. The Board of Directors determines which person is entitled to participate in the Stock Option Plan, the number of options granted, the date which each option is granted and the exercise price of such options.

The Board of Directors make these decisions subject to the Stock Option Plan and, where applicable, the policies of the Exchange.

Under the Stock Option Plan, the number of shares reserved for issuance to an individual must not exceed 5% of the number of issued and outstanding shares of the Corporation share capital within a period of one year (on a non-diluted basis) less the aggregate number of shares already reserved for issuance to such person under any other stock option granted as an incentive or compensation.

The share purchase options are granted for a term determined by the board of directors at the time of the grant and in any event, such term couldn't exceed 10 years from the date of the grant.

10. DESCRIPTION OF THE SECURITIES

10.1 Description of the Securities

On January 24, 2019, 31,663,293 Common Shares are issued and outstanding as fully paid and non-assessable Common Shares of the Corporation.

Common Shares

Subject to the provisions of the Corporation's articles, the Corporation is authorized to issue an unlimited number of common shares (the "**Common Shares**") without par value, voting and participating. The holders of Common Shares are entitled to dividends, if, as and when declared by the Board of Directors, and one vote per share at meetings of the shareholders of the Corporation and, upon liquidation, dissolution or winding up the Corporation, entitled to receive such assets of the Corporation as are distributable to the holders of Common Shares. All outstanding Common Shares are fully paid and non-assessable.

Options

See Item 9 of this Listing Statement. As of the date hereof, taking in consideration the Transaction and the Axe Financing, the Company has 3,166,329 Common Shares reserved for issuance upon exercise of as much Options under its Stock Option Plan, of which 400,000 Options are currently issued and 2,766,329 Options remained available to grant.

Warrants

As at the date of this Listing Statement, the Company has 2,310,000 Warrants outstanding. Each Warrant is exercisable into Common Shares at an exercise price \$0.65 per Common Share until eighteen (18) months following the Closing.

Agent Warrants

As at the date of this Listing Statement, the Company has 78,080 Agent Warrants outstanding. Each Agent Warrant is exercisable into Common Shares at an exercise price \$0.50 per Common Share until eighteen (18) months following the Closing.

Rights

As at the date of this Listing Statement, the Company has 3,933,293 Rights outstanding which were issued in connection with the Rights Offering expiring in February 26, 2019.

10.2 to 10.4 Debt Securities and Other Securities, Modification of Terms and Other Attributes

Not applicable.

10.5 Modification of Terms of Securities

Effective as of November 23, 2018, following the Meeting and the Transaction, the statutes of Terranueva have been modified so that the Common Shares of Terranueva have been consolidated on the basis of one (1) new Common Shares for each sixteen (16) previous Common Shares.

10.6 Miscellaneous Securities Provisions

Not applicable.

10.7 Prior Sales

For the 12-month period prior to the date of this Listing Statement, no Common Share has been issued with the exception of the following:

Date	Number of Common Shares (post-Transaction)	Issue Price Per Common Share	Aggregate Issue Price	Nature of Consideration Received
2018-09-26	343,750 ⁽¹⁾	\$0.80	\$275,000	Debt settlement
2018-12-14	27,730,000 ⁽²⁾	\$0.50	\$13,865,000	Cash and Assets
Total	28,073,750		\$14,140,000	

Notes:

- (1) On September 26, 2018, 343,750 Common Shares (post-Transaction) at a value of \$0.80 per Common Share for a total consideration of \$275,000 issued in the scope of a settlement of debts with related parties.
- (2) On December 14, 2018: i) 21,860,000 Common Shares at a value of \$0.50 per Common Share for a total consideration of \$10,930,000 issued in the scope of the Acquisition of Terranueva Pharma Corporation; ii) 1,250,000 Common Shares at a value of \$0.50 per Common Share; and iii) Axe Financing in the amount of \$2,310,000, representing 4,620,000 Units, each comprised of 4,620,000 Common Shares and 2,310,000 warrants of Terranueva Corporation where each Warrant entitle the holder thereof to acquire one additional Common Share of the Corporation at a price of \$0.65 per Common Share for a period of 18 months from the Axe Financing closing date. 78,080 Agents Warrants has been paid in connection with the Axe Financing where each Agent Warrant entitle the holder thereof to acquire one additional Common Share of the Corporation at a price of \$0.50 per Common Share for a period of 18 months from the Axe Financing closing date.

Furthermore, the Company has issued at the effective date of November 28, 2018, 3,933,293 Rights for no consideration to all of its shareholders.

10.8 Stock Exchange Price

Since December 17, 2018, Terranueva is listed on the CSE under the new symbol TEQ. From April 8, 2013 until November 27, 2018, the Common Shares has been listed on the TSX-V under the symbol AXQ. Previously, the Common Shares were listed on the TSX-V under the symbol DOD.

	HIGH (\$)	LOW (\$)	VOLUME Common Shares #
(pre-Transaction)			
<u>Year ended September 30, 2019</u>			
January 1 st to 24, 2019	0.63	0.375	3,044 ⁽¹⁾
December 2018	0.80	0.38	604,590 ⁽¹⁾
November 2018	-	-	-
October 2018	-	-	-
<u>Year ended September 30, 2018</u>			
4 th quarter	-	-	-
3 rd quarter	-	-	-
2 nd quarter	0.135	0.045	97,446,080
1st quarter	0.075	0.02	86,495,220
<u>Year ended September 30, 2017</u>			
4 th quarter	0.03	0.02	1,622,959
3 rd quarter	0.03	0.02	3,801,779
2 nd quarter	0.035	0.025	11,135,157

Note:

- (1) On a post-Transaction basis.
- (2) On July 25, 2018, trading of the Common Shares was halted at the request of the Corporation. On July 24, 2018, the last day the Common Shares were traded on the TSX Venture Exchange, the price was \$0.06 (pre-Transaction).

11. ESCROWED SECURITIES AND POOLING AGREEMENTS

Upon completion of the Acquisition, 17,699,852 Common Shares were held by Related Persons and escrowed as required by the Exchange's policies and National Policy 46-201 – *Escrow for Initial Public Offerings*. 10% of those Common Shares were released on December 17, 2018, which is the date that the Common Shares commenced trading on the Exchange. As of the date hereof, the outstanding Common Shares held in escrow by such Related Persons is as follow.

Designation of class held in escrow ⁽¹⁾	Number of shares held in escrow	Percentage of class (non-diluted)
Common Share	15,929,872	50.31%

Note:

- (1) The depository for those Common Shares is Computershare Investors Services Inc. pursuant to an escrow agreement dated December 14, 2018 among the said depository, Sylvain Aird, Francisco Perez Jr., Fiducie Castillo, GMTN Inc., Alain Bureau, Pierre Monet, Pierre Ayotte, Louis Doyle and Palmaco Trust.

Escrow releases of those Common Shares are scheduled as follows: Six subsequent releases of 15% every six months thereafter.

12. PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of each of the Corporation, no Person beneficially owns, directly or indirectly, or exercises control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation as of the date hereof, except as follows:

Name	Type of Ownership	Number of Common Shares upon completion of the Transaction	% of Common Shares
Francisco Perez Jr. ⁽¹⁾	Registered and Beneficial	11,027,429 ⁽²⁾	34.83%
GMTN Inc. ⁽³⁾	Registered	4,818,838	15.22%

Notes:

- (1) Francisco Perez Jr. holds, directly and indirectly through Fiducie Castillo, of which Mr. Perez is a Trustee and through GMTN Inc., of which Mr. Perez is a shareholder, 11,027,429 Common Shares representing an aggregate of 28.73% of the issued and outstanding Common Shares. This figure is on a fully diluted basis, after giving effect to Common Shares reserved for issuance upon the exercise of the Options, Warrants, Agent Warrants and Rights of the Corporation but excluding those reserved pursuant to a potential conversion into Common Shares.
- (2) Includes 7,464,818 Common Shares (23.58%) held through Fiducie Castillo, of which Francisco Perez Jr. is a Trustee and 715,116 Common Shares (post-Transaction) (2.26%) held by Francisco Perez Jr. indirectly through GMTN Inc., of which is Mr. Perez Jr. is a shareholder. Francisco Perez Jr. is Director and Chief Operating Officer of the Corporation.
- (3) Francisco Perez Jr., Pierre Monet, Rafael Percopo, Fiducie Familiale Lorient, Petrie Raymond Gestion Conseil Inc. and Pierre Ayotte are shareholders of GMTN Inc.

13. DIRECTORS AND OFFICERS

Messrs. Sylvain Aird, Marc-André Aubé, Pierre Ayotte, Patrice Boily, Alain Bureau, Louis Doyle, Rafael Percopo and Francisco Perez Jr. were elected as directors at the special meeting of shareholders of Axe on November 23, 2018. Messrs. Pierre Ayotte and Francisco Perez Jr. were directors of Terranueva Pharma since May 1st, 2018 and November 28, 2017 respectively.

Messrs. Pierre Ayotte, Louis Doyle, Pierre Monet, Rafael Percopo, Francisco Perez Jr. hold the positions and offices with the Corporation as indicated below since November 23, 2018 and were holding the same offices with Terranueva Pharma since May 1st, 2018.

Each director of the Corporation holds office until the close of the next annual general meeting of the Corporation, or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated. The term of office of the Corporation's officers expires at the discretion of the Corporation's directors.

The following chart states, for each director or officer of the Corporation, their name, municipality of residence, age, current position with the Corporation as well as information regarding the Common Shares (post-Transaction) beneficially owned or controlled directly or indirectly, as of the date hereof.

Name, Municipality of Residence and Age⁽¹⁾	Position with the Corporation	Number and Percentage of Common Shares Owned or Controlled
Pierre Ayotte Laval, Québec Age: 60	Director, President and Chief Executive Officer (CEO)	2,433,600 7.69%
Louis Doyle ⁽³⁾ Kirkland, Québec Age: 60	Director, Chief Compliance and Security Officer (CSO)	217,134 0.69%
Pierre Monet Ville Mont-Royal, Québec Age: 55	Chief Financial Officer (CFO)	919,959 2.91%
Rafael Percopo Boisbriand, Québec Age: 50	Director, R&D and Quality Control Officer (QP)	585,691 1.85%
Francisco Perez Jr. Repentigny, Québec Age: 36	Director, Chief Operating Officer (COO)	11,027,429 34.83%
Sylvain Aird ⁽³⁾ Montréal, Québec Age: 47	Director, Secretary	219,092 0.69%
Marc-André Aubé ⁽²⁾ Ville Mont-Royal, Québec Age: 46	Director	443,508 1.40%

Name, Municipality of Residence and Age ⁽¹⁾	Position with the Corporation	Number and Percentage of Common Shares Owned or Controlled
Patrice Boily ⁽²⁾ Ste-Marguerite-du-Lac- Masson, Québec Age: 53	Director	- %-
Alain Bureau ⁽²⁾⁽³⁾ Rio Hato, Panama Age: 49	Director	297,134 0.94%

Notes:

- (1) The information as to principal occupation, business or employment and Common Shares beneficially owned or controlled is not within the knowledge of the management of the Company and has been furnished by the respective individuals.
- (2) Member of the Audit Committee of the Corporation.
- (3) Member of the Corporate Governance and Human Resources Committee of the Corporation.

As of the date of this Listing Statement, the Related Persons of the Corporation beneficially own, directly or indirectly, as a group 17,699,852 Common Shares (post-Transaction) of the Corporation representing approximately 55.90% of all outstanding voting securities of the Corporation on an undiluted basis.

Relevant Education and Experience

The following are summaries of the directors and officers of the Corporation, including their respective positions with the Corporation, relevant work experience, principal occupation over the past five (5) years and educational background:

Marc-André Aubé (Director of the Corporation)

Marc-André Aubé holds since January 2017 the position of President and COO of Walter Surface Technologies, a leader in surface treatment technologies established in 7 countries in North America, South America and Europe. He oversees the company's strategic corporate direction with a focus on global expansion. Before joining Walter, Mr. Aubé was, from May 2007 to January 2017, President and Chief Operating Officer of GardaWorld Protective Services. He also has experience in various industry sectors including chemical products with Nalco Canada, oil and gas with Petro-Canada, and finance with the Caisse de dépôt et placement du Québec and Scotia Capital Inc. Mr. Aubé is a CFA and also holds an MBA from the HEC Montréal and an engineering degree from the Montréal Polytechnic School.

Pierre Ayotte (President and Chief Executive Officer (CEO) and Director of the Corporation)

Pierre Ayotte is the President and Chief Executive Officer of Terranueva Pharma (CEO) since May 2018. Mr. Ayotte is a graduate in mechanical engineering and flight test engineer. Pierre Ayotte has more than 40 years of experience in the business world with a strong component for aeronautics. He has worked internationally and developed extensive expertise ranging from engineering and operations management to business development and business management. He relaunched several companies, such as a GE plant in Mirabel, Mecachrome Canada, the DCM Group and most recently Tekalia Aeronautik. He is recognized as a strong promoter of the smart factory as a result of his reflections on the future of the industry.

Patrice Boily (Director of the Corporation)

Patrice Boily is currently Chief Executing Officer of Lune Rouge 360 since January 2017 after he joined it as a consultant in January 2016. From May 2003 till June 2014, Mr. Boily was strategic advisor, Cash Services, Canada and United-States, for the multinational Garda World Security Corporation. Previously, he held the position of Chief Operating Officer for the same corporation. He has extensive North American experience in the security field. Patrice Boily is an industrial engineer graduated from the École Polytechnique of Université de Montréal. He has over 25 years of experience in operations management, specializing in business process reengineering. Prior to joining Garda, Mr. Boily served as Vice President of Operations for Touchtunes Digital Music. Prior to that, he led the operations of Dentalmatic and Discreet Logic.

Alain Bureau (Director of the Corporation)

Alain Bureau is currently President and Chief Executive Officer of Toachi Mining since January 2018, a mineral exploration company listed on the TSX Venture Exchange. Alain Bureau was trained as an officer in the Canadian Armed Forces and holds a Bachelor of Engineering degree from Royal Military College of Canada. Mr. Alain Bureau is a member of the Ordre des Ingénieurs du Québec. Mr. Bureau has over 15 years of mining and construction experience in Canada and Latin America. In the past, he has been involved in major international projects such as Pinos Altos Mexico, La Ronde, Raglan, Altonorte, Izcaycruz, Yauliyacu and Escondida, the largest copper mine in the world, located in Chile. He has also worked in Peru on mining projects, as well as for several major Canadian mining companies of international scale. Mr. Bureau was also National Construction Manager in Venezuela and in the Dominican Republic for the Canadian engineering and construction firm Dessau-Soprin International. From November 2006 till December 2016, Mr. Bureau acted as a director and President and Chief Executive Officer of Pershimco Resources Inc. (now Orla Mining Ltd.).

Louis Doyle (Chief Compliance and Security Officer (CSO) and Director of the Corporation)

Louis Doyle is the Chief Compliance and Security Officer (CSO) of Terranueva Pharma since May 2018. Mr. Doyle has over 30 years of experience in the capital markets with expertise in operations management, stock market listing and governance problem resolution. Since January 2016, Louis Doyle is actively engaged as a Executive director of Québec Bourse Inc., an association regrouping Quebec based listed companies and other market stakeholders. Since December 2015, Mr. Doyle, also holds the position of President at Doyle Gestion Conseils Inc., a company providing consulting and administrative services to private and public companies. From October 1999 to December 2015, Mr. Doyle was Vice President, Montreal, of the TSX Venture Exchange. In this capacity, he was responsible for all business development and listing activities for Quebec and the Maritime Provinces. Until his departure from the TSX Venture Exchange, he was Chair of the Listing Committee, a member of the Policy Committee and also responsible for the TSX Venture Exchange mentorship program at a national level. Louis Doyle is also a director of Abitibi Royalties Inc., a corporation listed on the TSX Venture Exchange.

Pierre Monet (Chief Financial Officer (CFO) of the Corporation)

Pierre Monet is the Chief Financial Officer of Terranueva Pharma (CFO) since May 2018. Mr. Monet holds a Bachelor in Business Administration from the HEC Business School in Montréal and is a

member of the Order of Chartered Professional Accountants (CPA). With over 20 years of experience with public companies, he is known to play a key role in financing, acquiring and restructuring projects. He has held several executive positions including Chief Executive Officer of Malaga Inc., Vice President of Finance and Treasurer for Iron Ore Company (IOC) and Vice President, Finance and, from March 2014 to December 2016, Chief Financial Officer of the public corporations Pershimco Resources Inc. and Dynacor Gold Mines Inc. Furthermore, from February 2018 to July 2018, Mr. Monet was the Vice President Finance of Canadian Metals Inc. He also holds the position of President of Monet Consultants Inc. since December 2016. He holds the ASC certification (certified administrator) from Université Laval.

Francisco Perez Jr. (Chief Operating Officer (COO) and Director of the Corporation)

Francisco Junior Perez is the Chief Operations Officer and founder of Terranueva Pharma (COO) since May 2018. For the past five years, Mr. Perez has been acting as Transport and Logistics Supervisor at Perez International inc / 9157-4863 Quebec Inc. Mr. Perez has 15 years of experience as a Director of Specialized Operations in policy integration, new accreditation and new technologies in an ever-changing environment from an international perspective. His proactive expertise in preventive measures has allowed him to provide permanent solutions to recurring problems and improve the fluidity of the company's operations.

Rafael Percopo (R&D and Quality Control Officer (QP) and Director of the Corporation)

Rafael Percopo is Chief Scientific Officer, quality assurance of Terranueva Pharma (QP) since May 2018. Mr. Percopo holds a Bachelor of Science in Chemistry from Concordia University. He has been working for more than 24 years in the generic pharmaceutical industry. He has held several key positions including 16 years as a Pilot Plant Manager (R&D) at Pharmascience Inc. from July 2001 to September 2016, scientific business division, Production Manager at Odan Laboratories from then to May 2018 and Pangeo Pharma, as well as quality assurance, validation and engineering for various companies. He has developed skills to manage the training and development of a highly skilled workforce to meet the requirements of good commercial manufacturing practices as well as the development of new products in the clinical trial stage. He has been involved and worked on major projects such as moving and building a new facility for manufacturing highly toxic solid forms and expanding two plants into solid forms and manufacturing semi-solid products.

Sylvain Aird (Director and Secretary of the Corporation)

Sylvain Aird is a seasoned law practitioner who has been acting as legal counsel for almost 25 years of which the last 13 years have been at Boralex Inc., a TSX listed company and a renewable energy company present in both North America and Europe. From September June 2012 to June 2017, Mr. Aird held the position of Vice-President, Europe, Chief Legal Officer and Secretary at Boralex inc. He also held the position of Vice President Business Development at Boralex inc. from June 2017 to March 2018. During his career, Mr. Aird has acted in multiple transactions and financings which value has reached more than \$2 billion, both in Canada and internationally and, has acquired an unparalleled experience in mergers and acquisitions, financing, securities and corporate governance sectors. His years in the business have given him significant experience and understanding of the corporate world by being in contact with entrepreneurs, founders, executives of large and medium-sized corporations, operators, financial advisors as well as board of directors' members. Since April 2018, Mr. Aird is a lawyer at Séguin Racine, Avocats.

Messrs. Pierre Ayotte, Pierre Monet, Rafael Percopo and Francisco Perez Jr. are the directors or officers who have experience within the business field of the Corporation.

It is expected that Pierre Ayotte, Pierre Monet, Rafael Percopo and Francisco Perez Jr. will devote 100% of their time to the business of the Corporation, that Louis Doyle will devote 50% of his time to the business of the Corporation and that Sylvain Aird, Marc-André Aubé, Patrice Boily and Alain Bureau will devote 5% of their time to the business of the Corporation.

Board Committees

As indicated in the table above, the Board of Directors of the Corporation has two committees, namely the Corporate Governance and Human Resources Committee, composed of Sylvain Aird, Alain Bureau and Louis Doyle, and the Audit Committee, composed of Marc-André Aubé, Patrice Boily and Alain Bureau.

Based on the foregoing and their respective above bios at Section 13 - Directors and Officers, all members of the audit committee are financially literate and independent. Indeed, all Audit Committee members have developed the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements and has knowledge thereof.

Marc-André Aubé is a CFA by training and holds an MBA from the HEC Montréal. He is the current President and COO of Walter Surface Technologies, a leader in surface treatment technologies established in 7 countries in North America, South America and Europe. Before joining Walter, Mr. Aubé was President & Chief Operating Officer Canada, Protective Services of Garda World Security Corporation. He also has experience in finance with the Caisse de dépôt et placement du Québec and Scotia Capital Inc.

Patrice Boily is Chief Executive Officer of Lune Rouge 360, a marketing solutions and web and mobile applications company, and was previously strategic advisor Cash Services, Canada and United States, for Garda World Security Corporation.

Alain Bureau is President and Chief Executive Officer of Toachi Mining Inc. and was the President and CEO of Ressources Pershimco Inc (now Orla Mining Ltd.), two exploration mining companies listed on the TSX Venture Exchange. In the past, he has been involved in several major international mining projects and as national construction manager.

Cease Trade Orders or Bankruptcy

As of the date of this Listing Statement, with the exception of the individual disclosed hereunder, no director, officer, insider or promoter of the Corporation or a shareholder holding a sufficient number of securities of Corporation to affect materially the control of the Corporation is, or within 10 years before the date of this Listing Statement has been, a director, officer, insider or promoter of any other issuer that, while that person was acting in that capacity:

- a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities legislation for a period of more than 30 consecutive days;
- b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the relevant issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or

instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Pierre Monet was director of Malaga Inc. (“Malaga”) since June 2007. In June 2013, Malaga filed a notice of intention to make a proposal pursuant to the provisions of Part III of the Bankruptcy and Insolvency Act (Canada). These proceedings have the effect of imposing an automatic stay of proceedings that will protect Malaga and its assets from the claims of creditors and others while Malaga pursues its restructuring efforts. Malaga submitted a proposal dated October 4, 2013 to its creditors. Such proposal was accepted by the creditors pursuant to a vote held on December 13, 2013 and approved by judgment of the Superior Court rendered on January 7, 2014.

Penalties or Sanctions

As of the date of this Listing Statement, with the exception of the individual disclosed hereunder, no director, officer, insider or promoter of the Corporation or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by any securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or has been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would be likely to be considered important to a reasonable investor making an investment decision.

Personal Bankruptcies

As of the date of this Listing Statement, no nominee for election as a director of the Corporation or any proposed director, officer, insider or promoter of the Corporation or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is, or within the 10 years before the date of this Listing Statement, has been declared bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold their assets.

Conflicts of Interest

To the knowledge of the directors and officers of the Corporation, there is no existing or potential material conflict of interest between the Corporation or a subsidiary of the Corporation and a director, officer or promoter of the Corporation or a subsidiary of the Corporation. Conflicts of interest, if any, will be subject to procedures and recourses pursuant to *Canadian Business Corporations Act* (the “CBCA”).

14. CAPITALIZATION

14.1 Issued Capital

The following tables provide information about the Company’s capitalization upon completion of the Transaction.

Issued Capital	Number of Common Shares (post-Transaction) (non-diluted)⁽¹⁾	Number of Common Shares (post-Transaction) (fully-diluted)⁽²⁾	% of Issued (non-diluted)	% of Issued (fully diluted)
<u>Public Float</u>				
Total Outstanding (A)	31,663,293	38,384,666	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B) (“non-public securityholders”)	17,699,852	17,699,852	55.90%	46.11%
Total Public Float (A-B)	13,963,441	20,684,814	44.10%	53.85%
<u>Freely-Tradeable Float</u>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	17,699,852	17,699,852	55.90%	46.11%
Total Tradeable Float (A-C)	13,963,441	20,684,814	44.10%	53.89%

Notes:

- (1) Including the Common Shares issued in the scope of the Transaction (including Axe Financing and the Finder’s Fees). Excluding Common Shares reserved for issuance pursuant to outstanding Warrants, Agent Warrants, Rights and Options.
- (2) Including the Common Shares issued in the scope of the Transaction (including Axe Financing and the Finder’s Fees). Including Common Shares reserved for issuance pursuant to 2,310,000 outstanding Warrants, 78,080 outstanding Agent Warrants, 400,000 outstanding Options and 3,933,293 outstanding Rights. As of the date hereof, taking in consideration the Transaction and the Axe Financing, the Company has 3,166,329 Common Shares reserved for issuance upon exercise of as much Options under its Stock Option Plan, of which 400,000 Options are currently issued and outstanding and 2,766,329 Options remained available to grant.

Public Securityholders (Registered)

For the purposes of this report, “public securityholders” are persons other than persons enumerated in section (B) of the previous chart.

Class of Security

Size of Holding of Common Shares (post-Transaction)	Number of Holders	Total number of Common Shares (post-Transaction)
1 – 125 securities	24	1,111
126 – 312 securities	7	1,246
313 – 625 securities	-	-
626 – 1,562 securities	1	1,250

Size of Holding of Common Shares (post-Transaction)	Number of Holders	Total number of Common Shares (post-Transaction)
1,563 – 3,125 securities	2	3,777
3,126 – 4,687 securities	2	8,000
4,688 – 6,250 securities	5	27,888
6,251 or more securities	89	10,067,381
Total	130	10,110,431

Public Securityholders (Beneficial)

Beneficial public security holders include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Company has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give the aggregate position of all such intermediaries in the last line.

Class of Security

Size of Holding of Common Shares (post-Transaction)	Number of Holders	Total number of Common Shares (post-Transaction)
1 – 125 securities	877	22,026
126 – 312 securities	167	31,195
313 – 625 securities	123	51,389
626 – 1,562 securities	331	305,773
1,563 – 3,125 securities	151	323,178
3,126 – 4,687 securities	89	312,108
4,688 – 6,250 securities	27	142,079
6,251 or more securities	155	8,817,318
Undetermined		14,761
Total	1,920	10,019,827

Non-Public Securityholders (Registered)

For the purposes of this report, “non-public securityholders” are persons enumerated in section (B) of the issued capital chart.

Class of Security

Size of Holding of Common Shares (post-Transaction)	Number of Holders	Total number of Common Shares (post-Transaction)
1 – 125 securities	-	-
126 – 312 securities	-	-
313 – 625 securities	-	-
626 – 1,562 securities	-	-
1,563 – 3,125 securities	-	-

Size of Holding of Common Shares (post-Transaction)	Number of Holders	Total number of Common Shares (post-Transaction)
3,126 – 4,687 securities	-	-
4,688 – 6,250 securities	-	-
6,251 or more securities	9	17,699,852
Total	9	17,699,852

14.2 Convertible Securities/Exchangeable Securities

The following table summarizes the outstanding securities convertible into Common Shares in our authorized capital as of the date of this Listing Statement:

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
Stock Options issued with an exercise price of \$1.60 per Common Share expiring on March 27, 2023	68,750 Stock Options	68,750 Common Shares
Stock Options issued with an exercise price of \$0.80 per Common Share expiring on January 21, 2024	75,000 Stock Options	75,000 Common Shares
Stock Options issued with an exercise price of \$0.80 per Common Share expiring on March, 25, 2025	68,750 Stock Options	68,750 Common Shares
Stock Options issued with an exercise price of \$0.80 per Common Share expiring on March 29, 2027	62,500 Stock Options	62,500 Common Shares
Stock Options issued with an exercise price of \$1.20 per Common Share expiring on January 10, 2028	125,000 Stock Options	125,000 Common Shares
Warrants issued with an exercise price of \$0.65 per Common Share ^(h)	2,310,000 Warrants	2,310,000 Common Shares
Agent Warrants issued with an exercise price of \$0.50 per Common Share ^(l)	78,080 Agent Warrants	78,080 Common Shares
Rights issued with an exercise price of \$0.64 per Common Share	3,933,293 Rights	3,933,293 Common Shares
Total:	400,000 Stock Options ⁽²⁾ ; 2,310,000 Warrants; 78,080 Agent Warrants; and 3,933,293 Rights	400,000 ⁽²⁾ + 2,310,000 + 78,080 + 3,933,293 Common Shares

Notes:

- (1) Upon closing of the Transaction and the Axe Financing.
- (2) As of the date hereof, taking in consideration the Transaction and the Axe Financing, the Company has 3,166,329 Common Shares reserved for issuance upon exercise of as much Options under its Stock Option Plan, of which 400,000 Options are currently issued and 2,766,329 Options remained available to grant.

14.3 Other Listed Securities

The Company has no other listed securities reserved for issuance that are not included in Section 14.2 and the following:

- a potential conversion into 733,333 Common Shares (60 days Rights after Transaction) of an aggregate principal amount of \$366,666 (50 cents per Common Share) of convertible debentures of Terranueva Pharma.
- following a decision of the Board of Terranueva, a potential 2,900,000 Common Shares (50 cents per Common Share) may be issued pursuant to the exercise of a right to buyout the Facility at its fair market value.

15. EXECUTIVE COMPENSATION

A summary of the Company's and the Resulting Issuer's executive compensation is set forth in Appendix A and Appendix B to this Listing Statement.

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

16.1 Aggregate Indebtedness

No existing or proposed director, executive officer or senior officer of the Corporation or any associate of any of them, is indebted to the Corporation or its subsidiary.

16.2 Indebtedness under Securities Purchase and Other Programs

Not applicable.

17. RISK FACTORS

The following are certain factors relating to the Corporation's business which prospective investors should carefully consider before deciding whether to purchase Common Shares in the Corporation's authorized capital. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Listing Statement. These risks and uncertainties are not the only ones we are facing. Additional risk and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our operations. If any such risks occur, the business, financial condition, liquidity and results of our operations could be materially adversely affected and may impact negatively the price of the Corporation's Common Shares.

Acquisition Risks

The use of proceeds and business strategy of Terranueva Corporation is to seek new opportunities in the cannabis space, including acquiring existing companies, businesses or properties in which to build new facilities. In pursuit of such opportunities, Terranueva Corporation may fail to select appropriate businesses or properties, to negotiate appropriate acquisition terms or to conduct sufficient due diligence to determine all related liabilities and regulatory requirements. In addition, Terranueva

Corporation may encounter difficulties in transitioning the acquired business or properties into its existing business. Terranueva Corporation may fail to realize cost savings, synergies and benefits from any acquisition. Terranueva Corporation cannot provide assurance that it will complete any acquisition that it pursues on favorable terms, or that any such acquisitions will ultimately benefit the business.

Unfavourable Publicity or Consumer Perception

Terranueva Corporation believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficiency and quality of the medical marijuana produced. Consumer perception of the Terranueva Corporation's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical marijuana market or any product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for Terranueva Corporation's products and the business, results of operations, financial condition and cash flows of Terranueva Corporation. The Corporation's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on Terranueva Corporation, the demand for products, and the business, results of operations, financial condition and cash flows of Terranueva Corporation. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or Terranueva Corporation's products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

Factors Which May Prevent Achievement of Growth Targets

Terranueva Corporation is currently in the development stage. There is a risk that additional resources will be needed and milestones will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following as it relates to Terranueva Corporation and its licensed suppliers:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

Volatile Market Price for Common Shares

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond Terranueva Corporation's control, including the

following: (i) actual or anticipated fluctuations in Terranueva Corporation's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of companies in the industry in which Terranueva Corporation operates; (iv) addition or departure of Terranueva Corporation's executive officers and other key personnel; (v) release or expiration of transfer restrictions on outstanding Common Shares; (vi) sales or perceived sales of additional Common Shares; (vii) operating and financial performance that vary from the expectations of management, securities analysts and investors; (viii) regulatory changes affecting Terranueva Corporation's industry generally and its business and operations; (ix) announcements of developments and other material events by Terranueva Corporation or its competitors; (x) fluctuations to the costs of vital production materials and services; (xi) changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility; (xii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving Terranueva Corporation or its competitors; (xiii) operating and share price performance of other companies that investors deem comparable to Terranueva Corporation or from a lack of market comparable companies; (xiv) and news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in Terranueva Corporation's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident with regards to the share prices of medical cannabis companies that are public issuers in Canada. Accordingly, the market price of Common Shares may decline even if Terranueva Corporation's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are lasting and not temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in share price and volume will not occur. If such increased levels of volatility and market turmoil continue, Terranueva Corporation's operations could be adversely impacted and the trading price of Common Shares may be materially adversely affected.

Holding Corporation Status

Terranueva Corporation is, at least initially upon completion of the Acquisition, a Holding Company and essentially all of its operating assets are the capital stock of its subsidiary. As a result, investors in the Corporation are subject to the risks attributable to its subsidiary. As a Holding Company, Terranueva Corporation conducts substantially all of its business through its subsidiary, which generate substantially all of its revenues. Consequently, Terranueva Corporation's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiary and the distribution of those earnings to Terranueva Corporation. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of Terranueva Corporation's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to Terranueva Corporation.

Dividends

Terranueva Corporation's policy is to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in Terranueva Corporation's businesses. Therefore, Terranueva Corporation does not anticipate paying cash dividends on Common Shares in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the board of

directors of Terranueva Corporation and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the board of directors of Terranueva Corporation may deem relevant. As a result, investors may not receive any return on investment in the Common Shares unless they sell them for a share price that is greater than that at which such investors purchased them.

Limited Market for Securities

There can be no assurance that an active and liquid market for the Common Shares will be maintained and an investor may find it difficult to resell any securities of Terranueva Corporation.

Liquidity Risk

Terranueva Corporation's ability to remain liquid over the long term depends on its ability to obtain additional financing. Terranueva Corporation has in place planning and budgeting processes to help determine the funds required to support normal operating requirements on an ongoing basis as well as its planned development and capital expenditures. Terranueva Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders.

Access to public and private capital and financing may be negatively impacted by many factors including global volatility and market turmoil generally. Such factors may impact Terranueva Corporation's ability to obtain debt and equity financing in the future on favorable terms or obtain any financing at all. Additionally, global economic conditions may cause a long-term decrease in asset values. If such global volatility and market turmoil persist, Terranueva Corporation's operations and financial condition could be adversely impacted.

Terranueva Corporation Has Discretion in the Use of the Net Proceeds from the Axe Financing

Management of Terranueva Corporation will have discretion concerning the use of proceeds of the Axe Financing as well as the timing of their expenditures. As a result, investors will be relying on the judgment of management as to the application of the proceeds of the Axe Financing. Terranueva Corporation may use the net proceeds of the Axe Financing other than as described under the headings "Available funds and principal purposes" and "Purpose of Funds" of Section 4. "Narrative Description of the Business" of this Listing Statement, if they believe it would be in Terranueva Corporation's best interest to do so and in ways that an investor may not consider desirable. The results and effectiveness of the application of the proceeds are uncertain. If the proceeds of the Axe Financing are not applied effectively, Terranueva Corporation's results of operations may suffer

Risks Inherent in an Agriculture Business

Terranueva Corporation's business involves the growing of medical cannabis, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. Although Terranueva Corporation will grow its products indoors under climate-controlled conditions, and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the volume, quality and consistency of its products

Risks Relating to the Cannabis Industry

The Cannabis Industry is Subject to Competition

There is potential that Terranueva Corporation will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and production and marketing experience than Terranueva Corporation.

Because of the early stage of the industry in which Terranueva Corporation operates, Terranueva Corporation expects to face additional competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and Terranueva Corporation expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies. To remain competitive, Terranueva Corporation will require a continued high level of investment in research and development, marketing, sales and client support. Terranueva Pharma may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of Terranueva Corporation.

Regulatory Risks

Terranueva Corporation will operate in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements. Terranueva Corporation's ability to grow, store and sell medical CRA in Canada with respect to the Facility is dependent on obtaining applicable Licences from Health Canada and a CRA License from the Canada Revenue Agency and the need to maintain Licenses and the CRA License in good standing. Failure to: (i) comply with the requirements of any Licenses or a CRA License; and (ii) maintain any required License or a CRA License would have a material adverse impact on the business, financial condition and operating results of the Terranueva Corporation.

Terranueva Corporation will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of its operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Terranueva Corporation's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of Terranueva Corporation.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond Terranueva Corporation's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce Terranueva Corporation's earnings and could make future capital investments or Terranueva Corporation's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Licensing Requirements

The market for cannabis (including medical marijuana) in Canada is highly regulated. Health Canada is the primary regulator of the industry as a whole and cultivators, producers and packagers of cannabis products are also required to obtain a CRA License from the Canada Revenue Agency.

The applicable Cannabis Laws aim to treat cannabis like any other narcotic by creating conditions for a new commercial industry that is responsible for its production and distribution.

Any applicant seeking to become a Licensed Producer is subject to stringent licensing requirements which can be summarized as follows:

Screening: During screening, the application and supporting documents are assessed for completeness, legibility and the ability to be further assessed.

Review and security clearance: Once an application has passed the screening stage, and security clearance applications are being processed, the application will undergo a detailed review to verify that the requirements are met. Health Canada works in conjunction with the RCMP on security clearance applications.

Pre-licensing and approval: Once Health Canada completes the detailed review of the submitted application, Health Canada provides the applicant with a confirmation of readiness email. This email prompts the applicant for information to demonstrate that there is a functioning Facility at the site address. The applicant is required to provide a site evidence package with documentation including, but not limited to, detailed video walkthroughs of both the interior and exterior of the site, and site and building plans including descriptions and photographs that clearly detail Facility completion.

Pre-Licence inspection: Health Canada inspectors may be deemed necessary prior to further licensing decisions. If an inspection is required, the inspection team will contact the applicant to schedule the pre-Licence inspection. In the case where an on-site Pre-Licence inspection is not required, the Licence issuance will be based on the thoroughness of information found in the site evidence package.

As the regulatory requirements for each Licence type vary, so do the requirements for the site evidence package. When an applicant reaches this stage in the application process, they are informed of what specific information is required.

Issuance of Licence: Once all information has been reviewed, including the results and observations from a Pre-Licence inspection, if necessary, and all security clearances have been granted, an initial Licence for authorized activities is issued. A hard copy of the Licence as well as an accompanying issuance letter detailing any conditions around the issued Licence is mailed to the identified mailing address. In addition, all security-cleared key personnel are sent letters regarding the status of their security clearances for that site, under that application. Following issuance of the Licence, Health Canada holds a teleconference with the new Licence holder to discuss the Licence, including any conditions. Licence holders must ensure that the quality of cannabis products they produce meet all applicable requirements. When a Licence holder is first licenced, activities may be limited, particularly prior to being authorized to conduct the activity of sale for medical purposes. This graduated licensing is for the purpose of verifying that cannabis products intended for sale meet all of the quality standards set out under the Cannabis Regulations.

Any applicant seeking a CRA License is also subject to stringent licensing requirements.

The market for cannabis (including medical marijuana) in Canada is regulated by the Cannabis Act and other applicable Cannabis Laws. Health Canada is the primary regulator of the industry as a whole. The Cannabis Laws aims to treat cannabis like any other narcotic used for medical purposes by creating conditions for a new commercial industry that is responsible for its production and distribution.

Terranueva Corporation's ability to grow, store and sell cannabis for medical purposes in Canada is dependent on obtaining the License. The License is subject to ongoing compliance, reporting requirements and renewal and there is no guarantee that Health Canada will renew the License. Should Terranueva Corporation fail to obtain or comply with the requirements of the License there would be a material adverse effect on Terranueva Corporation's business, financial condition and results of operations.

Government licenses are currently, and in the future may be, required in connection with Terranueva Corporation's operations, in addition to other unknown permits and approvals which may be required. To the extent such permits and approvals are required and not obtained, Terranueva Corporation may be prevented from operating and/or expanding its business, which could have a material adverse effect on Terranueva Corporation's business, financial condition and results of operations.

Any applicant seeking to become a Licensed Producer is subject to stringent Health Canada licensing requirements. The below table provides a general overview of the licensing process as described by Health Canada.

Environmental Regulations and Risks

Terranueva Corporation's operations are subject to environmental regulation. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Terranueva Corporation's operations.

Government approvals and permits are currently, and may in the future, be required in connection with Terranueva Corporation's operations. To the extent such approvals are required and not obtained, Terranueva may be curtailed or prohibited from the proposed production of medical cannabis or from proceeding with the development of their operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Terranueva Corporation may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Changes in Laws, Regulations and Guidelines

Terranueva Corporation's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, privacy, the conduct of operations and the protection of the environment. To the knowledge of management, Resulting Issuer is currently in compliance with all such laws. That said, any changes to such laws, regulations and guidelines are matters beyond the control of Terranueva Corporation that may cause adverse effects to Resulting Issuer's operations and financial conditions.

The risks to the business of Terranueva Corporation represented by this or similar actions are that they might lead to court rulings or legislative changes that allow those with existing licenses to possess and/or grow medical cannabis, perhaps allow others to opt out of the regulated supply system

implemented through the Cannabis Laws by growing their own medical cannabis, or potentially even legitimize illegal areas surrounding cannabis dispensaries. This could significantly reduce the addressable market for Terranueva Corporation's products and could materially and adversely affect the business, financial condition and results of operations for Terranueva Corporation.

The Ministerial Order regarding the cannabis tracking system was published in the Canada Gazette, Part II, on September 5, 2018. It came into force on October 17, 2018. All those with a federal licence to cultivate and process cannabis, and provinces and territories, are required to submit monthly tracking reports to the Minister of Health..

While the impact of this regime is uncertain and highly dependent on which specific laws, regulations or guidelines are changed and on the outcome of court decisions, it is not expected that any such changes would have an effect on Terranueva Corporation's operations that is materially different than the effect on similar-sized companies in the same business as Terranueva Corporation.

In addition, the industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond Terranueva Corporation's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce Terranueva's earnings and could make future capital investments or Terranueva Corporation's operations uneconomic.

Restrictions on Sales Activities

The industry is in its early development stage and restrictions on sales and marketing activities imposed by Health Canada, the Canada Revenue Agency provincial governments, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect Resulting Issuer's ability to conduct sales and marketing activities and could have a material adverse effect on Resulting Issuer's respective businesses, operating results and financial conditions.

Competition

There is potential that Terranueva Corporation will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than Terranueva Corporation. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of Terranueva Corporation.

The government of Canada has only issued to date a limited number of Licenses under the applicable Cannabis Laws. There are, however, several hundred applicants for Licenses. The number of Licenses granted could have an impact on the operations of Terranueva Corporation. Because of the early stage of the industry in which Terranueva Corporation operates, Terranueva Corporation expects to face additional competition from new entrants. According to Health Canada there were 120 Licensed Producers as of September 30, 2018¹¹. If the number of users of medical cannabis in Canada increases, the demand for products will increase and Terranueva Corporation expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products.

¹¹ <https://www.canada.ca/fr/sante-canada/services/drogues-medicaments/cannabis/producteurs-autorises/producteurs-autorises-approves-medicales.html#a2>.

Competition may increase as well since the recreational market was in Canada legalized on October 17, 2018. Terranueva Corporation will be in direct competition with other producers to become a provider of the SQDC in Québec or other state-controlled corporations in other Canadian provinces.

Risks Relating to Terranueva

Negative Cash Flow from Operations

During the fiscal year ended September 30, 2018, Terranueva Corporation had negative cash flows from operating activities. Although Terranueva Corporation anticipates it will have positive cash flows from operating activities in future periods, to the extent that Terranueva Corporation has negative cash flows in any future period, certain of the net proceeds from the Axe Financing may be used to fund such negative cash flows from operating activities, if any.

Facility is not Licensed

Terranueva Corporation's ability to cultivate, store and sell medical or recreational cannabis in Canada is dependent on a license (the "**License**"), to Terranueva Corporation designating it as a "Licensed Producer" and obtaining a CRA License from Canada Revenue Agency. Terranueva has applied to Health Canada to become a Licensed Producer for the Facility. It must await the granting of relevant Licences or permits from Health Canada to apply for a CRA License. Terranueva Corporation or its founder has not yet received a License for the Facility. However, Terranueva Corporation is currently in the Detailed Review and Initiation of Security Clearance Process stage of the licensing process. Terranueva Corporation's ability to commence production, testing, packaging, labeling, sending, delivering, transporting, selling, possessing, disposing and exporting of medical or recreational cannabis at the Facility is dependent on obtaining a License from Health Canada and a CRA License from the Canada Revenue Agency and there can be no assurance that Terranueva will obtain them for the Facility.

Terranueva Corporation is dependent on existing or future intellectual property, and failure to protect the rights to use that intellectual property could adversely Terranueva's future growth and success.

Terranueva Corporation's failure to protect its existing or future intellectual property rights may result in the loss of exclusivity or the right to use the brands and technologies to which Terranueva Corporation has acquired or internally developed. If Terranueva does not adequately ensure the freedom to use this intellectual property Terranueva corporation may be subject to damages for infringement or misappropriation, and/or be enjoined from using such intellectual property. In addition, it may be difficult for Terranueva to enforce certain of its intellectual property rights, if any, against third parties should such third parties inappropriately acquire interests in Terranueva Corporation's intellectual property rights by filing unauthorized trademark applications in foreign countries to register Terranueva Corporation's marks because of their familiarity with its business in the United States. Any potential intellectual property litigation could result in significant expense to Terranueva Corporation, adversely affect the development of sales of the challenged product or intellectual property and divert the efforts of Terranueva Corporation's technical and management personnel, whether or not such litigation is resolved in the favor of Terranueva Corporation. In the event of an adverse outcome in any such litigation, Terranueva Corporation may, among other things, be required to: pay substantial damages; cease the development, manufacture, use, sale or importation of products that infringe upon other patented intellectual property; expend significant resources to develop or acquire non-infringing intellectual property; discontinue processes incorporating infringing technology; or obtain licenses to the infringing intellectual property.

Scientific research related to the benefits of cannabis remains in early stages, is subject to a number of important assumptions and may prove to be inaccurate

Research in Canada, the United States and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids remains in the relatively early stages, however, clinical trials are being held at a steadily increasing pace and certain applications have even been approved for use in children. Any statements concerning the potential medical benefits of cannabinoids are based on published articles and reports. As a result, any statements made herein are subject to the experimental parameters, qualifications, assumptions and limitations in the studies that have been completed.

Although Terranueva Corporation believes that the articles and reports, and details of research studies and clinical trials that are publicly available reasonably support its beliefs regarding the medical benefits, viability, safety, efficacy and dosing of cannabis, future research and clinical trials may prove such statements to be incorrect or could raise concerns regarding and perceptions relating to cannabis. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this prospectus or reach negative conclusions regarding the viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could materially impact Terranueva Corporation.

Reliance on securing Sales agreements.

Although Terranueva Corporation's early output is a very small proportional amount, and produced in times of forecasted shortage supply, sales agreements cannot be secured until a full production licence is granted to Terranueva Corporation by Health Canada. Consequently, Terranueva Corporation may have difficulty selling its produced inventory at the target priced modelled in its revenue forecast.

18. PROMOTER CONSIDERATION

Francisco Junior Perez and Pierre Ayotte may be considered to be the Promoters of the Corporation as they took the initiative in founding and organizing the business of Terranueva Pharma and they are founding shareholders, directors and principal officers of Terranueva. Upon closing of the Transaction, Francisco Junior Perez will hold, directly and indirectly, 11,027,429 Common Shares of the Corporation, representing 34.83% of the Corporation's Common Shares for a value of \$0.50 per Common Share. Upon closing of the Transaction, Pierre Ayotte will hold, directly and indirectly, 2,433,600 Common Shares of the Corporation, representing 7.69% of the Corporation's Common Shares for a value of \$0.50 per Common Share. The Corporation has no investor relations firm or persons.

19. LEGAL PROCEEDINGS

There are no legal proceedings material to the Company to which the Company is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Company to be contemplated.

19.1 Regulatory Actions

The Company does not know of any:

- (1) Penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years preceding the date of this Listing Statement;

- (2) Any other penalties or sanctions imposed by a court or regulatory body against the Company necessary to contain full, true and plain disclosure of all material facts relating to the securities being listed; and
- (3) Settlement agreements the Company entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date hereof.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in the Annual Financial Statements of Terranueva and in the Audited Financial Statements of Terranueva Pharma, as set out herein and hereunder, no director, executive officer or principal shareholder of the Company, or an associate or affiliate of a director, executive officer or principal shareholder of the Company, has any material interest, direct or indirect, in any transaction which has occurred within the three years before the date of this Listing Statement, or in any proposed transaction, that has materially affected or will materially affect the Company or a subsidiary of the Company:

- On September 26, 2018, 343,750 Common Shares at a value of \$0.80 per Common Share for a total consideration of \$275,000 were issued in the scope of a settlement of debts with related parties, namely among Axe Exploration Inc. and Ressources Lutsvisky Inc., a privately held corporation owned by David Mc Donald who is the Chief Executive Officer of the Corporation before the Closing.
- An agreement dated January 26, 2018 was entered into among Axe Exploration Inc. and Typhoon Exploration Inc. ("Typhoon") in which Axe sold a land to Typhoon for an amount of \$40,000. Mr. David Mc Donald is President and Director of Axe and Typhoon.

All those transactions are measured at the exchange value, that is, the amount of consideration established and agreed to by the related parties which approximates the arm's length equivalent value.

21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

21.1 Auditors

Following the Meeting, the Corporation's auditor is Pricewaterhouse Coopers LLP.

21.2 Transfer Agent and Registrar

The Corporation's registrar and transfer agent is Computershare Investors Services Inc.

22. MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the material contracts entered into by the Company within two years prior to the date hereof and which are currently in effect:

- purchase, sale and exchange agreement entered on November 22, 2018 into among Axe, Terranueva Pharma and the Terranueva Shareholders, pursuant to which Axe has agreed to purchase 124,750 Terranueva Shares in exchange of the issuance, subject to any required regulatory approvals, of 21,860,000 Common Shares (post-Transaction) at the price of \$0.50 for a consideration of \$10,930,000;

- Lease Agreement for the Facility among Corporation Terranueva Pharma, 9177-5411 Québec Inc. and Gestion Immobilière Harmonie SENC, including a right to buyout the Facility at its fair market value (in cash) and by issuance of Common Shares (\$0.50 per Common Shares); and
- Agency Agreement dated as of December 14, 2018, among the Corporation and the Agent concerning the completion, the terms and conditions of the Axe Financing.

23. INTEREST OF EXPERTS

No person or company named in this document as having prepared or certified a part of the document or a report described in this document and no responsible solicitor or any partner of a responsible solicitor's firm, holds any beneficial interest, direct or indirect, in any securities or property of the Company or of an associate or affiliate of the Company.

24. OTHER MATERIAL FACTS

Other than as set out elsewhere in this Listing Statement, there are no other material facts about the Company and its securities which are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Company and its respective securities.

25. FINANCIAL STATEMENTS

25.1 Audited Financial Statements for the Issuer and for Corporation Terranueva Pharma

The following financial statements are available on SEDAR at www.sedar.com and are also attached at Appendix B and Appendix C of this Listing Statement:

- Audited annual financial statements of the Company for the 12 months ended September 30, 2018, and September 30, 2017, together with the auditor's report thereon and the corresponding annual Management Discussion and Analysis;
- Audited annual financial statements of the Company for the 12 months ended September 30, 2017, and September 30, 2016, together with the auditor's report thereon and the corresponding annual Management Discussion and Analysis;

(collectively the “**Annual Financial Statements of Axe**”)

- Audited annual financial statements of the Corporation Terranueva Pharma for the 10-month period ended September 30, 2018 together with the auditor's report thereon and the corresponding annual Management Discussion and Analysis

(collectively the “**Audited Financial Statements of Terranueva Pharma**”)

25.2 Issuers Re-Qualifying for Listing following a Fundamental Change

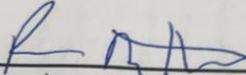
Not applicable.

CERTIFICATE OF THE ISSUER

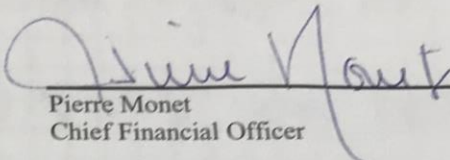
TERRANUEVA CORPORATION

The foregoing contains full, true and plain disclosure of all material information relating to Terranueva Corporation. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

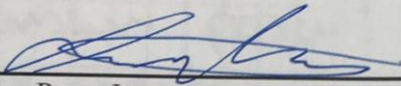
Dated at Laval (Québec) this January 24th, 2019.



Pierre Ayotte
President, Chief Executive Officer, Director
and Promoter



Pierre Monet
Chief Financial Officer



Francisco Perez Jr.
Director, Chief Operating Officer, Promoter

APPENDIX A
COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS
OF AXE EXPLORATION INC.

Compensation Discussion & Analysis

This discussion describes the Corporation's compensation program for each person who acted as Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and the three most highly compensated executive officers (or three most highly compensated individuals acting in a similar capacity), other than the CEO and the CFO, whose total compensation was more than \$150,000 in the Corporation's last financial year (each a "Named Executive Officer" or "NEO" and collectively the "Named Executive Officers"). This section will address the Corporation's philosophy and objectives and the process the Board of Directors follows in deciding how to compensate the Named Executive Officers.

Compensation Program Philosophy

The Corporation is presently generating no income. In light of the Corporation's current stage of development, it does not have a formal compensation program. The Board of Directors meets to discuss and determine management compensation without reference to formal criteria. The general objective of the Corporation's compensation is to:

- a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view of increasing long-term shareholder value;
- b) align management's interests with long-term interests of shareholders;
- c) provide a compensation package that is commensurate in order to enable the Corporation to attract and retain talent; and
- d) ensure that the total compensation package is designed in a manner that takes into account the constraints under which the Corporation operates by virtue of the fact that it is a company without a history of earnings.

Compensation Process

The compensation of the Named Executive Officers is administered by the Corporation's Board of Directors. The Corporation does not have a formal policy with respect to the remuneration of its Named Executive Officers. The decisions are made pursuant to Board discussions.

Base Salaries

The Named Executive Officers receive a base salary which is based primarily on the level of responsibility of the position, the qualifications and experience of the officer and the market conditions with which the Corporation is evolving.

The base salaries of the Named Executive Officers are established to ensure they consider the following factors: the market and economic conditions, the levels of responsibility and accountability of each NEO, the skill and competencies of each individual, retention considerations and the level of demonstrated performance. The Board of Directors establishes what it considers to be a fair and responsible compensation package, taking into account the contribution of the NEO to the Corporation's long-term growth and the Board of Directors' knowledge of remuneration practices in Canada. Except for the CEO's fees which is paid to his management corporation as per the service

agreement entered into (which has an indeterminate term), the salaries are thereafter reviewed annually by the Board of Directors to ensure that they still meet those guidelines. The service agreement setting the fees for the CEO was reviewed and approved by the Board of Directors.

Variable Cash Incentive Awards - Bonuses

The Board of Directors' philosophy with respect to executive officer bonuses is to align the issuances of bonuses with the performance of the Corporation, established at the discretion of the Board of Directors, and the relative contribution of each of the executive officers, including the CEO, to that performance. During the fiscal year ended September 30, 2018, the Board of Directors did not approve the payment of any bonuses for the Named Executive Officers.

Long Term Incentive Plans

The Corporation provides long term incentive compensation to its executive officers through the Stock Option Plan.

The Corporation has established a formal stock option plan (the "**Stock Option Plan**") under which options to purchase shares are granted to directors, officers, employees and consultants of the company in order to encourage them to contribute in achieving the company's goal of increasing shareholder value. The Board of Directors determines which NEO (or other person) is entitled to participate in the Stock Option Plan, the number of options granted, the date which each option is granted and the exercise price of such options.

The Board of Directors makes these decisions subject to the existing Stock Option Plan and, where applicable, the policies of the TSX Venture Exchange (the "**Exchange**").

Restrictions

The number of shares reserved for issuance to an individual must not exceed 5% of the number of issued and outstanding shares of the Corporation share capital within a period of one year (on a non-diluted basis) less the aggregate number of shares already reserved for issuance to such person under any other stock option granted as an incentive or compensation.

Term

The share purchase options are granted for a term determined by the board of directors at the time of the grant and in any event, such term cannot exceed 10 years from the date of the grant.

Group Benefits/Perquisites

The officers of the Corporation do not benefit from any life, medical, long term disability other insurance. None of the officers' benefit from any retirement plan whatsoever.

Risk Considerations

The Board is aware that compensation policies and practices are likely to have consequences - albeit unintentional - in terms of risks.

The Board will regularly review the consequences of certain risks that might be associated with such policies and practices, all in order to identify practices that could influence a Named Executive Officer to expose the Corporation to undue risk.

The Corporation has not adopted a policy forbidding directors or officers from purchasing financial instruments that are designed to hedge or offset a decrease in market value of the Corporation's securities granted as compensation or held, directly or indirectly, by directors or officers. The Corporation is not, however, aware of any directors or officers having entered into this type of transaction.

Stock Options

The Stock Option Plan is designed to attract and retain competent officers and directors within the Corporation. It is part of the alignment of interests of executive officers and directors with those of shareholders of the Corporation. Besides being the main component of the long-term incentive compensation offered to directors and executive officers, the Stock Option Plan also aims to reward and retain employees of the Corporation and people who provide ongoing consulting services or management.

This form of compensation is both "long term" and "at risk", since it is largely linked to the creation of long-term value.

Thus, this form of compensation is not specifically linked to the obtaining of specific results or milestones, but rather is intended to retain and encourage beneficiaries to work continuously and in the best interest of the Corporation and its shareholders.

Since the benefits of this form of compensation generally require the lapse of a period of time, the Board considers that the ability of Named Executive Officers to take undue risks that would be excessive or beneficial from the point of view of their compensation and to the detriment of the Corporation and its shareholders, is limited.

Salary

The salary is the residual portion of total compensation of a Named Executive Officer. The Board considers it is unlikely that a Named Executive Officer decides to take undue or excessive risk to the Corporation which would be personally beneficial in terms of his or her compensation.

Conclusion

Due to the current size and level of activities of the Corporation, the Board is able to monitor and review the risks associated with its compensation policies and practices. Such risks can be identified and mitigated through regular meetings during which financial or other information is reviewed.

No risk resulting from the compensation practices and policies that are reasonably likely to have a material adverse effect on the Corporation or its business has been identified by the Board.

External Compensation Consultants

During the fiscal year ended September 30, 2018 and 2017, the Corporation did not retain the services of executive compensation consultants to assist the Board in determining compensation for any of the Corporation's NEOs or directors.

Summary of the Compensation of the Named Executive Officers

The following table provides information for the financial years ended September 30, 2018, 2017 and 2016 regarding compensation paid to or earned by the Named Executive Officers.

Name and Principal Position	Year	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards ⁽¹⁾ (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All other Compensation (\$) ⁽²⁾	Total Compensation (\$)
					Annual Incentive Plans (\$)	Long-Term Incentive Plans (\$)			
David Mc Donald President and CEO	2016	Nil	Nil	-	Nil	Nil	Nil	162,687	162,687
	2017	Nil	Nil	8,667	Nil	Nil	Nil	164,834	173,501
	2018	Nil	Nil	9,701	Nil	Nil	Nil	474 529	484 230
Johanne Moreau CFO	2016	29,391	Nil	-	Nil	Nil	Nil	Nil	29,391
	2017	26,654	Nil	8,667	Nil	Nil	Nil	Nil	35,321
	2018	27 082	Nil	9,701	Nil	Nil	Nil	Nil	36,783

Notes:

- (1) Black & Scholes model used as per the following assumptions.

Estimates	2017	2018
Risk free interest rate	1.78%	2.37%
Expected life	10 years	10 years
Expected volatility	136%	128%
Expected dividend yield	0	0

- (2) Management and consultation fees paid to Ressources Lutsvisky Inc. (“**Lutsvisky**”), a private corporation wholly-owned by David Mc Donald. Under a consulting agreement effective January 1, 2011, the Corporation retained Lutsvisky for a consultation mandate on the administrative planning of the Corporation in consideration of annual fees of \$150,000 per year, and indexable on January 1 of each year. Under a management agreement dated October 17, 2007 between the Corporation and Lutsvisky (the “**Management Agreement**”), Lutsvisky provide the staff required to carry out exploration programs, selects and hires subcontractors necessary for drilling and line cutting and other subcontractors necessary to carry out exploration programs, hiring laboratories required to process samples in connection with exploration programs, provides lodging and food, transporting personnel and provide the necessary oversight to the implementation of the programs. Under the Management Agreement, the parties agreed that Lutsvisky would be entitled to fees for overhead costs, management fees and administrative costs equivalent to 15% of the costs incurred in the exploration programs.

Incentive Plan Awards — Outstanding Share-Based Awards and Stock-Option-Based Awards

The following table sets forth information in respect of all share-based awards and option-based awards outstanding at the end of the most recently completed financial year to the Named Executive Officers of the Corporation. The number of securities and price are pre-Transaction.

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) ⁽¹⁾	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested (\$)	Market or Payout Value of Share-Based Awards that have not paid out or distributed (\$)
David Mc Donald, CEO	500,000	0.145	April 6, 2021	Nil	Nil	Nil	Nil
	350,000	0.10	March 28, 2023	Nil	Nil	Nil	Nil
	500,000	0.05	January 22, 2024	5,000	Nil	Nil	Nil
	350,000	0.05	March 26, 2025	3,500	Nil	Nil	Nil
	300,000	0.05	March 30, 2027	3,000	Nil	Nil	Nil
	125,000	0.075	January 11, 2028	Nil	Nil	Nil	Nil
Johanne Moreau, CFO	15,000	0.145	April 6, 2021	Nil	Nil	Nil	Nil
	200,000	0.10	March 28, 2023	Nil	Nil	Nil	Nil
	200,000	0.05	January 22, 2024	2,000	Nil	Nil	Nil
	200,000	0.05	March 26, 2025	2,000	Nil	Nil	Nil
	300,000	0.05	March 30, 2027	3,000	Nil	Nil	Nil
	125,000	0.075	January 11, 2028	Nil	Nil	Nil	Nil

Note:

- (1) The value of unexercised options would have been determined by calculating the difference between the closing price of the common shares on the TSX Venture Exchange on September 30, 2018 (\$0.06) and the exercise price of the options.

Incentive Plan Awards - Value Vested or Earned During the Most Recently Completed Financial Year

The following table outlines, for each NEO, the value of option-based awards and share-based awards which vested during the year ended September 30, 2018 and the value of non-equity incentive plan compensation earned during the year ended September 30, 2018.

Name	Option-Based Awards – Value Vested During the Year (\$)⁽¹⁾	Share-Based Awards – Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)
David Mc Donald	Nil	Nil	Nil
Johanne Moreau	Nil	Nil	Nil

Note:

- (1) The amount represents the aggregate value that would have been realised if all of the options granted had been exercised at the vesting date and is established by using the closing price of the common shares on the TSX Venture Exchange on such date.

Pension Plan Benefits

The Corporation does not have a Defined Benefits Pension Plan or a Defined Contributions Pension Plan.

Termination and change of control benefits

None

Director Compensation Table

The following table sets forth information with respect to all amounts of compensation provided to the directors of the Corporation for the most recently completed financial year.

Name	Fees earned (\$)	Share-Based Awards (\$)	Option-Based Awards⁽¹⁾ (\$)	Non-equity Incentive plan Compensation (\$)	Pension Value (\$)	All other compensation (\$)	Total (\$)
Pascal Ducharme	Nil	Nil	9,701	Nil	Nil	Nil	9,701
Claude Lavoie	Nil	Nil	9,701	Nil	Nil	Nil	9,701

Note:

- (1) Black & Scholes model used as per the following assumptions.

Estimates	2017
Risk free interest rate	2.37%
Expected life	10 years
Expected volatility	128%
Expected dividend yield	0

Share-Based Awards, Options-Based Awards and Non-Equity Incentive Plan Compensation

Incentive Plan Awards - Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth information in respect of all share-based awards and option-based awards outstanding at the end of the most recently completed financial year to the directors of the Corporation.

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested (\$)	Market or Payout Value of Share-Based Awards that have not paid out or distributed (\$)
Pascal Ducharme	200,000	0.145	April 6, 2021	Nil	Nil	Nil	Nil
	200,000	0.10	March 28, 2023	Nil	Nil	Nil	Nil
	200,000	0.05	January 22, 2024	2,000	Nil	Nil	Nil
	200,000	0.05	March 26, 2025	2,000	Nil	Nil	Nil
	200,000	0.05	March 30, 2027	2,000	Nil	Nil	Nil
	125,000	0.075	January 10, 2028	Nil	Nil	Nil	Nil
Claude Lavoie	200,000	0.10	March 28, 2023	Nil	Nil	Nil	Nil
	200,000	0.05	January 22, 2024	2,000	Nil	Nil	Nil
	200,000	0.05	March 26, 2025	2,000	Nil	Nil	Nil

	200,000	0.05	March 30, 2027	2,000	Nil	Nil	Nil
	125,000	0.075	January 10,2028	Nil	Nil	Nil	Nil

Note:

- (1) The value of unexercised options would have been determined by calculating the difference between the closing price of the common shares on the TSX Venture Exchange on September 30, 2018 (\$0.06) and the exercise price of the options.

Incentive Plan Awards — Value Vested or Earned During the Most Recently Completed Financial Year

The following table presents information concerning value vested with respect to option-based awards and share-based awards for the directors of the Corporation during the most recently completed financial year:

Name	Option-Based Awards – Value Vested During the year (\$)	Share-Based Awards – Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)
Pascal Ducharme	Nil	Nil	Nil
Claude Lavoie	Nil	Nil	Nil

Note:

- (1) The amount represents the aggregate value that would have been realised if all of the options granted had been exercised at the vesting date and is established by using the closing price of the common shares on the TSX Venture Exchange on such date.
- (2)

APPENDIX B
ANNUAL FINANCIAL STATEMENTS AND
MANAGEMENT DISCUSSION AND ANALYSIS
OF AXE EXPLORATION INC.



AXE EXPLORATION INC. (une société d'exploration)
ÉTATS FINANCIERS
30 SEPTEMBRE 2018 ET 2017

AXE EXPLORATION INC. (an exploration company)
FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

RAPPORT DE L'AUDITEUR INDÉPENDANT	1	INDEPENDENT AUDITOR'S REPORT
ÉTATS FINANCIERS		FINANCIAL STATEMENTS
États de la situation financière	3	Statements of Financial Position
États du résultat global	4	Statements of Comprehensive loss
États des variations des capitaux propres	5	Statements of Changes in Equity
Tableaux des flux de trésorerie	6	Statements of Cash Flows
Notes complémentaires	7 -39	Notes to Financial Statements



Raymond Chabot Grant Thornton
 S.E.N.C.R.L.
 50, avenue Dallaire
 Rouyn-Noranda (Québec) J9X 4S7

Téléphone: 819 762-1714
 Télécopieur: 819 762-3306
www.rcgt.com

Rapport de l'auditeur indépendant

Aux actionnaires de
Axe Exploration Inc.

Nous avons effectué l'audit des états financiers ci-joints de la société Axe Exploration Inc., qui comprennent les états de la situation financière aux 30 septembre 2018 et 2017 et les états du résultat global, les états des variations des capitaux propres et les tableaux des flux de trésorerie pour les exercices terminés à ces dates, ainsi qu'un résumé des principales méthodes comptables et d'autres informations explicatives.

Responsabilité de la direction pour les états financiers

La direction est responsable de la préparation et de la présentation fidèle de ces états financiers conformément aux Normes internationales d'information financière (IFRS), ainsi que du contrôle interne qu'elle considère comme nécessaire pour permettre la préparation d'états financiers exempts d'anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs.

Responsabilité de l'auditeur

Notre responsabilité consiste à exprimer une opinion sur les états financiers, sur la base de nos audits. Nous avons effectué nos audits selon les normes d'audit généralement reconnues du Canada. Ces normes requièrent que nous nous conformions aux règles de déontologie et que nous planifions et réalisons l'audit de façon à obtenir l'assurance raisonnable que les états financiers ne comportent pas d'anomalies significatives.

Independent Auditor's Report

To the shareholders of
Axe Exploration Inc.

We have audited the accompanying financial statements of Axe Exploration Inc., which comprise the statements of financial position as at September 30, 2018 and 2017 and the statements of comprehensive loss, changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the 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.

Auditor's 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.

Un audit implique la mise en œuvre de procédures en vue de recueillir des éléments probants concernant les montants et les informations fournis dans les états financiers. Le choix des procédures relève du jugement de l'auditeur, et notamment de son évaluation des risques que les états financiers comportent des anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs. Dans l'évaluation de ces risques, l'auditeur prend en considération le contrôle interne de l'entité portant sur la préparation et la présentation fidèle des états financiers afin de concevoir des procédures d'audit appropriées aux circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne de l'entité. Un audit comporte également l'appréciation du caractère approprié des méthodes comptables retenues et du caractère raisonnable des estimations comptables faites par la direction, de même que l'appréciation de la présentation d'ensemble des états financiers.

Nous estimons que les éléments probants que nous avons obtenus dans le cadre de nos audits sont suffisants et appropriés pour fonder notre opinion d'audit.

Opinion

A notre avis, les états financiers donnent, dans tous leurs aspects significatifs, une image fidèle de la situation financière de la société Axe Exploration Inc. aux 30 septembre 2018 et 2017, ainsi que de sa performance financière et de ses flux de trésorerie pour les exercices terminés à ces dates, conformément aux Normes internationales d'information financière (IFRS).

Raymond Chabot Grant Thornton S.E. N.C.R. L. ¹

Rouyn-Noranda
Le 24 janvier 2019

¹ CPA auditeur, CA permis de comptabilité publique n° A119351

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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Axe Exploration Inc. as at September 30, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Raymond Chabot Grant Thornton LLP ¹

Rouyn-Noranda
January 24, 2019

¹ CPA auditor, CA public accountancy permit no A119351

AXE EXPLORATION INC.

ÉTATS DE LA SITUATION FINANCIÈRE
aux 30 septembre 2018 et 2017
(en dollars canadiens)

STATEMENTS OF FINANCIAL POSITION
September 30, 2018 and 2017
(in Canadian dollars)

	Notes	30 septembre / September 30, 2018 \$	30 septembre / September 30, 2017 \$	
ACTIF				ASSETS
Courant				Current
Trésorerie		62 586	38 222	Cash
Encaisse en fidéicommiss		196 045	-	Cash in trust
Placements	5	505 760	1 031 426	Investments
Taxes de vente à recevoir		2 804	14 755	Sales tax receivable
Crédits d'impôt relatifs aux ressources et crédits d'impôt miniers à recevoir		2 786	1 772	Tax credits related to resources and mining tax credits receivable
Frais payés d'avance		7 067	7 082	Prepaid expenses
		<u>777 048</u>	<u>1 093 257</u>	
Non courant				Non-current
Immobilisations corporelles	6	54 161	99 566	Property, plant and equipment
Actifs d'exploration et d'évaluation	7	-	-	Exploration and evaluation assets
		<u>54 161</u>	<u>99 566</u>	
Total de l'actif		<u>831 209</u>	<u>1 192 823</u>	Total assets
PASSIF				LIABILITIES
Courant				Current
Dettes fournisseurs et autres créditeurs		<u>18 235</u>	<u>56 540</u>	Trade and other payables
Total du passif		<u>18 235</u>	<u>56 540</u>	Total liabilities
CAPITAUX PROPRES				EQUITY
Capital-actions	8	8 087 514	7 753 754	Share Capital
Bons de souscription	8	-	720	Warrants
Surplus d'apport		1 247 945	1 092 005	Contributed surplus
Déficit		<u>(8 522 485)</u>	<u>(7 710 196)</u>	Deficit
Total des capitaux propres		<u>812 974</u>	<u>1 136 283</u>	Total equity
Total du passif et des capitaux propres		<u>831 209</u>	<u>1 192 823</u>	Total liabilities and equity

Les notes complémentaires font partie intégrante des états financiers.

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

Les états financiers ont été approuvés et autorisés pour publication par le conseil d'administration le 24 janvier 2019

These financial statements were approved and authorized for issue by the Board of Directors on January 24, 2019

POUR LE CONSEIL D'ADMINISTRATION / ON BEHALF OF THE BOARD,

(s) Pierre Ayotte, Administrateur - Director

(s) Marc-André Aubé, Administrateur - Director

AXE EXPLORATION INC.

ÉTATS DU RÉSULTAT GLOBAL
des exercices terminés les 30 septembre 2018 et 2017
(en dollars canadiens)

STATEMENTS OF COMPREHENSIVE LOSS
Years ended September 30, 2018 and 2017
(in Canadian dollars)

	Notes	2018	2017	
		\$	\$	
CHARGES				EXPENSES
Honoraires des consultants		491 774	162 014	Consultants fees
Honoraires professionnels		39 713	25 289	Professional fees
Autres charges opérationnelles		87 345	75 418	Other operating expenses
Salaires et charges sociales		30 083	38 289	Salaries and fringe benefits
Impôts de la partie XII.6		296	-	Part XII.6 taxes
Rémunération - paiements fondés sur des actions	9	155 220	28 890	Share-based payments
Inscription, régistrariat et information aux actionnaires		26 896	23 460	Registration, listing fees and shareholder's information
Assurances		10 300	10 496	Insurance
Amortissement des immobilisations corporelles	6	5 405	6 982	Amortization of property, plant and equipment
Dévaluation des actifs d'exploration et d'évaluation	7	6 314	529 274	Impairment of exploration and evaluation assets
Résultat opérationnel		(853 346)	(900 112)	Operating loss
AUTRES				OTHERS
Revenus d'intérêts		10 507	14 370	Interest income
Gain sur règlement de dette	8	31 300	-	Gain on settlement of liability
RÉSULTAT AVANT IMPÔTS		(811 539)	(885 742)	LOSS BEFORE INCOME TAXES
Impôts différés	11	-	35 280	Deferred income tax expense
RÉSULTAT NET ET RÉSULTAT GLOBAL DE L'EXERCICE		<u>(811 539)</u>	<u>(850 462)</u>	LOSS AND COMPREHENSIVE LOSS FOR THE YEAR
RÉSULTAT NET DE BASE ET DILUÉ PAR ACTION	10	<u>(0,014)</u>	<u>(0,015)</u>	BASIC AND DILUTED LOSS PER SHARE

Les notes complémentaires font partie intégrante des états financiers.
The accompanying notes are an integral part of the financial statements.

AXE EXPLORATION INC.

ÉTATS DES VARIATIONS DES CAPITAUX PROPRES
des exercices terminés les 30 septembre 2018 et 2017
(en dollars canadiens)

STATEMENTS OF CHANGES IN EQUITY
Years ended September 30, 2018 and 2017
(in Canadian dollars)

Notes	Capital- actions / Share capital	Bons de souscription / Warrants	Surplus d'apport / Contributed surplus	Déficit / Deficit	Total des capitaux propres / Total equity	
	\$	\$	\$	\$	\$	
Solde au 30 septembre 2016	7 699 754	-	1 062 219	(6 853 355)	1 908 618	Balance at September 30, 2016
Résultat net et résultat global	-	-	-	(850 462)	(850 462)	Loss and comprehensive loss
Émission d'actions assorties de bons de souscription	10 800	720	896	-	12 416	Share issuances with warrants
Émission d'options	-	-	28 890	-	28 890	Options granted
Émission d'actions accréditatives	43 200	-	-	-	43 200	Issuance of flow-trough shares
Frais d'émission d'actions	-	-	-	(6 379)	(6 379)	Share issuance expenses
Solde au 30 septembre 2017	<u>7 753 754</u>	<u>720</u>	<u>1 092 005</u>	<u>(7 710 196)</u>	<u>1 136 283</u>	Balance at September 30, 2017
Résultat net et résultat global	-	-	-	(811 539)	(811 539)	Loss and comprehensive loss
Option aux courtiers exercées	3 760	-	-	-	3 760	Option to brokers exercised
Émission d'options	-	-	155 220	-	155 220	Options granted
Bons de souscription expirés	-	(720)	720	-	-	Warrants expired
Émission pour règlement de dette	330 000	-	-	-	330 000	Issuance for settlement of liability
Frais d'émission d'actions	-	-	-	(750)	(750)	Share issuance expenses
Solde au 30 septembre 2018	<u>8 087 514</u>	<u>-</u>	<u>1 247 945</u>	<u>(8 522 485)</u>	<u>812 974</u>	Balance at September 30, 2018

Les notes complémentaires font partie intégrante des états financiers.
The accompanying notes are an integral part of the financial statements.

AXE EXPLORATION INC.

TABLEAUX DES FLUX DE TRÉSORERIE
des exercices terminés les 30 septembre 2018 et 2017
(en dollars canadiens)

STATEMENTS OF CASH FLOWS
Years ended September 30, 2018 and 2017
(in Canadian dollars)

	Notes	2018 \$	2017 \$	
ACTIVITÉS OPÉRATIONNELLES				OPERATING ACTIVITIES
Résultat net		(811 539)	(850 462)	Net loss
Ajustements				Adjustments
Honoraires de consultants payés en actions		361 300	-	Consultant fees paid in shares
Rémunération - paiements fondés sur des actions	9	155 220	28 890	Share-based payments
Amortissement des immobilisations corporelles	6	5 405	6 982	Amortization of property, plant and equipment
Dévaluation des actifs d'exploration et d'évaluation	7	6 314	529 274	Impairment of exploration and evaluation assets
Gain sur règlement de dette		(31 300)		Gain on settlement of liability
Impôts différés	11	-	(35 280)	Deferred income tax expense
Variation nette des éléments du fonds de roulement	12	(11 034)	4 429	Net change in operating working capital items
		<u>(325 634)</u>	<u>(316 167)</u>	
ACTIVITÉS D'INVESTISSEMENT				INVESTING ACTIVITIES
Encaisse en fidéicommis		(196 045)	-	Cash in trust
Cession de placements		525 666	202 109	Disposal of Investments
Disposition d'immobilisations corporelles		40 000	-	Disposal of property, plant and equipment
Crédits d'impôt relatif aux ressources et crédits d'impôt minier à recevoir		924	-	Tax credits related to resources and mining tax credits receivable
Acquisition d'actifs d'exploration et d'évaluation		(23 557)	(59 430)	Acquisition of exploration and evaluation assets
		<u>346 988</u>	<u>142 679</u>	
ACTIVITÉS DE FINANCEMENT				FINANCING ACTIVITIES
Frais d'émission d'actions		(750)	(5 483)	Share issuance expenses
Encaissement au titre de capital-actions et bons de souscription		3 760	90 000	Cash inflow relating to share capital and warrants
		<u>3 010</u>	<u>84 517</u>	
AUGMENTATION (DIMINUTION) DE LA TRÉSORERIE		24 364	(88 971)	CASH INCREASE (DECREASE)
Trésorerie, au début		<u>38 222</u>	<u>127 193</u>	Cash, beginning of year
Trésorerie, à la fin		<u><u>62 586</u></u>	<u><u>38 222</u></u>	Cash, end of year

Informations additionnelles – Flux de trésorerie (note 12)

Additional information disclosures – Cash flows (Note 12)

AXE EXPLORATION INC.

NOTES COMPLÉMENTAIRES
aux 30 septembre 2018 et 2017
(en dollars canadiens)

NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017
(in Canadian dollars)

1- NATURE DES ACTIVITÉS

Axe Exploration Inc (ci-après la « Société »), se spécialise dans l'exploration de gisements aurifères et de métaux précieux situés au Canada.

2- GÉNÉRALITÉS ET CONFORMITÉ AUX IFRS

Les états financiers de la Société ont été établis conformément aux IFRS.

La Société est constituée en vertu de la *Loi canadienne sur les sociétés par actions*. Le siège social, qui est aussi l'établissement principal, est situé au 255 Curé-Labelle, suite 204, Laval, Québec, Canada. Les actions de la Société sont cotées à la Bourse de croissance TSX.

3- PRINCIPALES MÉTHODES COMPTABLES
3.1 Généralités

Les principales méthodes comptables et bases d'évaluation ayant servi à la préparation des présents états financiers sont résumées ci-dessous.

3.2 Base d'évaluation

Les présents états financiers ont été préparés selon la méthode du coût historique.

3.3 Monnaie fonctionnelle et monnaie de présentation

Les états financiers sont présentés en devise canadienne qui est aussi la monnaie fonctionnelle.

3.4 Instruments financiers

Les actifs et les passifs financiers sont comptabilisés lorsque la Société devient une partie aux dispositions contractuelles de l'instrument financier.

Les actifs financiers sont décomptabilisés lorsque les droits contractuels sur les flux de trésorerie liés à l'actif financier arrivent à expiration, ou lorsque l'actif financier et tous les risques et avantages importants sont transférés.

Un passif financier est décomptabilisé en cas d'extinction, de résiliation, d'annulation ou d'expiration.

1- NATURE OF OPERATIONS

Axe Exploration Inc. (the "Company"), specializes in exploration of gold deposits and precious metals located in Canada.

2- GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

The financial statements of the Company have been prepared in accordance with IFRS.

The Company is incorporated under the *Canada Business Corporations Act*. The address of the Company's registered office and its principal place of business is 255 Cure-Labelle, Suite 204, Laval, Quebec, Canada. The Company's shares are listed on the TSX Venture Exchange.

3- SUMMARY OF ACCOUNTING POLICIES
3.1 Overall considerations

The significant accounting policies and measurement bases that have been applied in the preparation of these financial statements are summarized below.

3.2 Basis of evaluation

These financial statements are prepared using the historical cost method.

3.3 Functional currency and presentation currency

The financial statements are presented in Canadian currency which is the functional currency.

3.4 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

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3- PRINCIPALES MÉTHODES COMPTABLES (suite)
3.4 Instruments financiers (suite)

Les actifs et les passifs financiers sont initialement évalués à la juste valeur majorée des coûts de transaction.

Les actifs et les passifs financiers sont évalués ultérieurement comme il est indiqué ci-après.

Actifs financiers

Aux fins de l'évaluation ultérieure, les actifs financiers de la Société sont classés dans la catégorie prêts et créances au moment de la comptabilisation initiale.

La catégorie détermine la méthode d'évaluation ultérieure et la comptabilisation soit en résultat, soit en autres éléments du résultat global des produits et des charges qui en résulteront. Tous les produits et charges se rapportant aux actifs financiers comptabilisés en résultat net sont présentés dans les charges financières ou les revenus d'intérêts, le cas échéant.

Prêts et créances

Les prêts et créances sont des actifs financiers non dérivés à paiements fixes ou déterminables, qui ne sont pas cotés sur un marché actif. Après leur comptabilisation initiale, ils sont évalués au coût amorti en utilisant la méthode du taux d'intérêt effectif, moins une provision pour perte de valeur. L'actualisation est omise si son effet est non significatif. La trésorerie, l'encaisse en fidéicommiss et les placements font partie de cette catégorie d'instruments financiers.

Dépréciation d'actifs financiers

Tous les actifs financiers font l'objet d'un test de dépréciation au moins à chaque date de clôture. Les actifs financiers sont dépréciés lorsqu'il existe des indications objectives qu'un actif financier ou un groupe d'actifs financiers a subi une perte de valeur.

Passifs financiers

Les passifs financiers de la Société comprennent les dettes fournisseurs et autres créditeurs.

Les passifs financiers sont évalués ultérieurement au coût amorti en utilisant la méthode du taux d'intérêt effectif.

Les charges d'intérêts, le cas échéant, sont présentées dans les charges financières.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.4 Financial instruments (continued)

Financial assets and financial liabilities are measured initially at fair value plus transactions costs.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, the Company's financial assets are classified into the loans and receivables category upon initial recognition.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All income and expenses relating to financial assets that are recognized in profit or loss are presented within Finance costs or Interest Income, if any.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Cash, cash in trust and investments fall into this category of financial instruments.

Impairment of financial assets

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities

The Company's financial liabilities include trade and other payables.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss within Finance costs.

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3- PRINCIPALES MÉTHODES COMPTABLES (suite)
3.5 Résultat de base et dilué par action

Le résultat de base par action est calculé en divisant le résultat attribuable aux porteurs d'actions ordinaires de la Société par le nombre moyen pondéré d'actions ordinaires en circulation au cours de l'exercice. Le résultat dilué par action est calculé en ajustant le résultat attribuable aux porteurs d'actions ordinaires de la Société ainsi que le nombre moyen pondéré d'actions ordinaires en circulation, des effets de toutes les actions ordinaires potentielles dilutives, lesquelles englobent les options d'achat d'actions et les bons de souscription. Aux fins de ce calcul, on considère que les actions ordinaires potentielles dilutives ont été converties en actions ordinaires au début de l'exercice ou à la date d'émission des actions ordinaires potentielles si elle est ultérieure.

3.6 Contrats de location simple

Les contrats de location pour lesquels une portion importante des risques et des avantages est conservée par le bailleur sont traités comme des contrats de location simple. Les paiements au titre des contrats de location simple sont comptabilisés en charges sur une base linéaire pendant toute la durée du contrat de location. Les frais connexes, comme ceux se rapportant à la maintenance et à l'assurance, sont comptabilisés en charges au fur et à mesure qu'ils sont engagés.

3.7 Crédits d'impôt à recevoir

La Société a droit à des crédits d'impôt remboursables sur les frais d'exploration admissibles engagés et à des crédits de droits remboursables selon la Loi sur l'impôt minier. Ces crédits d'impôt sont comptabilisés en réduction des dépenses d'exploration engagées et en fonction des estimations de la direction. La Société comptabilise ces crédits d'impôt lorsqu'il existe une assurance raisonnable que les crédits seront recouverts et accordés et que la Société respectera les conditions connexes.

3.8 Actifs d'exploration et d'évaluation

Les actifs d'exploration et d'évaluation sont les coûts engagés dans la recherche initiale de ressources minérales avant que la faisabilité technique et la viabilité commerciale de l'extraction ne soient démontrables. Les coûts engagés avant l'acquisition des servitudes légales d'exploration et d'évaluation sont comptabilisés en résultat au moment où ils sont engagés.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.5 Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to common equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to common equity holders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which include options and warrants. Dilutive potential common shares shall be deemed to have been converted into common shares at the beginning of the period or, if later, at the date of issue of the potential common shares.

3.6 Operating lease agreements

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are recognized as an expense on a straight-line basis over the lease term. Related expenses, such as maintenance and insurance expenses, are charged as incurred.

3.7 Tax credits receivable

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. These tax credits are recognized as a reduction of the exploration costs incurred based on estimates made by management. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

3.8 Exploration and evaluation assets

Exploration and evaluation assets are costs incurred in the course of initial search of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

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3- PRINCIPALES MÉTHODES COMPTABLES (suite)
3.8 Actifs d'exploration et d'évaluation (suite)

Lorsque les servitudes légales d'exploration et d'évaluation ont été obtenues, tous les coûts liés à l'acquisition des droits miniers et les dépenses liées à l'exploration et à l'évaluation des propriétés minières, diminués des crédits d'impôt liés à ces dépenses, sont comptabilisés en actifs d'exploration et d'évaluation. Les dépenses liées à l'exploration et à l'évaluation qui sont capitalisées incluent notamment les études topographiques, géologiques, géochimiques et géophysiques, les forages d'exploration, le creusement de tranchées, l'échantillonnage ainsi que les activités en liaison avec l'évaluation de la faisabilité technique et de la viabilité commerciale de l'extraction d'une ressource minérale.

Les différents coûts sont incorporés au coût de l'actif d'exploration et d'évaluation, propriété minière par propriété minière, jusqu'à ce que la faisabilité technique et la viabilité commerciale de l'extraction d'une ressource minérale soient démontrées. Ces actifs sont comptabilisés en tant qu'immobilisations incorporelles et sont présentés au coût moins le cumul des pertes de valeur. Aucune charge d'amortissement n'est comptabilisée pour ces actifs durant la phase d'exploration et d'évaluation.

S'il était établi que la viabilité d'une propriété minière n'est pas assurée ou si la propriété minière était abandonnée, le montant capitalisé serait réduit à sa valeur recouvrable (voir note 3.10), l'écart étant alors comptabilisé immédiatement en résultat net.

Si la faisabilité technique et la viabilité commerciale de l'extraction d'une ressource minérale peuvent être démontrées, les actifs d'exploration et d'évaluation liés à la propriété minière correspondante sont alors transférés dans les immobilisations corporelles dans la catégorie Actifs miniers en construction. Avant le transfert, les actifs d'exploration et d'évaluation doivent être soumis à un test de dépréciation (voir note 3.10), et toute perte de valeur doit être comptabilisée en résultat net avant le reclassement.

Jusqu'à maintenant, aucune faisabilité technique ni aucune viabilité commerciale de l'extraction d'une ressource minérale n'a été démontrée.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.8 Exploration and evaluation assets (continued)

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights, expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are recognized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource.

The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (see Note 3.10); the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment (see Note 3.10) and any impairment loss is recognized in profit or loss before reclassification.

Until now, no technical feasibility and no commercial viability of extracting a mineral resource have been demonstrated.

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3- PRINCIPALES MÉTHODES COMPTABLES (suite)
3.8 Actifs d'exploration et d'évaluation (suite)

Bien que la Société ait pris des mesures conformes aux pratiques de l'industrie pour le stade d'exploration actuel de telles propriétés afin d'obtenir les titres de propriété des propriétés minières dans lesquelles elle détient un intérêt financier, ces procédures ne garantissent toutefois pas la validité du titre de propriété. Les titres de propriété des propriétés minières peuvent être assujettis à des ententes préalables non enregistrées et au non-respect de dispositions réglementaires.

3.9 Immobilisations corporelles

Les immobilisations corporelles sont comptabilisées au coût historique diminué du cumul des pertes de valeur et des amortissements.

Le coût historique tient compte de tous les coûts directement attribuables à l'acquisition. Les valeurs résiduelles, la méthode d'amortissement et la durée d'utilité des actifs sont revus chaque année et ajustés au besoin.

L'amortissement des immobilisations corporelles est calculé sur les composantes qui ont des durées d'utilité homogène en recourant à la méthode dégressive selon les taux indiqués ci-après :

Immeuble	5 %
Équipement d'exploration	20 %
Matériel informatique	55 %
Véhicule	30 %

La charge d'amortissement de chaque période est comptabilisée en résultat net, sauf pour certaines immobilisations corporelles liées aux activités d'exploration et d'évaluation dont la charge d'amortissement est incorporée dans la valeur comptable d'un actif d'exploration et d'évaluation lorsqu'elles sont utilisées dans le cadre de projets précis d'exploration et d'évaluation.

3.10 Dépréciation des actifs d'exploration et d'évaluation et des immobilisations corporelles

Aux fins d'évaluation de la dépréciation, les actifs sont regroupés aux niveaux les plus bas générant des entrées de trésorerie largement indépendantes (unités génératrices de trésorerie). Par conséquent, certains actifs sont soumis individuellement à un test de dépréciation tandis que d'autres sont testés au niveau d'une unité génératrice de trésorerie.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.8 Exploration and evaluation assets (continued)

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the mining property titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

3.9 Property, Plant and Equipment

Property, plant and equipment are accounted for at historical cost less any accumulated impairment losses and amortization.

The historical cost of property, plant and equipment comprises any acquisition costs directly attributable. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Amortization of property, plant and equipment is based on each part of a property, plant and equipment which has similar useful life using declining method at the following rates:

Building	5%
Exploration equipment	20%
Computer equipment	55%
Vehicle	30%

The amortization expense for each period is recognized in profit or loss except for certain items of property, plant and equipment related to exploration and evaluation activities where the amortization expense is included in the carrying amount of an exploration and evaluation asset when it relates to a specific exploration and evaluation project.

3.10 Impairment of exploration and evaluation assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

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3- PRINCIPALES MÉTHODES COMPTABLES (suite)
3.10 Dépréciation des actifs d'exploration et d'évaluation et des immobilisations corporelles (suite)

Tous les actifs individuels ou unités génératrices de trésorerie sont soumis à un test de dépréciation lorsque des événements ou des changements de circonstances indiquent que leur valeur comptable pourrait ne pas être recouvrable.

Des tests de dépréciation des actifs d'exploration et d'évaluation sont effectués projet par projet, chaque projet représentant une seule unité génératrice de trésorerie. Un test de dépréciation est effectué lorsque les indicateurs de dépréciation l'indiquent, mais généralement lorsqu'une de ces circonstances se présente :

- Le droit d'exploration dans la zone spécifique expire ou expirera dans un proche avenir et il n'est pas prévu qu'il soit renouvelé ;
- Aucune dépense d'exploration et d'évaluation ultérieure dans la zone spécifique n'est prévue au budget ni planifiée ;
- Aucune découverte de ressources n'est commercialement viable et la Société a décidé de cesser l'exploration dans la zone spécifique ;
- Un travail suffisant a été réalisé afin d'indiquer que la valeur comptable de la dépense comptabilisée en actif ne sera pas entièrement récupérée.

De plus, si la faisabilité technique et la viabilité commerciale de l'extraction d'une ressource minérale peuvent être démontrées, les actifs d'exploration et d'évaluation liés à la propriété minière correspondante doivent être soumis à un test de dépréciation avant d'être transférés dans les immobilisations corporelles.

Une perte de valeur égale au montant par lequel la valeur comptable d'un actif ou d'une unité génératrice de trésorerie excède sa valeur recouvrable est comptabilisée en résultat net. La valeur recouvrable d'un actif ou d'une unité génératrice de trésorerie est la plus élevée de sa juste valeur moins les coûts de sa vente, et de sa valeur d'utilité.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.10 Impairment of exploration and evaluation assets and property, plant and equipment (continued)

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- the right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- no further exploration or evaluation expenditures in the area are planned or budgeted;
- no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property, plant and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

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3- PRINCIPALES MÉTHODES COMPTABLES (suite)
3.10 Dépréciation des actifs d'exploration et d'évaluation et des immobilisations corporelles (suite)

Une perte de valeur peut être reprise si la valeur recouvrable d'un actif ou d'une unité génératrice de trésorerie excède sa valeur comptable.

3.11 Provisions et passifs éventuels

Les provisions sont comptabilisées lorsque les obligations juridiques ou implicites actuelles, résultant d'un événement passé, se traduiront probablement par une sortie de ressources représentatives d'avantages économiques de la Société et que les montants peuvent être estimés de manière fiable. L'échéance ou le montant de la sortie peuvent être incertains.

L'évaluation des provisions correspond aux dépenses estimées nécessaires à l'extinction de l'obligation actuelle, en fonction des éléments probants les plus fiables disponibles à la date de présentation de l'information financière, incluant les risques et les incertitudes liés à l'obligation actuelle. Les provisions sont actualisées lorsque la valeur temps de l'argent est significative.

Les activités de la Société sont régies par des lois et règlements gouvernementaux concernant la protection de l'environnement. Les conséquences environnementales sont difficilement déterminables, qu'il s'agisse des montants, de l'échéance ou de l'impact.

À la date de présentation de l'information financière, la direction estime que la Société exerce généralement ses activités en conformité avec les lois et règlements présentement en vigueur. Les coûts actuellement engagés pour la remise en état des sites sont présentement négligeables. Lorsque la faisabilité technique et la viabilité commerciale de l'extraction d'une ressource minérale seront démontrées, une provision pour restauration sera comptabilisée au coût de la propriété minière lorsqu'elle aura une obligation actuelle résultant d'un événement passé, qu'il sera probable qu'une sortie de ressources représentatives d'avantages économiques sera nécessaire pour éteindre l'obligation et que le montant de l'obligation pourra être estimé de manière fiable.

Lorsqu'une sortie possible de ressources représentatives d'avantages économiques résultant d'une obligation actuelle est considérée comme étant improbable ou de probabilité faible, aucun passif n'est comptabilisé.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.10 Impairment of exploration and evaluation assets and property, plant and equipment (continued)

An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

3.11 Provisions and contingent liabilities

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to determine in terms of amounts, timetable and impact.

As of the reporting date, management believes that the Company's operations are in material compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.

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3- PRINCIPALES MÉTHODES COMPTABLES (suite)
3.11 Provisions et passifs éventuels (suite)

Les provisions sont revues à chaque date de présentation de l'information financière et ajustées pour refléter les meilleures estimations actuelles à cette date. Aucune provision n'est enregistrée aux livres pour les périodes de présentation de l'information financière.

3.12 Impôt sur le résultat

La charge d'impôt comptabilisée en résultat correspond à la somme de l'impôt différé et de l'impôt exigible qui ne sont pas comptabilisés directement en capitaux propres.

Les actifs ou les passifs d'impôt exigible comprennent les montants à payer aux administrations fiscales ou à recouvrer auprès de ces administrations fiscales pour la période en cours et la période de présentation de l'information financière antérieure et qui n'ont pas été réglés à la date de clôture. L'impôt exigible est calculé sur le bénéfice imposable qui diffère du résultat dans les états financiers. Le calcul de l'impôt exigible est fondé sur les taux d'imposition et les réglementations fiscales qui ont été adoptés ou quasi adoptés à la fin de la période de présentation de l'information financière.

Toutefois, puisque la Société est en phase d'exploration et qu'elle n'a pas de bénéfice imposable, la charge d'impôt comptabilisée en résultat ne correspond présentement qu'à de l'impôt différé.

L'impôt différé est calculé selon la méthode du passif fiscal sur les différences temporaires entre la valeur comptable des actifs et des passifs et leur base fiscale. Toutefois, l'impôt différé n'est pas comptabilisé au moment de la comptabilisation initiale d'un goodwill ou au moment de la comptabilisation initiale d'un actif ou d'un passif, à moins que la transaction y donnant lieu ne soit un regroupement d'entreprises ou qu'elle ait une incidence sur le bénéfice imposable ou comptable.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.11 Provisions and contingent liabilities (continued)

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. No provision is recorded in the books for periods of financial reporting.

3.12 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

However, since the Company is in exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred tax.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

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3- PRINCIPALES MÉTHODES COMPTABLES (suite)
3.12 Impôt sur le résultat (suite)

Les actifs ou les passifs d'impôt différé sont calculés, sans actualisation, selon les taux d'imposition dont l'application est attendue au cours de leur période de réalisation respective lorsque ces taux sont adoptés ou quasi adoptés avant la fin de la période de présentation de l'information financière.

Les actifs d'impôt différé sont comptabilisés dans la mesure où il est probable que la perte fiscale ou la différence temporaire déductible sous-jacente permettra de compenser un bénéfice imposable futur. L'évaluation repose sur la prévision des résultats opérationnels futurs de la Société, ajustés pour tenir compte des produits et des charges non imposables importants et de limites particulières sur l'utilisation de toute perte fiscale ou tout crédit d'impôt inutilisés. Les passifs d'impôt différé sont toujours comptabilisés en entier.

Les actifs ou les passifs d'impôt différé sont compensés uniquement lorsque la Société a le droit et l'intention de compenser les actifs ou les passifs d'impôt exigible découlant des mêmes administrations fiscales.

Les variations des actifs ou des passifs d'impôt différé sont comptabilisées en résultat net à titre d'impôt différé, sauf si elles concernent des éléments qui ont été comptabilisés directement en capitaux propres, auquel cas l'impôt différé correspondant est également comptabilisé en capitaux propres.

3.13 Capitaux propres

Le capital-actions représente le montant reçu à l'émission des actions. Si les actions sont émises à la suite d'exercice d'options sur actions, d'options aux courtiers ou de bons de souscription, ce poste comprend également la charge de rémunération antérieurement comptabilisée au poste surplus d'apport ou bons de souscription. De plus, si les actions sont émises dans le cadre d'une acquisition de propriété ou tout autre actif non monétaire, les actions sont mesurées à la juste valeur en fonction du cours de la Bourse le jour où l'entente est conclue.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.12 Income Taxes (continued)

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax expense in profit or loss, except where they relate to items that are recognized directly in equity, in which case the related deferred tax is also recognized in equity.

3.13 Equity

Share capital represents the amount received on the issue of shares. If shares are issued when stock options, brokers options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded as contributed surplus or warrants. In addition, if the shares are issued in an acquisition of property or other assets that are not monetary, shares are measured at fair value based on stock price on the day the agreement is signed.

3- PRINCIPALES MÉTHODES COMPTABLES (suite)

3.13 Capitaux propres (suite)

Émission d'unités

Les produits des émissions d'unités sont répartis entre les actions et les bons de souscription émis au moyen de la méthode résiduelle. Les produits sont d'abord imputés aux actions en fonction du cours de la Bourse au moment de l'émission et le montant résiduel est attribué aux bons de souscription.

Placements accreditifs

L'émission d'unités accreditives constitue en substance une émission d'actions ordinaires, de bons de souscription et la vente d'un droit à des déductions fiscales au profit des investisseurs. Au moment de l'émission des unités accreditives, la vente du droit aux déductions fiscales est différée et comptabilisée dans les autres passifs à l'état de la situation financière. Les produits des émissions des unités accreditives sont répartis entre les actions, les bons de souscription et les autres passifs émis au moyen de la méthode résiduelle. Les produits sont d'abord imputés aux actions en fonction du cours de la Bourse à la date de l'émission, puis aux bons de souscription en fonction de la juste valeur de ceux-ci à la date de l'émission, et le montant résiduel est attribué aux autres passifs. La juste valeur des bons de souscription est déterminée à l'aide du modèle d'évaluation Black-Scholes. Lorsque les dépenses admissibles ont été engagées et que la Société a l'intention ferme de renoncer à son droit aux déductions fiscales au profit des investisseurs, le montant comptabilisé en autres passifs est renversé et comptabilisé en résultat net en déduction de la charge d'impôt différé et un passif d'impôt différé est comptabilisé pour la différence temporelle imposable découlant du fait que la valeur comptable des dépenses admissibles inscrites à l'actif dans l'état de la situation financière diffère de leur base fiscale.

Autres éléments des capitaux propres

Le surplus d'apport inclut les charges de rémunération liées aux options sur actions et aux options aux courtiers.

Le déficit comprend l'ensemble des pertes de l'exercice en cours et des exercices antérieurs moins les frais d'émission, déduction faite de tout avantage d'impôt sur le résultat sous-jacent à ces frais d'émission.

3- SUMMARY OF ACCOUNTING POLICIES (continued)

3.13 Equity (continued)

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Flow-through placements

Issuance of flow-through shares represents in substance an issue of common shares and the sale of the right to tax deductions to the investors. When the flow-through shares are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the statement of financial position. The proceeds received from flow-through placements are allocated between shares, warrants and other liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance, then to warrants according to their fair value at the date of issuance and the residual proceeds are allocated to other liability. The fair value of the warrants is determined using the Black-Scholes valuation model. The liability component recorded initially on the issuance of shares is reversed on renunciation of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income tax expense. A deferred tax liability is also recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset and its tax basis.

Other elements of equity

Contributed surplus include share-based payment charges relating to stock options and brokers options.

Deficit includes all current and prior periods losses less issuance costs, net of any underlying income tax benefit from these issuance costs.

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3.13 Capitaux propres (suite)

Le poste bons de souscription inclut les charges liées aux bons de souscription. Lorsque ces bons de souscription sont expirés, les charges correspondantes sont transférées dans le surplus d'apport.

3.14 Paiements fondés sur des actions

La Société gère un régime de paiements fondés sur des actions et réglés en instruments de capitaux propres à l'intention des administrateurs, employés et consultants qui y sont admissibles. Le régime de la Société ne comporte pas d'option de règlement en espèces.

Tous les biens et les services reçus en contrepartie de l'octroi d'un paiement fondé sur des actions sont évalués à leur juste valeur, sauf si cette juste valeur ne peut être estimée de façon fiable. Si la Société ne peut estimer de façon fiable la juste valeur des biens ou des services reçus, elle doit en évaluer la valeur indirectement par référence à la juste valeur des instruments de capitaux propres attribués. Pour les transactions effectuées avec des membres du personnel et des tiers fournissant des services similaires, la Société évalue la juste valeur des services reçus par référence à la juste valeur des instruments des capitaux propres attribués.

Les paiements fondés sur des actions (à l'exception des options aux courtiers) sont ultimement comptabilisés en résultat net à la dépense ou capitalisés comme actifs d'exploration et d'évaluation selon la nature du paiement et la contrepartie est portée au crédit du surplus d'apport dans les capitaux propres. Les paiements fondés sur des actions à des courtiers dans le cas d'un financement en actions sont comptabilisés comme frais d'émission d'instruments de capitaux propres et la contrepartie est comptabilisée au crédit du surplus d'apport dans les capitaux propres.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.13 Equity (continued)

Warrants include charges relating to warrants. When these warrants are expired, the relating charges are transferred to contributed surplus.

3.14 Equity-settled share-based payments

The Company operates an equity-settled share-based payment plan for its eligible directors, employees and consultants. The Company's plan does not feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services received by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments (except brokers options) are ultimately recognized as an expense in the profit or loss or capitalized as exploration and evaluation assets, depending on the nature of the payment with a corresponding credit to contributed surplus, in equity. Equity-settled share-based payments to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to contributed surplus, in equity.

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3- PRINCIPALES MÉTHODES COMPTABLES (suite)
3.14 Paiements fondés sur des actions (suite)

Dans les cas où des périodes ou des conditions d'acquisition de droits s'appliquent, la charge est répartie sur la période d'acquisition en fonction de la meilleure estimation disponible du nombre d'options sur actions dont l'acquisition est attendue. Les conditions d'acquisition non liées au marché font partie des hypothèses portant sur le nombre d'options qui, selon les attentes, deviendront exerçables. Les estimations sont ensuite révisées lorsqu'il y a des indications à l'effet que le nombre d'options sur actions dont l'acquisition est attendue diffère des estimations précédentes. Tout rajustement cumulatif avant l'acquisition des droits est comptabilisé dans l'exercice en cours.

Aucun rajustement n'est apporté aux charges comptabilisées dans des exercices antérieurs si le nombre d'options sur actions qui ont finalement été acquises diffère de celui qui avait été prévu au moment de l'acquisition.

3.15 Information sectorielle

La Société présente et divulgue l'information sectorielle selon les informations examinées régulièrement par les principaux décideurs opérationnels, c'est-à-dire le président et le conseil d'administration.

La Société a déterminé qu'il n'y avait qu'un seul secteur opérationnel, soit le secteur d'exploration et d'évaluation des ressources minérales.

3.16 Normes, modifications et interprétations de normes publiées qui ne sont pas encore en vigueur et qui n'ont pas été adoptées de façon anticipée par la Société

À la date d'autorisation de ces états financiers, de nouvelles normes et interprétations de normes existantes et de nouvelles modifications ont été publiées, mais ne sont pas encore en vigueur, et la Société ne les a pas adoptées de façon anticipée.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.14 Equity-settled share-based payments (continued)

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period.

No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

3.15 Segmental reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the Chairman and the Board of Directors.

The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

3.16 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Company.

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3- PRINCIPALES MÉTHODES COMPTABLES (suite)
3.16 Normes, modifications et interprétations de normes publiées qui ne sont pas encore en vigueur et qui n'ont pas été adoptées de façon anticipée par la Société (suite)

La direction prévoit que l'ensemble des prises de position sera adopté dans les méthodes comptables de la Société au cours du premier exercice débutant après la date d'entrée en vigueur de chaque prise de position. L'information sur les nouvelles normes et interprétations ainsi que les nouvelles modifications aux normes, qui sont susceptibles d'être pertinentes pour les états financiers de la Société, est fournie ci-dessous. Certaines autres nouvelles normes et interprétations ont été publiées, mais la Société ne s'attend pas à ce qu'elles aient une incidence sur ses états financiers.

IFRS 9 – Instruments financiers (IFRS 9)

L'International Accounting Standards Board (« IASB ») a publié IFRS 9 Instruments financiers (2014), qui représente l'achèvement de son projet de remplacement d'IAS 39 Instruments financiers : Comptabilisation et évaluation. La nouvelle norme présente des changements importants apportés aux directives d'IAS 39 sur le classement et l'évaluation des actifs financiers et instaure un nouveau modèle pour les pertes de crédit attendues pour la dépréciation des actifs financiers. IFRS 9 fournit également de nouvelles directives sur l'application de la comptabilité de couverture. Cette norme s'applique aux exercices ouverts à compter du 1er janvier 2018, l'adoption anticipée étant permise. La direction n'a pas identifié d'incidence importante sur ses états financiers découlant de cette norme.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.16 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company (continued)

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of each pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have an impact on the Company's financial statements.

IFRS 9 – Financial Instruments (IFRS 9)

The International Accounting Standards Board ("IASB") recently released IFRS 9 "Financial Instruments" (2014), representing the completion of its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not identified any impact of this new standard on its financial statements.

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4- JUGEMENTS, ESTIMATIONS ET HYPOTHÈSES

Lorsqu'elle prépare les états financiers, la direction pose un certain nombre de jugements, d'estimations et d'hypothèses quant à la comptabilisation et à l'évaluation des actifs, des passifs, des produits et des charges.

4.1 Jugements posés par la direction

Les paragraphes qui suivent traitent des jugements importants que doit poser la direction dans le cadre de l'application des méthodes comptables de la Société, qui ont l'incidence la plus significative sur les états financiers.

Comptabilisation des actifs d'impôt différé et évaluation de la charge d'impôt sur le résultat

La direction évalue régulièrement les probabilités que ses actifs d'impôt différé ne se réalisent pas. Dans le cadre de cette évaluation, la direction doit déterminer s'il est probable que la société génère ultérieurement un bénéfice imposable suffisant auquel ces pertes pourront être imputées pendant la période de report. De par sa nature, cette évaluation requiert une grande part de jugement. À ce jour, la direction n'a comptabilisé aucun actif d'impôt différé en excédent des différences temporaires imposables existantes, qui sont censées s'inverser durant la période de report (se reporter à la note 3.12).

Dépréciation des immobilisations corporelles

L'évaluation des faits et circonstances démontrant l'existence d'un quelconque indice qu'un actif a pu se déprécier ou reprendre de la valeur est un processus subjectif qui implique du jugement et souvent un certain nombre d'estimations et d'hypothèses.

4- CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

4.1 Judgments made by Management

The following paragraphs discuss significant judgments to be put under the direction of applying the accounting policies of the Company, which have the most significant impact on the financial statements.

Recognition of deferred tax assets and valuation of income tax on earnings

Management regularly assesses the likelihood that its deferred tax assets will not be realized. As part of this evaluation, management must determine if it is probable that the Company generates sufficient future taxable income to which these losses can be offset during the deferral period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred assets in excess of existing taxable temporary differences, which are expected to reverse during the deferral period (see Note 3.12).

Impairment of property, plant and equipment

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and assumptions in many cases.

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4- JUGEMENTS, ESTIMATIONS ET HYPOTHÈSES (suite)

4.2 Sources d'incertitude relative aux estimations

L'information sur les estimations et les hypothèses qui ont la plus grande incidence sur la comptabilisation et l'évaluation des actifs, des passifs, des produits et des charges est présentée ci-après. Les résultats réels peuvent différer significativement.

Dépréciation des actifs d'exploration et d'évaluation

L'évaluation des faits et circonstances démontrant l'existence d'un quelconque indice qu'un actif a pu se déprécier ou reprendre de la valeur est un processus subjectif qui implique du jugement et souvent un certain nombre d'estimations et d'hypothèses (se reporter à la note 3.10)

S'il existe un indice qu'un actif a pu se déprécier ou reprendre de la valeur, la valeur recouvrable de l'actif pris individuellement ou de l'unité génératrice de trésorerie doit être estimée.

En évaluant la dépréciation la Société doit procéder à certaines estimations et hypothèses concernant les circonstances futures, en particulier sur la faisabilité technique et la démontrabilité de la viabilité commerciale de l'extraction, la probabilité que les dépenses seront récupérées par l'exploitation future des propriétés ou la cession des propriétés lorsque les activités n'ont pas atteint un stade suffisant pour permettre l'évaluation de l'existence des réserves, la capacité de la Société d'obtenir le financement nécessaire afin de compléter l'exploration et le développement, et le renouvellement des permis. Les estimations et hypothèses peuvent changer si de nouvelles informations deviennent disponibles. Si, après capitalisation des dépenses d'exploration et d'évaluation, des informations suggèrent que le recouvrement des dépenses est improbable, les montants capitalisés sont radiés dans l'exercice où l'information devient disponible.

Une dévaluation des actifs d'exploration et d'évaluation de 9 100 \$ a été imputé au résultat pour l'exercice terminé le 30 septembre 2018 (529 274 \$ pour l'exercice terminé le 30 septembre 2017). Aucune reprise de perte de valeur n'a été comptabilisée pour les périodes considérées.

4- CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (continued)

4.2 Sources of estimation uncertainty

Information on estimates and assumptions that have the greatest impact on the recognition and measurement of assets, liabilities, income and expenses are discussed below. Actual result may differ materially.

Impairment of exploration and evaluation assets

The assessment of the facts and circumstances showing the existence of any indication that an asset may be impaired or resume the value is a subjective process that involves judgment and often a number of estimates and assumptions (see Note 3.10).

If there is an indication that an asset may be impaired or regain value, the recoverable amount of an individual asset or cash-generating unit must be estimated.

In assessing impairment, the Company must make certain estimates and assumptions regarding future circumstances, particularly on the technical feasibility and the probability of the commercial viability of extracting, the probability that the expenditure will be recovered by future exploitation of ownership or disposition of the properties where the activities have not reached a sufficient stage to allow the assessment of the existence of reserves, the ability of the Company to obtain necessary financing to complete the exploration and development and renewal of licences. The estimates and assumptions may change as new information becomes available. If, after the capitalization of exploration and evaluation expenditures, information suggests that cost recovery is unlikely, the capitalized amounts are written off in the year in which the information becomes available.

An impairment of exploration and evaluation assets of \$9,100 has been charged to income for the year ended September 30, 2018 (\$529,274 for the year ended September 30, 2017). No reversal of impairment losses has been recognized for the reporting periods.

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4- JUGEMENTS, ESTIMATIONS ET HYPOTHÈSES 4- (suite)

Paiements fondés sur des actions

Pour estimer les charges liées aux paiements fondés sur des actions, il faut sélectionner un modèle d'évaluation approprié et obtenir les données qui sont nécessaires pour le modèle d'évaluation choisi. La Société a estimé la volatilité de ses propres actions ainsi que la durée de vie probable et la période d'exercice des options octroyées. Le modèle utilisé par la Société est le modèle de Black-Scholes (se reporter à la note 9).

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (continued)

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options and warrants granted and the time of exercise of those share options. The model used by the Company is the Black-Scholes valuation model (see Note 9).

5- PLACEMENTS

Placements

Les placements sont composés des montants suivants :

	Taux d'intérêt / Interest Rate	Date d'échéance / Expiry date	30 septembre 2018 / September 30, 2018	30 septembre 2017 / September 30, 2017
			\$	\$
Dépôt à terme / Term deposit	1,45 %	14 décembre 2018 / December 14, 2018	505 760	-
Dépôt à terme / Term deposit	1,36 %	14 décembre 2017 / December 14, 2017	-	1 031 426
			<u>505 760</u>	<u>1 031 426</u>

5- INVESTMENTS

Investments

Investments are comprised of the following amounts :

6- IMMOBILISATIONS CORPORELLES

6- PROPERTY, PLANT AND EQUIPMENT

	Terrains/ Lands	Immeuble / Building	Équipement d'exploration / Exploration equipment	Matériel informatique / Computer equipment	Véhicule / Vehicle	Total
	\$	\$	\$	\$	\$	\$
Valeur comptable brute / Gross carrying amount						
Solde au 30 septembre 2016 / Balance at September 30, 2016	45 563	52 997	27 957	5 100	5 500	137 117
Acquisition / Additions	-	-	-	-	-	-
Solde au 30 septembre 2017 / Balance at September 30, 2017	45 563	52 997	27 957	5 100	5 500	137 117
Disposition / Disposal	(40 000)	-	-	-	-	(40 000)
Solde au 30 septembre 2018 / Balance at September 30, 2018	5 563	52 997	27 957	5 100	5 500	97 117

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6- IMMOBILISATIONS CORPORELLES (suite)

6- PROPERTY, PLANT AND EQUIPMENT (continued)

	Terrains/ Lands	Immeuble / Building	Équipement d'exploration / Exploration equipment	Matériel informatique / Computer equipment	Véhicule / Vehicle	Total
Cumul des amortissements / Accumulated Amortization						
Solde au 30 septembre 2016 / Balance at September 30, 2016	-	10 611	16 354	3 329	275	30 569
Amortissement / Amortization	-	2 119	2 321	974	1 568	6 982
Solde au 30 septembre 2017 / Balance at September 30, 2017	-	12 730	18 675	4 303	1 843	37 551
Amortissement / Amortization	-	2 014	1 856	438	1 097	5 405
Solde au 30 septembre 2018 / Balance at September 30, 2018	-	14 744	20 531	4 741	2 940	42 956
Valeur nette comptable / Carrying amount						
Solde au 30 Septembre 2017 / Balance at September 30, 2017	45 563	40 267	9 282	797	3 657	99 566
Solde au 30 septembre 2018 / Balance at September 30, 2018	5 563	38 253	7 426	359	2 560	54 161

Toutes les charges d'amortissement sont présentées dans le poste Amortissement des immobilisations corporelles.

All depreciation charges are shown in the position Amortization of property, plant and equipment.

7- ACTIFS D'EXPLORATION ET D'ÉVALUATION

7- EXPLORATION AND EVALUATION ASSETS

	Solde au 30 septembre 2016 / Balance as at September 30, 2016	Entrées Additions	Dépréciation Impairment	Crédits d'impôts et de droits remboursables / Tax credits and credit on duties	Solde au 30 septembre 2017 / Balance as at September 30, 2017	Entrées Additions	Dépréciation Impairment	Crédits d'impôts et de droits remboursables / Tax credits and credit on duties	Solde au 30 septembre 2018 / Balance as at September 30, 2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gold Peak									
Droits miniers / Mining rights	56 000	-	(56 000)	-	-	-	-	-	-
Dépenses d'exploration et d'évaluation / Exploration and evaluation expenses	398 539	13 206	(411 745)	-	-	-	-	-	-
Unique									
Dépenses d'exploration et d'évaluation / Exploration and evaluation expenses	-	61 529	(61 529)	-	-	9 100	(6 314)	(2 786)	-
	<u>454 539</u>	<u>74 735</u>	<u>(529 274)</u>	<u>-</u>	<u>-</u>	<u>9 100</u>	<u>(6 314)</u>	<u>(2 786)</u>	<u>-</u>

Toutes les pertes de valeur (ou les reprises, le cas échéant) sont présentées en résultat net dans le poste Dévaluation d'actifs d'exploration et d'évaluation.

All impairment charges (or reversals, if any) are included in impairment of exploration and evaluation assets in profit or loss.

AXE EXPLORATION INC.

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7- ACTIFS D'EXPLORATION ET D'ÉVALUATION
(suite)
Commandant

Le projet Commandant est localisé dans la partie Sud-Ouest du Québec à 50 km au sud de Val-d'Or. En vertu d'une convention conclue le 6 avril 2011, la Société a acquis la propriété composée de 9 titres miniers et est détenue à 100 % par la Société. La propriété est soumise à une redevance de 2 % (NSR) advenant la mise en production commerciale d'un gisement dont 1 % est rachetable au prix de 1 500 000 \$.

En raison du contexte économique mondial, la Société a dévalué en 2014 la propriété et les dépenses d'exploration et d'évaluation reportées.

Gold Peak

Cette propriété, située à l'est du Gîte Fayolle sur la Faille Porcupine Destor, a été acquise en août 2010. Le projet comprend 43 titres miniers et est détenu à 100% par la Société. La propriété est soumise à une redevance de 2 % (NSR) advenant la mise en production commerciale d'un gisement dont 1 % est rachetable au prix de 1 500 000 \$. Comme aucun travail n'est prévu, la Société a dévalué la propriété en 2017 pour 56 000 \$ et les dépenses d'exploration et d'évaluation pour 411 745 \$ en 2017.

Destorbelle

La Société détient une participation indivise de 50 % dans cette propriété.

La propriété est soumise à une redevance de 2 % (NSR) advenant la mise en production commerciale d'un gisement dont 1 % est rachetable au prix de 1 000 000 \$.

Comme la propriété est détenue à 50 % par Axe Exploration Inc. et à 50 % par Exploration Typhon Inc. et considérant que Exploration Typhon Inc. souhaitait concentrer ses activités sur le projet Fayolle, il a été entendu qu'aucun travail ne serait fait sur cette propriété. La Société a donc dévalué en 2014 les dépenses d'exploration et d'évaluation reportées.

Unique

La Société a acquis la propriété par désignation sur carte. La propriété est composée de 12 claims.

Une première phase de prospection a été complétée sur la propriété avec la collecte de 85 échantillons provenant d'affleurements rocheux et de blocs provenant de la couverture de mort-terrain. Comme aucun travail n'est prévu, la Société a dévalué les dépenses d'exploration et d'évaluation au cours de l'exercice pour 6 314\$ et en 2017 pour 61 529 \$.

7- EXPLORATION AND EVALUATION ASSETS
(continued)
Commandant

The Commandant project is located in the Southwestern part of Quebec, 50 km south of Val-d'Or. Pursuant to an agreement signed on April 6, 2011, the Company acquired the property comprised of 9 mining claims and is 100% owned by the Company. The property is subject to a 2% NSR royalty upon commercial production of a deposit, 1% of which may be bought back for \$1,500,000.

Due to the global world economic context, the Company has devaluated in 2014 the property and the exploration and evaluation expenses.

Gold Peak

The property, located East of the Fayolle Deposit on the Destor Porcupine Fault, was acquired in August 2010. The project comprises 43 mining claims and is 100% owned by the Company. The property is subject to a 2% NSR royalty upon commercial production of a deposit, 1% of which may be bought back for \$1,500,000. Considering the fact that no work is planned, the Company has devaluated the property in 2017 for \$56,000 and the deferred exploration and evaluation assets in 2017 for \$411,745.

Destorbelle

The Company holds a 50% undivided interest in this property.

The property is subject to a 2% NSR royalty upon commercial production of a deposit, 1% of which may be bought back for \$1,000,000.

As the property is owned at 50% by Axe Exploration Inc. and at 50% by Typhoon Exploration Inc. and since Typhoon Exploration Inc. wanted to concentrate its activities on its Fayolle project, it was agreed that no work would be undertaken on this property. Therefore the Company has devaluated in 2014 the exploration and evaluation expenses.

Unique

The Company acquired the property by map designation. The property is composed of 12 claims.

A first phase of prospecting was completed on the property with the collection of 85 samples originating from bedrock outcrops and from glacial boulders. Considering the fact, that no work is planned, the Company has devaluated the deferred exploration and evaluation assets during the exercise for \$6,314 and \$61,529 in 2017.

AXE EXPLORATION INC.

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8- CAPITAUX PROPRES

8.1 Capital-actions

Le capital-actions de la Société comprend seulement des actions ordinaires entièrement libérées.

Capital action autorisé

Nombre illimité d'actions sans valeur nominale. Toutes les actions sont admissibles, chacune de la même façon, au versement de dividendes et au remboursement du capital et donnent droit à un vote à l'assemblée des actionnaires de la Société.

Les mouvements dans le capital-actions de la Société se détaillent comme suit :
Changes in Company's share capital were as follows:

	2018	2017	
	Quantité / Number	Quantité / Number	
Solde au début	57 357 445	55 557 445	Balance, beginning of year
Émission d'unités Accréditives ^(a)	-	1 440 000	Issuance of flow-through units ^(a)
Émission d'unités Ordinaires ^(a)		360 000	Issuance of common units ^(a)
Options exercées	75 200	-	Exercised options
Émission d'actions ^(b)	<u>5 500 000</u>	<u>-</u>	Issuance of shares ^(b)
Solde à la fin	<u><u>62 932 645</u></u>	<u><u>57 357 445</u></u>	Balance, end of year

^(a) En décembre 2016, la Société a conclu un financement privé d'un montant total de 90 000 \$. La Société a émis des unités composés de 1 440 000 actions accréditives à 0,05 \$ l'action, 360 000 actions ordinaires à 0,05 \$ et 90 000 bons de souscriptions. Chaque bon de souscription permet au détenteur d'acquérir une action à 0,10 \$ l'action expirant 12 mois après la clôture du financement soit le 29 décembre 2017. Un montant de 35 280 \$ lié à la portion passif a été comptabilisé dans les autres passifs dans l'état de la situation financière et a tout été renversé au 30 septembre 2017. Un montant de 720 \$ a été comptabilisé en augmentation des bons de souscription.

In December 2016, the Company completed a private placement of a total of \$ 90,000. The Company issued units composed of 1,440,000 flow-through shares at a price of \$0.05 per share, 360 000 common shares at a price of \$0.05 per share and 90,000 warrants. Each warrant entitles the holder to purchase an equivalent number of common shares, at a price of \$0.10 per share expiring 12 months following the closing, being on December 29, 2017. An amount of \$35,280 related to the liability portion was recorded in other liabilities in the statement of financial position and everything was reversed on September 30, 2017. An amount of \$720 was recorded as in increase in warrants.

^(b) En septembre 2018, la Société a conclu une entente de règlement de dette avec Ressources Lutsvisky Inc., 5 500 000 actions ont été émises à un prix de 0,06\$ pour un montant total de 330 000\$ en remboursement d'une dette de 361 300\$. Un montant de 31 300\$ a été comptabilisé dans gain sur règlement de dette.

In September 2018, the Company entered into a debt settlement agreement with Ressources Lutsvisky Inc. 5,500,000 shares were issued at a price of \$0.06 for a total amount of \$330,000 in settlement of debt of \$361,300. An amount of \$31,300 was recorded in gain on debt settlement.

AXE EXPLORATION INC.

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8- CAPITAUX PROPRES (suite)**8.2 Bons de souscription**

Les bons de souscription en circulation permettent à leurs détenteurs de souscrire à un nombre équivalent d'actions ordinaires comme suit :

	2018		2017		
	Quantité Number	Prix de souscription moyen pondéré Weighted average exercise price	Quantité Number	Prix de souscription moyen pondéré Weighted average exercise price	
		\$		\$	
Solde au début	90 000	0,10	-	-	Balance, beginning of year
Octroyés	-	-	90 000	0,10	Granted
Expirés	(90 000)	0,10	-	-	Expired
Solde à la fin	-	-	90 000	0,10	Balance, end of year

8- SHAREHOLDER'S EQUITY (continued)**8.2 Warrants**

Outstanding warrants entitle their holders to subscribe to an equivalent number of common shares, as follows :

Les tableaux ci-après résument l'information relative aux bons de souscription en circulation.

The following tables summarize the information relating to the warrants outstanding.

Bons de souscription en circulation
au 30 septembre 2017 /
Warrants Outstanding
as at September 30, 2017
Prix
Price
\$
Date d'expiration / Expiry Date

90 000

0,10\$

Décembre 2017/ December, 2017

La juste valeur de chaque bon émis lors du financement a été estimée à la date d'émission en utilisant le modèle d'évaluation Black & Scholes en fonction des données moyennes pondérées suivantes pour les émissions au cours de l'exercice :

The fair value of warrants issued in the flow-through financing was estimated on the issuing date using the Black-Scholes pricing model with the following weighted average assumptions for the awards granted during the year:

	2018	2017	
Dividende prévu	-	-	Expected dividend paid
Prix moyen de l'action à la date d'émission	-	0,03	Average share price on issuing date
Volatilité moyenne prévue	-	141 %	Expected weighted volatility
Taux d'intérêt moyen sans risque	-	0,64 %	Risk-free interest average rate
Durée moyenne prévue	-	1 an / year	Expected average life
Prix d'exercice moyen à la date d'émission	-	0,10 \$	Average exercise price at issuing date

La volatilité prévue sous-jacente a été déterminée par rapport aux données historiques des actions de la Société sur une période de 1 an. Aucune caractéristique particulière inhérente aux bons émis n'a été prise en compte dans l'évaluation de la juste valeur.

The underlying expected volatility was determined by reference to historical data of the shares of the Company over 1 year. No special features inherent to the warrants issued were incorporated into measurement of fair value.

La juste valeur moyenne pondérée des bons octroyés en 2017 est de 0,007 \$.

The weighted average fair value of warrants granted in 2017 is \$0.007.

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8- CAPITAUX PROPRES (suite)**8.3 Options aux courtiers**

Les mouvements dans les options aux courtiers de la Société se détaillent comme suit :

	2018	
	Quantité Number	Prix de levée moyen pondéré Weighted average exercise price
Solde au début	75 200	\$ 0,05 \$
Octroyées ^(a)	-	-
Exercées	(75 200)	0,05 \$
Solde à la fin	-	-
Options aux courtiers exercçables à la fin de l'exercice	-	-

^(a) Au cours de l'exercice précédent, la Société a émis dans le cadre d'un placement privé, 75 200 options aux courtiers à un prix d'exercice de 0,05 \$ si exercées dans les 12 mois.

La juste valeur de chaque option émise aux courtiers estimé à la date d'octroi en utilisant le modèle d'évaluation d'options Black & Scholes en fonction des données moyennes pondérées suivantes pour les attributions octroyées au cours de l'exercice :

	2018
Dividende prévu	-
Prix moyen de l'action à la date d'émission	-
Volatilité moyenne prévue	-
Taux d'intérêt moyen sans risque	-
Durée moyenne prévue	-
Prix d'exercice moyen à la date d'émission	-

La volatilité prévue sous-jacente a été déterminée par rapport aux données historiques des actions de la Société sur une période de 1 an. Aucune caractéristique particulière inhérente aux options émises n'a été prise en compte dans l'évaluation de la juste valeur.

La juste valeur moyenne pondérée des options octroyées au courtier en 2017 est de 0,012 \$.

8- SHAREHOLDER'S EQUITY (continued)**8.3 Options to brokers**

Changes in Company's options to brokers were as follows :

	2017		
	Quantité Number	Prix de levée moyen pondéré Weighted average exercise price	
Balance, beginning of year	-	-	
Granted ^(a)	75 200	0,05 \$	
Exercised	-	-	
Balance, end of year	75 200	0,05 \$	
Options to brokers exercisable at the end of the year	75 200	0,05 \$	

^(a) During the previous year, in a private placement, the Company issued 75,200 options to brokers at an exercise price of \$0.05 if exercised within 12 months.

The fair value of each option granted was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions for the awards granted during the year:

	2017	
Expected dividend paid	-	
Average share price on issuing date	0,03 \$	
Expected weighted volatility	141 %	
Risk-free interest average rate	0,64 %	
Expected average life	12 mois / months	
Average exercise price at issuing date	0,05 \$	

The underlying expected volatility was determined by reference to historical data of the shares of the Company over 1 year. No special features inherent to the options issued were incorporated into measurement of fair value.

The weighted average fair value of broker options granted in 2017 is \$0.012.

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9- OPTIONS D'ACHAT D' ACTIONS

La Société a instauré un régime d'options d'achat d'actions (le «régime») en vertu duquel des options peuvent être accordées à des administrateurs, employés, consultants ainsi qu'à des fournisseurs de services de la Société.

Le régime prévoit que le nombre maximal d'actions de la Société pouvant être réservé à des fins d'émission ne peut excéder 9 249 633 actions et que le nombre maximal d'actions réservées à l'attribution des options à un seul bénéficiaire ne peut dépasser 5 % (2 % pour les fournisseurs de services et les responsables des relations aux investisseurs) des actions ordinaires en circulation à la date d'attribution.

Les conditions d'acquisition des options d'achat d'actions sont sans restriction. Par contre, les droits aux options pour les responsables des relations aux investisseurs deviennent acquis sur une période de 12 mois, soit 25 % à chaque trimestre. Le prix de levée des options est fixé au moment de l'octroi mais ne peut être inférieur au cours de clôture. La durée maximum des options est de 10 ans.

Les mouvements dans les options d'achat d'actions de la Société se détaillent comme suit :

9- SHARE PURCHASE OPTIONS

The Company has established a stock option plan (the "plan") under which options to purchase shares may be granted to certain directors, employees and consultants as well as suppliers of the Company.

The plan provides that the maximum number of shares that may be reserved for issuance under the plan shall not exceed 9,249,633 shares and that the maximum number of shares which may be reserved for issuance to any optionee pursuant to it may not exceed 5% (2% for suppliers and relation investors representative) of the shares outstanding at the time of grant.

The acquisition conditions of share purchase options are without restriction. Therefore, the options granted to relation investors representative are vested over a 12 month period on the basis of 25% every quarter. Exercise price of options is determined at the grant date and shall not be lower than the closing price. The options period shall be a period of a maximum of 10 years.

Changes in the Company's share purchase options were as follows :

	2018		2017		
	Quantité Number	Prix de levée moyen pondéré Weighted average exercise price	Quantité Number	Prix de levée moyen pondéré Weighted average exercise price	
		\$		\$	
Solde au début	5 430 000	0,07	4 430 000	0,08	Balance, beginning of year
Octroyées	<u>2 000 000</u>	0,075	<u>1 000 000</u>	0,05	Granted
Solde à la fin	<u>7 430 000</u>	0,075	<u>5 430 000</u>	0,07	Balance, end of year
Options exerçables à la fin de l'exercice	<u>7 430 000</u>	0,075	<u>5 430 000</u>	0,07	Options exercisable at the end of the year

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9- OPTIONS D'ACHAT D' ACTIONS (suite)

La juste valeur de chaque option octroyée a été estimée à la date d'octroi en utilisant le modèle d'évaluation d'options Black-Scholes en fonction des données moyennes pondérées suivantes pour les attributions octroyées au cours de l'exercice :

	<u>2018</u>
Dividende prévu	-
Prix moyen de l'action à la date d'octroi	0,075 \$
Volatilité moyenne prévue	128 %
Taux d'intérêt moyen sans risque	2,37 %
Durée moyenne prévue	10 ans/years
Prix d'exercice moyen à la date d'octroi	0,075 \$

La volatilité prévue sous-jacente a été déterminée en 2018 et 2017 par rapport aux données historiques des actions de la Société sur une période de 1 an. Aucune caractéristique particulière inhérente aux options attribuées n'a été prise en compte dans l'évaluation de la juste valeur.

La juste valeur moyenne pondérée des options octroyées en 2018 est de 0,078\$ (0,029\$ en 2017).

En 2018, il y a eu une rémunération à base d'actions à des administrateurs, employés et consultants pour un montant de 155 220 \$ (28 890 \$ en 2017) Ce coût a été comptabilisé au résultat opérationnel avec un crédit équivalent au surplus d'apport.

Les tableaux ci-après résumant l'information relative aux options d'achat d'actions octroyées en vertu du régime

**Options en circulation
au 30 septembre 2018
Options Outstanding
as at September 30, 2018**

780 000
1 200 000
1 250 000
1 200 000
1 000 000
2 000 000
7 430 000

Date d'échéance/Expiry date

6 avril 2021 / April 6, 2021
28 mars 2023/ March 28, 2023
22 janvier 2024/ January 22, 2024
26 mars 2025/ March 26, 2025
30 mars 2027/March 30, 2027
10 janvier 2028/January 10,2028

**Prix de levée
Exercise price
\$**

0,145
0,10
0,05
0,05
0,05
0,075

9- SHARE PURCHASE OPTIONS (continued)

The fair value of each option granted was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions for the awards granted during the year:

	<u>2017</u>	
	-	Expected dividend paid
	0,03 \$	Average share price on grant date
	136 %	Expected weighted volatility
	1,78 %	Risk-free interest average rate
	10 ans/years	Expected average life
	0,05 \$	Average exercise price at grant date

The underlying expected volatility was determined in 2018 and 2017 by reference to historical data of the shares of the Company over 1 year. No special features inherent to the options granted were incorporated into measurement of fair value.

The weighted average fair value of stock options granted in 2018 is \$0.078 (\$0,029 in 2017).

During the 2018 financial year, stock-based compensation expenses to directors, employees and consultants were in the amount of \$155,220, (\$28,890 in 2017). These expenses have been accounted to operating loss with a corresponding credit to contributed surplus.

The following tables summarize the information relating to the share purchase options granted under the plan.

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9- OPTIONS D'ACHAT D' ACTIONS (suite)**9- SHARE PURCHASE OPTIONS (continued)**

Options en circulation au 30 Septembre 2017 Options Outstanding as at September 30, 2017	Date d'échéance/Expiry date	Prix de levée Exercise price \$
780 000	6 avril 2021 / April 6, 2021	0,145
1 200 000	28 mars 2023/ March 28, 2023	0,10
1 250 000	22 janvier 2024/ January 22, 2024	0,05
1 200 000	26 mars 2025/ March 26, 2025	0,05
<u>1 000 000</u>	30 mars 2027/March 30, 2027	0,05
<u><u>5 430 000</u></u>		

10- RÉSULTAT PAR ACTION

Le calcul du résultat de base par action est effectué à partir du résultat de l'exercice divisé par le nombre moyen pondéré d'actions ordinaires en circulation au cours de l'exercice. En calculant le résultat dilué par action, les actions ordinaires potentielles dilutives, telles que les options, les options aux courtiers et les bons de souscription, n'ont pas été prises en considération car leur conversion aurait pour effet de diminuer la perte par action et aurait donc un effet antidilutif. Les informations sur les options et les bons de souscription en circulation ayant un effet potentiellement dilutif sur le résultat par action futur sont présentées aux notes 8 et 9.

Le résultat de base et dilué par action a été calculé à partir du résultat net comme numérateur, c'est-à-dire qu'aucun ajustement au résultat net n'a été nécessaire en 2018 et 2017.

	2018	2017
Résultat net	(811 539)	(850 462\$)
Nombre moyen pondéré d'actions ordinaires	57 473 964	56 913 609
Résultat de base et dilué par action ordinaire	(0,014 \$)	(0,015 \$)

Il n'y a pas eu d'autres transactions concernant des actions ordinaires entre la date de clôture et la date de l'autorisation de publication de ces états financiers.

10- LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, dilutive potential common shares such as share options, options to brokers and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 8 and 9.

Both the basic and diluted loss per share have been calculated using the net loss as the numerator, i.e. no adjustment to the net loss was necessary in 2018 and 2017.

	2018	2017
Net loss	(811 539)	(850 462\$)
Weighted average number of shares outstanding	57 473 964	56 913 609
Basic and diluted loss per share	(0,014 \$)	(0,015 \$)

There have been no other transactions involving common shares between the reporting date and the date of authorization of these financial statements.

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11- IMPÔTS SUR LE RÉSULTAT

Le taux d'imposition effectif de la Société est différent du taux d'imposition combiné fédéral et provincial de l'impôt sur le revenu au Canada. Cette différence résulte des éléments suivants :

	2018	2017	
	\$	\$	
Perte avant impôts sur le résultat	(811 539)	(885 742)	Loss before taxes
Impôts sur le résultat selon le taux d'imposition combiné fédéral et provincial au Canada, 26,73% en 2018 et 26,83 % en 2017	(216 924)	(237 645)	Tax expense at combined statutory rate of 26.73% in 2018 and 26.83% in 2017
Augmentation (diminution) des impôts sur le résultat résultant des éléments suivants :			Increase (decrease) in taxes resulting from:
Différence entre les taux d'impôts différés et statutaires	1 480	2 779	Difference between deferred and statutory taxes rates
Changement du taux des impôts différés	-	14 531	Change in deferred taxes rate
Variation des différences temporaires non constatées	170 911	186 700	Variation of unrecorded temporary differences
Effet fiscal de l'émission d'actions accréditatives	-	19 080	Tax effect of the issuance of flow-through shares
Renversement des autres passifs relatifs aux actions accréditatives	-	(35 280)	Reversal of other liabilities related to flow-through shares
Rémunération fondée sur des actions	41 490	7 751	Share-based payments
Ajustement des impôts différés des années antérieures	767	3 954	Adjustment of deferred taxes from previous years
Éléments non déductibles et autres	2 276	2 850	Non deductible items and others
	-	(35 280)	

Composition des impôts différés à l'état du résultat global

	2018	2017	
	\$	\$	
Naissance et renversement de différences temporaires	(173 158)	(227 044)	Inception and reversal of temporary differences
Effet fiscal de l'émission d'actions accréditatives	-	19 080	Tax effect of the issuance of flow-through shares
Renversement des autres passifs relatifs aux actions accréditatives	-	(35 280)	Reversal of other liabilities related to flow-through shares
Différence entre les taux d'impôts différés et statutaires	1 480	2 779	Difference between deferred and statutory taxes rates
Changement du taux des impôts différés	-	14 531	Change in deferred taxes rate
Ajustement des impôts différés des années antérieures	767	3 954	Adjustment of deferred taxes from previous years
Variation de l'effet fiscal des différences temporelles non constatées	170 911	186 700	Variation of tax effect from unrecorded temporary differences
	-	(35 280)	

Composition of deferred income taxes in the statement of comprehensive income

AXE EXPLORATION INC.

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11- IMPÔTS SUR LE RÉSULTAT (suite)

11- INCOME TAXES (continued)

Mouvements des impôts différés de 2018

Changes in deferred taxes in 2018

	Solde au 30 septembre 2017 / Balance at September 30, 2017	Comptabilisé en résultat net / Recognized in net income	Solde au 30 septembre 2018 / Balance at September 30, 2018	
	\$	\$	\$	
Actifs d'exploration et d'évaluation	-	-	-	Exploration and evaluation assets
Pertes autres qu'en capital	-	-	-	Non-capital tax losses
Renversement des autres passifs relatifs aux actions accréditatives	-	-	-	Reversal of other liabilities related to flow-through shares
Variation des impôts différés selon l'état du résultat global	-	-	-	Variation of future income taxes in the statement of comprehensive income

Au 30 septembre 2018, la Société dispose des différences temporaires suivantes pour lesquelles aucun actif d'impôts différés n'a été constaté :

As at September 30, 2018, deductible timing differences for which the Company has not recognized a deferred tax asset are as follows :

	Fédéral / Federal	Provincial	
	\$	\$	
Actifs d'exploration et d'évaluation	670 942	673 253	Exploration and evaluation assets
Immobilisations corporelles	71 706	71 706	Property, plant and equipment
Frais d'émission d'actions	3 828	1 138	Shares issuance costs
Pertes autres qu'en capital	4 638 413	4 295 060	Non-capital tax losses
Autres	125	8 086	Others
	<u>5 385 014</u>	<u>5 049 243</u>	

Au 30 septembre 2018, les pertes autres qu'en capital sur lesquelles aucun actif d'impôts différés n'a été constaté expirent de la façon suivante :

As at September 30, 2018, non-capital tax losses for which no deferred tax asset has been recorded expire as follows:

	Fédéral / Federal	Provincial
	\$	\$
2028	77 674	76 644
2029	182 620	178 575
2030	291 702	284 295
2031	846 635	654 529
2032	458 066	401 309
2033	532 441	512 440
2034	513 224	498 034
2035	421 314	405 940
2036	327 401	313 526
2037	316 018	306 347
2038	671 318	663 421
	<u>4 638 413</u>	<u>4 295 060</u>

AXE EXPLORATION INC.

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11- IMPÔTS SUR LE RÉSULTAT (suite)

11- INCOME TAXES (continued)

La Société dispose de crédits d'impôts à l'investissement de 2 851 \$ (2 851 \$ en 2017) qui ne sont pas constatés. Ces crédits peuvent être utilisés afin de réduire les impôts à payer fédéral et expirent à différentes dates entre 2029 et 2034.

The Company has investment tax credits of \$2,851 (\$2,851 in 2017) that are not recorded. These credits are available to reduce federal income taxes for the future years. These investment tax credits mature between 2029 and 2034.

Mouvements des impôts différés de 2017

Changes in deferred taxes in 2017

	Solde au 30 septembre 2016 / Balance at September 30, 2016	Comptabilisé en résultat net / Recognized in net income	Solde au 30 septembre 2017 / Balance at September 30, 2017	
	\$	\$	\$	
Actifs d'exploration et d'évaluation	-	-	-	Exploration and evaluation assets
Pertes autres qu'en capital	-	-	-	Non-capital tax losses
	-	-	-	
Renversement des autres passifs relatifs aux actions accréditatives		35 280		Reversal of other liabilities related to flow-through shares
Variation des impôts différés selon l'état du résultat global		35 280		Variation of future income taxes in the statement of comprehensive income

Au 30 septembre 2017, la Société dispose des différences temporaires suivantes pour lesquelles aucun actif d'impôt différés n'a été constaté :

As at September 30, 2017, deductible timing differences for which the Company has not recognized a deferred tax asset are as follows :

	Fédéral / Federal	Provincial	
	\$	\$	
Actif d'exploration et d'évaluation	665 768	665 767	Exploration and evaluation assets
Immobilisations corporelles	66 301	66 301	Property, plant and equipment
Frais d'émission d'actions	5 701	908	Shares issuance costs
Pertes autres qu'en capital	3 999 395	3 662 939	Non-capital tax losses
Autres	2 811	8 086	Others
	<u>4 739 976</u>	<u>4 404 001</u>	

AXE EXPLORATION INC.

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12- INFORMATIONS ADITIONNELLES AUX FLUX DE TRÉSORERIE

Variation nette des éléments hors caisse du fonds de roulement

	2018
	\$
Taxes de vente à recevoir	11 951
Frais payés d'avance	15
Dettes fournisseurs et autres créditeurs	(23 000)
	(11 034)

Les opérations non monétaires du bilan sont les suivantes :

	2018
Frais d'émission d'actions sous forme d'options accordées à un courtier en contrepartie du surplus d'apport	-
Actifs d'exploration et d'évaluation en contrepartie de dettes fournisseurs	-

Le montant d'intérêts reçus relié aux activités opérationnelles est de 10 507 \$ (14 370 \$ en 2017).

13- OPÉRATIONS ENTRE PARTIES LIÉES

Les parties liées de la Société comprennent les principaux dirigeants et les sociétés des principaux dirigeants comme il est expliqué ci-dessous.

Sauf indication contraire, aucune des transactions ne comporte de caractéristique ni conditions spéciales, et aucune garantie n'a été donnée ou reçue. Les soldes sont généralement réglés en trésorerie.

13.1 Transactions avec des sociétés liées

En vertu d'un contrat de gestion et d'un contrat de consultation intervenus respectivement en octobre 2007 et janvier 2011 entre la Société et Ressources Lutsvisky Inc. (« Lutsvisky »), Lutsvisky a droit de recevoir une somme de 361 300 \$ advenant la résiliation unilatérale de ceux-ci par la Société. Lutsvisky est une société privée détenue en propriété exclusive par David Mc Donald qui est également président, chef de la direction et administrateur de la Société. La Société a conclu une entente de règlement de dette suite à la résiliation des contrats. 5 500 000 actions ont été émises à un prix de 0,06\$ pour un montant de 330 000\$ en remboursement de la dette de 361 300\$. Un gain de 31 300\$ a été réalisé.

12- ADDITIONAL INFORMATION RELATED TO CASH FLOWS

Net change in non-cash operating working capital items

	2017
	\$
Taxes de vente à recevoir	(5 829)
Frais payés d'avance	(15)
Dettes fournisseurs et autres créditeurs	10 273
	4 429

Non-cash investing and financing activities are as follows:

	2017
Frais d'émission d'actions sous forme d'options accordées à un courtier en contrepartie du surplus d'apport	896
Actifs d'exploration et d'évaluation en contrepartie de dettes fournisseurs	15 305

Share issuance fees related to options granted to a broker in consideration of contributed surplus

Exploration and evaluation assets in consideration of trade payables

The amount of interest received related to operating activities is of \$10,507 (\$14,370 in 2017).

13- RELATED PARTY TRANSACTIONS

The Company's related parties include key management and their Companies as described below.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

13.1 Transactions with related companies

Under a management agreement and a consulting agreement entered into in October 2007 and January 2011 respectively among the Corporation and Ressources Lutsvisky Inc. ("Lutsvisky"), Lutsvisky is entitled to receive an amount of \$361,300 in the event of the unilateral termination by the Company. Lutsvisky is a privately held corporation wholly owned by David Mc Donald who is also President, Chief Executive Officer and a director of the Company. The Company entered into a debt settlement agreement following the termination of the management and consulting agreements. 5,500,000 shares were issued at a price of \$0.06 for a total amount of \$330,000 in settlement of a debt of \$361,300. An amount of \$31,300 was recorded in gain on debt settlement.

AXE EXPLORATION INC.

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13- OPÉRATIONS ENTRE PARTIES LIÉES (suite)
13.1 Transactions avec des sociétés liées (suite)

Pour l'exercice terminé le 30 septembre 2018, le taux des frais de gestion est égal à 15 % (15% en 2017).

Le tableau suivant présente les opérations conclues avec Lutsvisky au cours de l'exercice.

	<u>2018</u>
	\$
Dépenses d'exploration et d'évaluation	8 252
Frais généraux d'administration	5 255
Honoraires des consultants	469 274

Au 30 septembre 2018 il n'y a aucun compte à payer, en 2017, les dettes fournisseurs et autres crédetes incluent une somme à payer à Lutsvisky, de 48 252 \$.

Au cours de l'exercice, la Société a encouru des frais de location auprès de la Société Exploration Typhon Inc., une société publique dirigée par le président et chef de la direction de la Société.

Le tableau suivant présente les opérations conclues avec Exploration Typhon Inc. au cours de l'exercice :

	<u>2018</u>
	\$
Location d'un véhicule	9 083
Vente immobilisations corporelles ^(a)	40 000

^(a)Cette opération est évaluée à la valeur convenue entre les parties.

Au 30 septembre 2018, il n'y a aucun montant à payer à Exploration Typhon, en 2017 les dettes fournisseurs et autres crédetes incluent une somme à payer de 1 139 \$

13.2 Transactions avec les principaux dirigeants

Les principaux dirigeants de la Société sont les membres du conseil d'administration ainsi que le président. La rémunération des principaux dirigeants comprend les charges suivantes :

	<u>2018</u>
Avantages à court terme du personnel	
Salaires	27 082
Paiements fondés sur des actions	38 805
Total de la rémunération	<u>65 887</u>

13- RELATED PARTY TRANSACTIONS (continued)
13.1 Transactions with related companies (continued)

For the year ended on September 30, 2018, the rate of management fees is 15% (15% in 2017).

The table below presents related party transactions concluded with Lutsvisky during the year.

	<u>2017</u>	
	\$	
74 195		Exploration and evaluation expenses
2 820		General administrative expenses
162 014		Consultants fees

At September 30, 2018 there is no due to a related company and in 2017, trade and other payables include amounts payable to Lutsvisky, for an amount of \$48,252.

During the year, the Company incurred rent expenses from the company Typhoon Exploration Inc., a listed company headed by the president and CEO of the Company.

The following table presents transactions with Typhoon Exploration Inc. during the year:

	<u>2017</u>	
	\$	
10 791		Car rental
-		Sale of property ,plant and equipment ^(a)

^(a) The transaction is valued at the value agreed between the parties.

As at September 30, 2018, there is no amount due to Typhoon Exploration Inc, in 2017, trade and other payables include an amount of \$1,139.

13.2 Transactions with key management personnel

The Company key management personnel are members of the Board of Directors, as well as the president. Key management personnel remuneration includes the following expenses:

	<u>2017</u>	
26 654		Short-term employee benefits
28 890		Salaries
55 544		Share-based payments
		Total remuneration

AXE EXPLORATION INC.

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14- RISQUES DÉCOULANT DES INSTRUMENTS FINANCIERS

La Société est exposée à différents risques relativement aux instruments financiers. Les principaux types de risques auxquels la Société est exposée sont le risque de crédit et le risque de liquidité.

Les objectifs poursuivis par la Société visent à s'assurer des entrées de trésorerie à court et à moyen terme tout en réduisant l'exposition aux marchés des capitaux. La Société ne négocie pas d'actifs financiers à des fins spéculatives.

Aucun changement n'a été effectué en matière d'objectifs, de politiques ou de procédures liés à la gestion des risques découlant des instruments financiers au cours des périodes de présentation de l'information financière considérées.

Les principaux risques financiers auxquels la Société est exposée sont décrits ci-après.

14.1 Risque de crédit

Le risque de crédit est le risque qu'une autre partie à un instrument financier manque à une de ses obligations et, de ce fait, amène la Société à subir une perte financière.

L'exposition maximale de la Société au risque de crédit est limitée à la valeur comptable des actifs financiers suivants à la date de présentation de l'information financière :

	30 septembre / September 30		
	2018	2017	
	\$	\$	
Trésorerie	62 586	38 222	Cash
Encaisse en fidéicomis	196 045	-	Cash in trust
Placements	505 760	1 031 426	Investments
Valeur comptable	<u>764 391</u>	<u>1 069 648</u>	Carrying amounts

La direction de la Société estime que la qualité du crédit de tous les actifs financiers décrits ci-dessus, à chaque date de présentation de l'information financière, est bonne.

Aucun actif financier de la Société n'est garanti par un instrument de garantie ou par une autre forme de rehaussement de crédit.

14- FINANCIAL INSTRUMENT RISKS

The Company is exposed to various risks in relation to financial instruments. The main types of risks the Company is exposed to are credit risk and liquidity risk.

The Company focuses on actively securing short to medium-term cash flows by minimizing the exposure to financial markets. The Company does not actively engage in the trading of financial instruments for speculative purposes.

No changes were made in the objectives, policies and processes related to financial instruments risk management during the reporting periods.

The most significant financial risks to which the Company is exposed to are described below.

14.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

The Company's management considers that all the above financial assets for each of the reporting dates under review are of good credit quality.

None of the Company's financial assets are secured by collateral or other credit enhancements.

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14- RISQUES DÉCOULANT DES INSTRUMENTS FINANCIERS (suite)

14.2 Risque de liquidité

Le risque de liquidité est le risque que la Société éprouve des difficultés à honorer des engagements liés à des passifs financiers, qui sont à régler par la remise de trésorerie ou d'un autre actif financier.

La gestion du risque de liquidité vise à maintenir un montant suffisant de trésorerie et à s'assurer que la Société dispose de sources de financement sous la forme de financements privés suffisants. La Société établit des prévisions budgétaires et de trésorerie afin de s'assurer qu'elle dispose des fonds nécessaires pour rencontrer ses obligations. L'obtention de nouveaux fonds permet à la Société de poursuivre ses activités et malgré le fait qu'elle ait réussi dans le passé, il n'y a aucune garantie de réussite pour l'avenir. À la fin du mois de septembre 2018, la Société a suffisamment de liquidités pour prendre en charge ses passifs financiers et ses passifs financiers futurs provenant de ses engagements.

Les dettes fournisseurs et autres créditeurs ont des échéances contractuelles de moins de trois mois.

15- POLITIQUES ET PROCÉDÉS DE GESTION DU CAPITAL

Les objectifs de la Société en ce qui a trait à la gestion du capital sont les suivants :

- Assurer la capacité de la Société de poursuivre ses activités;
- Augmenter la valeur des actifs de la Société;
- Assurer un rendement aux actionnaires de la Société.

Ces objectifs seront atteints par l'établissement de projets d'exploration adéquats, la mise en valeur de ces projets et ultimement la mise en production ou la vente des propriétés et l'obtention de liquidités, avec des partenaires ou seul.

La Société gère son capital sur la base de la valeur comptable des capitaux propres. Le capital pour l'exercice financier en cours est présenté à l'état des variations des capitaux propres.

La Société n'est soumise à aucune exigence en matière de capital imposée de l'extérieur, sauf lorsqu'elle conclut un placement accréditif pour lequel le montant doit être utilisé à des fins d'exploration.

14- FINANCIAL INSTRUMENT RISKS (continued)

14.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private placements for a sufficient amount. The Company establishes budget and cash estimates to ensure it has the necessary funds to fulfill its obligations. Obtaining additional funds makes it possible to the Company to continue its operations, and while it has been successful in the past, there is no guarantee for the future. At the end of September 2018, the Company had enough funds available to meet its financial liabilities and future financial liabilities from its commitments.

Trade accounts and other liabilities have contractual maturities of less than three months.

15- POLICIES AND PROCESSES FOR MANAGING CAPITAL

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to shareholders of the Company.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods under review is summarized in the statement of changes in equity.

The Company is not exposed to any externally imposed capital requirements except when the Company issues flow-through shares for which an amount should be used for exploration work.

AXE EXPLORATION INC.

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15- POLITIQUES ET PROCÉDÉS DE GESTION DU CAPITAL (suite)

La Société finance ses activités d'exploration et d'évaluation principalement en recherchant des capitaux supplémentaires au moyen soit de placements privés, soit de placements publics.

Lorsque les conditions de financement ne sont pas optimales, la Société peut signer des conventions d'options ou autres ententes pour être en mesure de continuer ses activités d'exploration et d'évaluation ou peut ralentir ses activités jusqu'à ce que les conditions de financement s'améliorent.

Aucun changement n'a été effectué en matière d'objectifs, de procédures ou de processus de gestion de capital durant les périodes de présentation de l'information financière.

16- ÉVENTUALITÉS

La Société est financée en partie par l'émission d'actions accréditatives et, en vertu de règles fiscales relatives à ce type de financement, la Société s'est engagée à réaliser des travaux d'exploration minière.

Ces règles fiscales fixent également des échéances pour la réalisation des travaux d'exploration qui doivent être entrepris au plus tard à la première des dates suivantes :

- Deux ans suivant les placements accréditifs;
- Un an après que la Société a renoncé aux déductions fiscales relatives aux travaux d'exploration.

Cependant, il n'existe aucune garantie à l'effet que ces dépenses d'exploration seront admissibles à titre de frais d'exploration au Canada, même si la Société s'est engagée à prendre toutes les mesures nécessaires à cet égard. Le refus de certaines dépenses par l'administration fiscale pourrait avoir un impact fiscal négatif pour les investisseurs.

Au cours de la période de présentation de l'information financière précédente, la Société a reçu un montant de 72 000 \$ à la suite d'un placement accréditif pour lequel elle a renoncé aux déductions fiscales en date du 31 décembre 2016.

15- POLICIES AND PROCESSES FOR MANAGING CAPITAL (continued)

The Company finances its exploration and evaluation activities mainly seeking additional capital either by private financing or public financing.

When financing conditions are not optimal, the Company may enter into option agreements or other agreements to be able to continue its exploration and evaluation activities or can slow until financing conditions improve.

No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

16- CONTINGENCIES

The Company is partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work.

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the earlier of the following dates:

- Two years following the flow-through placements; and
- One year after the Company has renounced the tax deductions relating to the exploration work.

However, there is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

During the previous reporting period, the Corporation received an amount of \$72,000 following flow-through placement for which the Corporation renounced tax deductions on December 31, 2016.

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17- ÉVÉNEMENT SUBSÉQUENT

Le 14 décembre 2018, la Société :

- A acquis la totalité des actions ordinaires de Corporation Terranueva Pharma, une entreprise qui compte devenir un important producteur de cannabis au Québec, en contrepartie de 10 930 000\$ payés par l'émission de 21 860 000 actions ordinaires.
- A changé sa dénomination sociale pour Corporation Terranueva.
- A consolidé les actions ordinaires de la Société pour un ratio de 16 anciennes actions pour chaque nouvelle action ordinaire et a modifié le régime d'option.
- A émis 4 620 000 actions ordinaires au prix de 0,50\$/action pour un montant total de 2 310 000 \$.

La Société évalue actuellement les impacts de cette transaction sur ces états financiers.

Les actions ordinaires sont inscrites à la cote de la Bourse des valeurs canadiennes sous le symbole TEQ depuis le 17 décembre 2018 et ont été radiées volontairement de la Bourse de croissance TSX le 27 novembre 2018.

17- SUBSEQUENT EVENT

On December 14, 2018 the Company:

- Acquired all of the common shares of Terranueva Pharma Corporation, a company that plans to become a major producer of cannabis in Quebec, in exchange for \$10,930,000 paid by issuing 21,860,000 common shares.
- Changed its legal name to Terranueva Corporation.
- Consolidated the common shares of the Company for a ratio of 16 former shares for each new common share and changed the option plan.
- Issued 4,620,000 common shares at a price of \$0.50/share for a total of \$2,310,000.

The Corporation is currently evaluating the impacts of this transaction on its financial statements.

Common shares have been listed on the Canadian Securities Exchange under the TEQ symbol since December 17, 2018 and were voluntarily written off from the TSX Venture Exchange on November 27, 2018



ANALYSE PAR LA DIRECTION DE LA SITUATION FINANCIÈRE ET DES RÉSULTATS D'EXPLOITATION

Le présent rapport sur la situation financière et les résultats d'exploitation constitue une revue de la direction concernant les différents éléments qui ont influencé la performance des opérations et des résultats financiers de la compagnie au cours de l'exercice financier terminé le 30 septembre 2018. Ce rapport de gestion, daté du 24 janvier 2019, doit être analysé en relation avec les états financiers annuels audités de la Société au 30 septembre 2018, incluant les notes complémentaires aux états financiers. Tous les chiffres inclus dans le présent document sont en dollars canadiens.

DATE

Ce rapport a été rédigé le 24 janvier 2019.

DESCRIPTION DE L'ENTREPRISE

Axe Exploration Inc. («Axe» ou «Société») anciennement Exploration Diamond Frank inc. constituée le 17 octobre 2007 en vertu de la loi canadienne sur les sociétés par actions, est une société d'exploration minière qui détient des propriétés minières au Québec. Le 14 décembre 2018, une transaction, visant l'acquisition de Corporation Terranueva Pharma, en contrepartie de 10 930 000\$ payés par l'émission de 21 860 000 actions ordinaires a été complétée. Une consolidation des anciennes actions avec un ratio de 16 pour 1 nouvelle action a aussi été acceptée. De plus la société a changé sa dénomination sociale pour Corporation Terranueva («Terranueva»).

Depuis le 17 décembre 2018, les actions de Corporation Terranueva sont inscrites à la bourse Canadienne Security Exchange (CSE) sous le symbole TEQ. Du 8 avril 2013 au 27 novembre 2018, les actions d'Axe étaient inscrites à la bourse de croissance TSX sous le symbole AXQ. Auparavant, soit de janvier 2008 au 5 avril 2013, les actions étaient inscrites sous le symbole DOD et la société portait le nom d'Exploration Diamond Frank inc.

Les activités de la compagnie sont maintenant situées à L'Assomption au Québec. La Société est dans le processus final pour obtenir sa licence de culture et transformation de cannabis.

NOUVEAUX ADMINISTRATEURS

- Pierre Ayotte
- Sylvain Aird
- Marc-André Aubé
- Patrice Boily
- Alain Bureau
- Louis Doyle
- Rafael Percopo
- Francisco Perez Jr

MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL SITUATION AND OPERATIONS RESULTS

The following Management's Discussion and Analysis « MD&A » presents results of operations and material changes in financial condition and constitutes management's review of various elements that have impacted operational and financial performance of Axe Exploration Inc. ("Axe", or the Company) for the period ended September 30th, 2018. The following MD&A dated January 24, 2019 should be read in conjunction with the company's audited financial statements dated September 30th, 2018 including related notes. All amounts included in the following document are in Canadian dollars.

DATE

This MD&A was produced on January 24, 2019.

DESCRIPTION OF THE BUSINESS

Axe Exploration Inc., formerly Diamond Frank Exploration inc., incorporated on October 17, 2007 under the Federal Business Corporation Law, is a mining exploration with properties in Quebec. On December 14, 2018 a transaction to acquire Terranueva Pharma Corporation in exchange for \$10,930,000 paid by issuing 21,860,000 common shares was completed. And a reverse take over of 16 to 1 new common share was also accepted. In addition, the Company changed its legal name to Terranueva Corporation («Terranueva»)

Since December 17, 2018, Terranueva Corporation shares have been listed on the Canadian Security Exchange (CSE) under the ticker symbol "TEQ". From April 8, 2013 to November 27, 2018, the common shares of Axe Exploration are listed on the TSX Venture Exchange under the symbol AXQ. Previously, from January 2008 to April 5, 2013, the common shares were listed under the symbol DOD and the company bore the name Diamond Frank Exploration inc.

The Company's activities are now located in L'Assomption, Québec. The Society is in the final process of obtaining its cannabis cultivation and processing licence.

NEW DIRECTORS

- Pierre Ayotte
- Sylvain Aird
- Marc-André Aubé
- Patrice Boily
- Alain Bureau
- Louis Doyle
- Rafael Percopo
- Francisco Perez Jr



**ANALYSE PAR LA DIRECTION DE LA SITUATION
FINANCIÈRE ET DES RÉSULTATS D'EXPLOITATION**

**MANAGEMENT DISCUSSION AND ANALYSIS OF THE
FINANCIAL SITUATION AND OPERATIONS RESULTS**

ÉNONCÉS PROSPECTIFS

Le rapport de gestion contient des énoncés prospectifs qui reflètent, à la date du rapport de gestion, les attentes, estimations et projections de la société quant à ses opérations, à l'industrie en général et à l'environnement économique dans lequel elle évolue. Tout en étant raisonnable, ces énoncés comportent un certain élément de risque et d'incertitude et par conséquent, il n'y a aucune garantie qu'ils se réaliseront. Les résultats réels peuvent donc varier de façon importante de ceux mentionnés ou prévus dans ces énoncés prospectifs.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business, the industry in general and the economic environment in which it operates as of the date of the MD&A. These statements are reasonable but involve a number of risks and uncertainties, and there can be no assurance that they will prove to be accurate. Therefore, actual outcome and results may differ materially from those expressed in or implied by these forward-looking statements.



SURVOL

OVERVIEW

Dépenses d'exploration pour les exercices terminés le 30 septembre Exploration expenses for the years ended September 30					
	DESTORBELLE	GOLD PEAK	COMMANDANT	UNIQUE	TOTAL
Solde au 30 septembre 2017 Balance at September 30,2017	-	-	-	-	-
Forage / Drilling	-	-	-	-	-
Géophysique Geophysic	-	-	-	-	-
Analyse Analysis	-	-	-	-	-
Main d'œuvre Logistique Work Management	-	-	-	-	-
Autres frais d'exploration Other exploration expenses	-	-	-	9 100	9 100
Gestion des travaux Works management	-	-	-	-	-
Géologie Geology	-	-	-	-	-
Sous-Total	-	-	-	9 100	9 100
Crédit d'impôt relatif aux ressources et crédit d'impôts miniers / Tax credit related to resources and mining tax credit	-	-	-	(2 786)	(2 786)
Dévaluation de frais d'exploration reportés Writedown of deferred exploration expenses	-	-	-	(6 314)	(6 314)
Solde au 30 septembre 2018 Balance at September,2018	-	-	-	-	-



	Dépenses d'exploration pour les exercices terminés le 30 septembre Exploration expenses for the year ended September 30				
	DESTORBELLE	GOLD PEAK	COMMANDANT	UNIQUE	TOTAL
Solde au 30 septembre 2016 Balance at September 30,2016	-	398 539	-	-	398 539
Forage / Drilling	-	-	-	-	-
Géophysique Geophysics	-	-	-	-	-
Analyse Analysis	-	-	-	2 763	2 763
Main d'œuvre Logistique Work Management	-	10 484	-	42 928	53 412
Autres frais d'exploration Other exploration expenses	-	1 062	-	2 804	3 865
Gestion des travaux Works management	-	1 660	-	8 018	9 678
Géologie Geology	-	-	-	5 016	5 016
Sous-Total	-	13 206	-	61 529	74 735
Crédit d'impôt relatif aux ressources et crédit d'impôts miniers / Tax credit related to resources and mining tax credit	-	-	-	-	-
Dévaluation de frais d'exploration reportés Writedown of deferred exploration expenses	-	(411 745)	-	(61 529)	(473 274)
Solde au 30 septembre 2017 / Balance at September 30,2017	-	-	-	-	-



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PROPRIÉTÉ DESTORBELLE

OR

DESTORBELLE PROPERTY

AU

Le projet Destorbelle est constitué de 24 titres miniers situés immédiatement à l'ouest de l'indice Aiguebelle-Goldfield. Axe Exploration est partenaire à 50% avec Exploration Typhon. L'entente est grevée d'une redevance de 2% NSR.

The Destorbelle project consists of 24 claims located directly at the west of Aiguebelle-Goldfield showing. Axe Exploration is 50% partner with Typhoon Exploration A 2% NSR Royalty is attached to the project.

Le contexte structural de cette propriété montre une grande similitude avec le Gîte Fayolle (Exploration Typhon Inc).

The structural context shows a high similarity with the Fayolle Deposit (Typhoon Exploration Inc).

La propriété a été dépréciée afin de permettre à la société de concentrer ses travaux sur ses autres propriétés.

The property has been depreciated in order to allow the company to focus its work on other properties.

PROPRIÉTÉ COMMANDANT

OR, CU, PD, AG

COMMANDANT PROPERTY

AU, CU, PD, AG

Commandant est une propriété située tout près de Val D'Or, elle est composée de 9 titres miniers pour une superficie de 522,5 hectares.

Commandant is a property located near Val D'Or; it consists of 9 mining claims totalising 522.5 hectares.

Un conducteur fort, situé en bordure de l'intrusion ultramafique a bien répondu et a permis de mettre à jour un tout nouvel indice minéralisé en cuivre, argent et palladium. Les résultats d'analyse reçus ont retourné : 0.7 % Cu, 5 g/t Ag et 55 ppb de Pd.

A strong conductor on the edge of the ultramafic intrusion responded well and allowed the discovery a whole new copper, silver and palladium mineralized showing. Results from samples have returned: 0,7% Cu, 5 g/t AG and 55 ppb PD.

La Société a dévalué la propriété.

The Company has devaluated the property.

PROPRIÉTÉ GOLD PEAK

OR

GOLD PEAK PROPERTY

AU

Cette propriété est constituée de 43 titres miniers pour un total de 1 955 hectares et est située au sud-est de la faille Porcupine-Destor. L'entente est grevée d'une redevance de 2% NSR.

This property is constituted by 43 mining claims totalling 1,955 hectares and is located in the southeast of the Fault Porcupine-Destor. The agreement is burdened by a 2% NSR Royalty.

Des travaux d'explorations ont été effectués, notamment de la récolte d'échantillons de sédiments glaciaires (till) et fluvio-glaciaires (esker). Un levé hélicoptère de type magnétique-électromagnétique a été réalisé.

Explorations work has been completed, including the collection of several glacial (till) and glacioaqueous (esker) sediment samples. An heliborne magnetic and electromagnetic type survey was performed.

Un programme de prospection avec échantillonnage fut initié en automne 2013 afin d'établir une meilleure connaissance du contexte géologique et minéralisateur d'une partie du secteur ouest de la propriété. Suite à ces travaux une coupe de ligne ainsi que des levés magnétométriques utilisant un GPS différentiel et PP-OreVision totalisant 35 Km ont été effectués afin de mieux cibler les futurs sites de travaux.

A prospection and sampling program was initiated in 2013 autumn to establish a detail geological map in the favourable corridor in the western part of the property. Following this work a linecutting and a 35Km magnetometer survey using differential GPS and 35 Km OreVision-IP survey were completed to lead to the future work.

Plusieurs anomalies de Polarisation provoquée furent définies et de la reconnaissance géologique fut recommandée sur ces anomalies. Des travaux de prospection et de reconnaissance géologiques avec échantillonnage de veines, de structure et de minéralisation ont été effectués.

Several induced polarization anomalies were defined and geological reconnaissance work was recommended on these anomalies. Prospecting and geological reconnaissance work, with veins, structures and mineralization sampling has been done.

Au cours de l'année 2014, des travaux de prospection et d'échantillonnage par rainurage furent réalisés sur quelques anomalies OreVision (Dipôle-Dipôle). L'une des zones anormales est affleurante et fut dégagée manuellement et échantillonnée. Des roches sédimentaires graphitiques de la Formation du Lac Caste

During the year 2014, prospection and channel sampling works were completed on manually stripped outcrops corresponding to Induced Polarization (IP) anomalies (Dipôle-Dipôle Orevision Method). The outcropping host rock units consist of the Lac Caste sedimentary Formation which locally contains graphitic zones. Several thin intrusions



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furent reconnues avec plusieurs petites intrusions de composition dioritique à tonalitique recoupant les roches sédimentaires.

PROPRIÉTÉ GOLD PEAK (SUITE)

OR

Les horizons graphiteux coïncident généralement avec les meilleures anomalies OreVision et contiennent de 2 à 5% de pyrite et traces à 1% de chalcopryrite. Les valeurs les plus significatives furent obtenues dans l'échantillon P225812 : 0.25% Zn, 0.04% Cu et 0.5 g/t Ag; et l'échantillon P225813 : 0.16% Zn, 0.02% Cu et 0.3 g/t Ag

Un rapport selon la norme 43-101 a été publié le 25 février 2015 et ce rapport résume l'ensemble des travaux réalisés jusqu'à présent sur la propriété et les recommandations en deux phases pour les prochaines étapes du projet.

La propriété a été dévaluée au cours de l'année.

PROPRIÉTÉ UNIQUE

OR

Cette propriété est constituée de 12 titres miniers couvrant une superficie d'environ 449.54 hectares (4,5Km²). Elle est adjacente à la propriété Fayolle (Typhon).

Des travaux de prospection et d'échantillonnage ont été fait au courant des mois de juin et juillet 2017. Plus de 78 échantillons ont été pris. Les résultats seront divulgués dès que reçu par le laboratoire par communiqué de presse.

La propriété a été dévaluée au cours de l'année.

PROPRIÉTÉ TRÉSOR

OR

Cette propriété est constituée de 20 titres miniers couvrant une superficie d'environ 851.58 hectares (8,5Km²). La Société a décidé d'abandonner cette propriété en décembre 2016.

ENVIRONNEMENT

Axe s'est engagée à respecter toutes les lois environnementales. Avec l'appui des agences gouvernementales et des responsables régionaux, la société prend aussi toutes les précautions nécessaires pour respecter son engagement de minimiser l'impact sur l'environnement dans le cadre de ses activités.

La Société a, par les années passées, procédé à l'ensemencement de ses sites d'exploration et a complété certain reboisement avec environ 2 000 arbres.

La Société a toujours appliqué de façon informelle des pratiques rigoureuse et adopté une politique de développement durable.

of dioritic to tonalitic composition cut the main sedimentary rock unit.

GOLD PEAK PROPERTY (CONTINUED)

AU

The graphitic horizons generally coincide with the strongest IP anomalies and are associated with 2-5% pyrite and traces to 1% chalcopryrite. Samples P225812 and P225813 respectively returned the following significant results: 0.25% Zn, 0.04% Cu and 0.50 g/t Ag as well as 0.16% Zn, 0.02% Cu and 0.30 g/t Ag.

A report according to the standard NI43-101 was published on February 25, 2015 and summarizes all the past exploration efforts that were completed on the Gold Peak Property up to now as well as future work recommendations distributed over a two phases exploration work program.

The property has been depreciated this year.

UNIQUE PROPERTY

AU

This property is constituted by 12 mining claims, covering a surface of approximately 449.54 hectares (4.5Km²). It's adjacent to the Fayolle Property (Typhon).

Prospecting and sampling works were done in June and July 2017. Over 78 samples were taken. The results of analysis will be released as soon as received by the laboratory.

The property has been depreciated this year.

TRESOR PROPERTY

AU

This property is constituted by 20 mining claims, covering a surface of approximately 851.58 hectares (8.5Km²). The Company decided to abandon this property in December 2016.

ENVIRONMENTAL ISSUES

Axe Exploration is committed to respect all environmental laws. In support of the governmental agencies and the regional people in charge, the society also takes all the necessary precautions to respect its commitment to minimize the impact on the environment within the framework of its activities.

The company has, in past years, completed the sowing of its exploration sites and completed some reforestation program for around 2,000 trees.

The company has always applied informally rigorous practices and adopted a sustainable development policy.



DONNÉES ANNUELLES CHOISIES

Les états financiers ont été préparés conformément aux Normes Internationales d'Information Financière (IFRS) et sont exprimés en dollars Canadiens.

SELECTED ANNUAL INFORMATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and are expressed in Canadian dollars.

DONNÉES ANNUELLES ANNUAL INFORMATION	EXERCICE TERMINÉ LE 30 SEPTEMBRE 2018 YEAR ENDED SEPTEMBER 30, 2018 \$	EXERCICE TERMINÉ LE 30 SEPTEMBRE 2017 YEAR ENDED SEPTEMBER 30, 2017 \$
Total des actifs Total assets	831 209	1,192,823
Revenus d'intérêt Interest revenues	10 507	14,370
Résultat net Loss for the year	(811 539)	(850,462)

De par son statut de Société d'exploration minière, Axe ne génère pas de revenus réguliers de sorte qu'elle doit assurer sa survie par l'émission de capital actions. La perte de l'exercice terminé le 30 septembre 2018 était donc prévisible.

Le résultat net de 2018 est de (811 539)\$ et était de (850 462)\$ en 2017. Les dépenses administratives de 2018 sont de 853 346\$ et étaient de 900 112\$ en 2017.

Les principales différences entre les deux exercices portent sur les points suivants :

- Les honoraires de consultants qui ont augmenté de 329 760\$ en raison de l'annulation du contrat de consultation avec Ressources Lutsvisky, elles sont de 491 774\$ en 2018 et étaient de 75 418\$ en 2017, voir détails page 14.
- Il y a eu une augmentation de la rémunération-paiement fondés sur des actions de 126 330\$, en 2018 elle est de 155 220\$ et était de 28 890\$ en 2017.
- Il y a eu une diminution de 522 960\$ de la dépréciation sur les propriétés, elle est de 6 314\$ en 2018 et étaient de 529 274\$ en 2017.
- Il y a eu un gain sur règlement de dette de 31 300\$ en 2018 tandis qu'il n'y en a eu aucun en 2017.

According to its status, as a mining exploration company, Axe Exploration does not generate regular revenue, Therefore, the net loss of the year ended September 30, 2018 was foreseeable.

The loss before income taxes for 2018 is \$811,539 and was for 2017 of \$850,462. The administrative expenses of 2018 are \$853,346 and were of \$900,112 in 2017.

The main differences between the two exercises are as follows:

- The consultant fee, which increase by \$32,760 due to the cancellation of the consulting contract with Ressources Lutsvisky Inc., is \$491,774 in 2018 and \$75,418 in 2017, see details on page 14.
- There was an increase in share-based payments of \$126,330, in 2018 it is \$155,220 and was \$28,890 in 2017.
- There was a decrease of \$522,960 in impairment of exploration and evaluation assets, it is \$6,314 in 2018 and was \$529,274 in 2017.
- There was a \$31,300 debt settlement gain in 2018 and non in 2017.



RÉSUMÉ DES RÉSULTATS TRIMESTRIELS

SUMMARY OF QUATERLY RESULTS

Résultats trimestriels Quarterly results	30 septembre 2018 September 30, 2018 \$	30 juin 2018 June 30, 2018 \$	31 mars 2018 March 31, 2018 \$	31 décembre 2017 December 31, 2017 \$
Total des actifs Total assets	831 209	857 207	942 954	1 118 028
Résultat avant impôts Loss before income taxes	(361 151)	(69 372)	(288 348)	(92 668)
Résultat net de base et dilué/action Basic and diluted loss per share	(0.006)	(0.001)	(0.005)	(0.002)

Au cours du trimestre terminé le 30 septembre 2018, le résultat net avant impôts est de 361 151\$.

During the quarter ended September 30, 2018, the net loss before income taxes is \$361,151.

LES FAITS SAILLANTS DU DERNIERS TRIMESTRES SONT :

HIGHLIGHTS FOR THE LAST QUARTERS ARE :

- a) Augmentation des honoraires professionnels au cours du trimestre de 10 400\$ en raison des frais pour la mission d'examen du trimestre au 30 juin 2018, il n'y en avait pas eu au cours du trimestre précédent.
- b) Diminution de 13 404\$ des autres charges opérationnelles, elles sont de 7 344\$ pour ce trimestre et 20 748\$ au trimestre précédent.
- c) Enregistrement des crédits d'impôts miniers, ce qui a diminué de 1 938\$ la radiation des frais d'exploration reportés.

- a) An increase in professional fees during the quarter of \$10,400 due to the costs of the quarterly review engagement to June 30, 2018 none had occurred in the previous quarter.
- b) Other operating expenses decreased by \$13,404 to \$7,344 for this quarter and \$20,748 for the previous quarter.
- c) Recording mining tax credit, which decreased the write-off of deferred exploration expenses by \$1,938.



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LES FAITS SAILLANTS DES QUATRE DERNIERS TRIMESTRES SONT :

- a) Il y a eu une rémunération à base d'actions au montant de 155 220\$ au 2^{ème} trimestre.
- b) Les honoraires professionnels du 1^{er} et 2^{ème} trimestre sont composés en majorité par les frais annuels d'audit et ceux du 4^{ème} trimestre sont pour la mission d'examen au 30 juin 2018.
- c) Les frais de consultants du 4^{ème} trimestre sont pour la résiliation des contrats avec Ressources Lutsvisky Inc. une société privée détenue en propriété exclusive par le président et chef de la direction de la Société au 30 septembre 2018.

HIGHLIGHTS FOR THE LAST FOUR QUARTERS ARE:

- a) There was a share-based payment of \$155,220 in the second quarter(Q2).
- b) The professional fees in the first(Q1) and second quarter(Q2) are for the annual audit fees and for the fourth quarter (Q4) are for the mission exam at June 30,2018.
- c) The consultant fees of the Q4 are for the termination of the contract with Ressources Lutsvisky Inc., a private corporation wholly-owned by the President and CEO of the Corporation on September 30,2018.

Dépenses d'administration des quatre derniers trimestres :

For the last fiscal year, the administrative expenses are :

FRAIS D'ADMINISTRATION ET AUTRES ADMINISTRATIVE AND OTHER EXPENSES	30 SEPTEMBRE 2018 SEPTEMBER 30, 2018 \$	30 JUIN 2018 JUNE 30, 2018 \$	31 MARS 2018 MARCH 31, 2018 \$	31 DÉCEMBRE 2017 DECEMBER 31, 2017 \$
Honoraires professionnels Professional fees	10 400	-	12 846	16 467
Honoraire de consultation Consultants fees	361 300	35 146	47 664	47 664
Rémunération à base d'actions Stock-based compensation	-	-	155 220	-
Autres charges opérationnelles Other operating expenses	7 344	20 749	49 438	9 814
Salaires et Charges sociales Salaries and fringe benefits	6 937	8 096	8 108	6 942
Impôt de la partie XII.6 Part XII.6 taxes			296	
Inscription, registrariat et information aux actionnaires Registration, listing fees and shareholders' information	7 129	4 136	12 771	2 861
Assurance Insurance	2 391	2 897	2 525	2 485
Amortissement immobilisations corporelles Amortization of fixed assets	1 033	1 351	1 510	1 510
Dévaluation des actifs d'exploration et d'évaluation Impairment of exploration and evaluation assets	(1 938)			8 252
TOTAL DES FRAIS D'ADMINISTRATION ET AUTRES TOTAL OF ADMINISTRATIVE AND OTHER EXPENSES	394 597	72 375	290 378	95 995



RÉSULTATS D'EXPLOITATION

OPERATIONS RESULTS

DATE	FINANCEMENT / FINANCING		EMPLOI DU PRODUIT / USE OF PROCEED	OBJECTIFS / OBJECTIVES
Octobre 2010 October 2010	Actions ordinaires Common shares	3 000 000 \$	Assigné au Fonds de roulement. Assigned to working capital.	
Juin 2010 June 2010	Actions ordinaires Common shares	1 031 000 \$	Assigné au Fonds de roulement. Assigned to working capital.	
Décembre 2011 December 2011	Actions accréditives Flow-through shares	355 200 \$	Assigné à l'exploration sur les propriétés. Assigned to exploration expenses.	Les travaux ont été complétés en décembre 2012. Works were completed in December 2012.
	Actions ordinaires Common shares	88 800 \$	Assigné au Fonds de roulement. Assigned to working capital.	
	Total	444 000 \$		
Décembre 2012 December 2012	Actions accréditives Flow-through shares	116 000 \$	Assigné à l'exploration sur les propriétés. Assigned to exploration expenses.	Les travaux ont été complétés en décembre 2013/ Works were completed in December 2013.
Décembre 2013 December 2013	Actions accréditives Flow-through shares	116 020 \$	Assigné à l'exploration sur les propriétés. Assigned to exploration expenses.	Les travaux ont été complétés en décembre 2014/ Works were completed in December 2014.
Décembre 2016 December 2016	Actions accréditives Flow-through shares	72 000 \$	Assigné à l'exploration sur les propriétés. Assigned to exploration expenses.	Travaux complété sur le projet Unique en décembre 2017/ Works were completed on Unique project in december 2017.
	Actions ordinaires Common shares	18 000 \$	Assigné au Fonds de roulement. Assigned to working capital.	
	Total	90 000 \$		

FRAIS REPORTÉS

DEFERRED EXPENSES

PROPRIÉTÉS PROPERTIES	FRAIS REPORTÉS DEFERRED EXPENSES	SUR PROPRIÉTÉS DEVALUÉES OU RADIEES ON WRITE-DOWN OR WRITE-OFF PROPERTIES
Commandant	-	Projet dévalué/ Project write-down
Destorbelle	-	Projet dévalué/ Project write-down
Gold Peak	-	Projet dévalué/ Project write-down
Unique	-	Projet dévalué/ Project write-down



SITUATION DE TRÉSORERIE

Au 30 septembre 2018, la Société détenait 562 586\$ en encaisse non réservée, aucune encaisse réservée pour des travaux d'exploration statutaires et 196 045\$ en fidéicommiss.

La Société a conclu un placement privé de 2 310 000\$ le 14 décembre 2018.

Les redevances sur les propriétés minières se détaillent comme suit :

Destorbelle	2%
Gold Peak	2%
Commandant	2%

TRANSACTIONS ENTRE PARTIES LIÉES ET OBJECTIFS COMMERCIAUX

Au cours de l'exercice, la Société a encouru les dépenses suivantes auprès d'administrateurs et auprès de sociétés dont le président est également le président de la Société.

Frais généraux d'administration	5 255
Honoraires de consultants	469 274
Dépenses d'exploration et d'évaluation	8 252
Salaire et avantages sociaux	27 082
Paiements fondés sur des actions	38 805
Location de véhicule	9 083
Vente immobilisation corporelle	40 000

Ces opérations ont été conclues dans le cours normal des activités et ont été mesurées à la valeur d'échange, soit la valeur établie et acceptée par les parties.

ENGAGEMENT

La Société a conclu une entente de règlement de dette suite à la résiliation d'un contrat de gestion et d'un contrat de consultation intervenus entre la Société et Ressources Lutsvisky Inc. (« Lutsvisky »), une société privée détenue en propriété exclusive par David Mc Donald qui est également président, chef de la direction et administrateur de la Société. Lutsvisky avait le droit de recevoir une somme de 361 300 \$ advenant la résiliation unilatérale de ceux-ci par la Société. 5 500 000 actions ont été émises à un prix de 0,06\$ pour un montant de 330 000\$ en remboursement de la dette de 361 300\$. Un gain de 31 300\$ a été réalisé.

LIQUIDITY

As at September 30, 2018, the Company had \$562,586 in non-reserved cash, any reserved cash for statutory exploration expenses and \$196,045 in trust.

On December 14, 2018, the Company closed a private placement for a amount of \$2,310,000.

Royalties on mining properties details are as follow:

TRANSACTIONS WITH RELATED PARTIES AND COMMERCIAL OBJECTIVES

During the year, the Corporation incurred the following expenses with an officer and with companies of which the president is also the president of the Company.

General administrative expenses	5,255
Consultant fees	469,274
Exploration and evaluation expenses	8,252
Salaries	27,082
Share-based payments	38,805
Rent expenses	9,083
Sales of property, plant and equipment	40,000

These transactions occurred during the normal course of operations and were measured at the exchange amount that is the amount established and accepted by the parties.

COMMITMENT

Under a management agreement and a consulting agreement entered into in October 2007 and January 2011 respectively among the Corporation and Ressources Lutsvisky Inc. ("Lutsvisky"), Lutsvisky is entitled to receive an amount of \$361,300 in the event of the unilateral termination by the Company. Lutsvisky is a privately held corporation wholly owned by David Mc Donald who is also President, Chief Executive Officer and a director of the Company. The Company entered into a debt settlement agreement following the termination of the management and consulting agreements. 5,500,000 shares were issued at a price of \$0.06 for a total amount of \$330,000 in settlement of a debt of \$361,300. An amount of \$31,300 was recorded in gain on debt settlement.

PRINCIPALES MÉTHODES COMPTABLES

Généralités et application des IFRS

Les états financiers ont été préparés selon les méthodes comptables énoncées par les IFRS en vigueur au 30 septembre 2018.

Les principales méthodes comptables ayant servi à la préparation des présents états financiers sont résumées ci-dessous.

Instruments financiers

Les actifs et les passifs financiers sont comptabilisés lorsque la Société devient une partie aux dispositions contractuelles de l'instrument financier.

Les actifs financiers sont décomptabilisés lorsque les droits contractuels sur les flux de trésorerie liés à l'actif financier arrivent à expiration, ou lorsque l'actif financier et tous les risques et avantages importants sont transférés.

Un passif financier est décomptabilisé en cas d'extinction, de résiliation, d'annulation ou d'expiration.

Les actifs et les passifs financiers sont initialement évalués à la juste valeur majorée des coûts de transaction.

Les actifs et les passifs financiers sont évalués ultérieurement comme il est indiqué ci-après.

Actifs financiers

Aux fins de l'évaluation ultérieure, les actifs financiers sont classés dans la catégorie prête et créances au moment de la comptabilisation initiale.

La catégorie détermine la méthode d'évaluation ultérieure et la comptabilisation soit en résultat, soit en autres éléments du résultat global des produits et des charges qui en résulteront. Tous les produits et charges se rapportant aux actifs financiers comptabilisés en résultat net sont présentés dans les charges financières ou les revenus d'intérêts, le cas échéant.

Prêts et créances

Les prêts et créances sont des actifs financiers non dérivés à paiements fixes ou déterminables, qui ne sont pas inscrits à la cote sur un marché actif. Après leur comptabilisation initiale, ils sont évalués au coût amorti en utilisant la méthode du taux d'intérêt effectif, moins une provision pour perte de valeur. L'actualisation est omise si son effet est non significatif. La trésorerie et équivalents de trésorerie, et les dépôts à terme font partie de cette catégorie d'instruments financiers.

SUMMARY OF ACCOUNTING POLICIES

Overall considerations and adoption of IFRS

The financial statements have been prepared using accounting policies specified by those IFRS that are in effect at September 30, 2018.

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets are classified into the loans and receivables category upon initial recognition.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All income and expenses relating to financial assets that are recognized in profit or loss are presented within Finance costs or Interest Income, if any.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Cash and cash equivalents and term deposits fall into this category of financial instruments.



PRINCIPALES MÉTHODES COMPTABLES (SUITE)

Instruments financiers (suite)

Dépréciation d'actifs financiers

Tous les actifs financiers sauf ceux à la juste valeur par le biais du résultat net font l'objet d'un test de dépréciation au moins à chaque date de clôture. Les actifs financiers sont dépréciés lorsqu'il existe des indications objectives qu'un actif financier ou un groupe d'actifs financiers a subi une perte de valeur.

Passifs financiers

Les passifs financiers de la Société comprennent les dettes fournisseurs et autres créditeurs.

Les passifs financiers sont évalués ultérieurement au coût amorti en utilisant la méthode du taux d'intérêt effectif

Les charges d'intérêts, le cas échéant, sont présentées dans les charges financières.

AUTRES EXIGENCES RELATIVES AU RAPPORT DE GESTION

De l'information additionnelle se rapportant à la Société est disponible sur SEDAR au www.sedar.com.

INFORMATIONS ADDITIONNELLES POUR LES ÉMETTEURS ÉMERGENTS SANS REVENU SIGNIFICATIF

(a) dépenses d'exploration au coût ou capitalisées ;

Les informations requises sont présentées dans les notes complémentaires aux états financiers.

SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

Impairment of financial assets

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities

The Company's financial liabilities include trade and other payables

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss within Finance costs.

OTHER MD&A REQUIREMENTS

Additional information relating to the Company is available on SEDAR at www.sedar.com.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

(a) capitalized or expensed exploration costs;

The required disclosure is presented in the notes of the financial statements.



**INFORMATIONS ADDITIONNELLES POUR LES ÉMETTEURS ÉMERGENTS
SANS REVENU SIGNIFICATIF (SUITE)**

(b) frais généraux d'administration ;

Voici le détail des frais généraux d'administration pour l'exercice
terminé le 30 septembre 2018 :

**ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT
SIGNIFICANT REVENUE (CONTINUED)**

(b) general administrative expenses;

For the year ended September 30, 2018, general administrative
expenses are as follows:

AUTRES CHARGES OPÉRATIONNELLES	30 SEPTEMBRE 2018 SEPTEMBER 30, 2018	30 SEPTEMBRE 2017 SEPTEMBER 30, 2017	OTHERS OPERATING EXPENSES
Intérêts et frais bancaires	757	709	Interest and bank charges
Messagerie et Publicité	4 804	4 099	Courier and advertising
Loyer et entretien	5 717	5 217	Rent and maintenance
Taxe Licence Permis	4 497	8 276	Taxes, licence and permit
Frais de représentation	52 838	34 717	Representation expenses
Location véhicule	9 083	10 791	Location
Télécommunications	1 231	2 213	Telecommunications
Papeterie et frais de bureau	8 418	9 396	Stationery and office supplies
Total frais généraux	87 345	75 418	Total General Administrative expenses



INFORMATION SUR LES ACTIONS EN CIRCULATION

Le tableau suivant détaille la structure du capital actions, des options et des bons de souscriptions de la Société au 24 Janvier 2019, à la date de ce rapport de gestion. Ces données sont sujettes à des ajustements comptables mineurs préalablement à la présentation d'états financiers futurs.

DISCLOSURE OF OUTSTANDING SHARE DATA

The following table details the capital stock structure, warrants and share purchase options as at January 24, 2018, the date of this MD&A. These figures are subject to minor accounting adjustments prior to presentation in future financial statements.

	Date d'expiration Expiry date	Prix d'exercice Exercise price \$	Nombre Number	Nombre Number
Actions classe « A » Class « A » shares				31 663 293
Bons de souscription Warrants	Juin 2020 June 2020	0,65	2 310 000	
Bons de souscription aux courtiers/ Brokers Warrants	Juin 2020 June 2020	0,50	82 300	
Placement de Droit Rights Offering	Février 2019 February 2019	0,64	3 933 290	
Options d'achats d'actions Share purchase options	Mars 2023 March 2023	1,60	68 750	
Options d'achats d'actions Share purchase options	Janvier 2024 January 2024	0,80	75 000	
Options d'achats d'actions Share purchase options	Mars 2025 March 2025	0,80	68 750	
Options d'achat d'actions Share purchase options	Mars 2027 March 2027	0,80	62 500	
Options d'achat d'actions Share purchase options	Janvier 2028 January 2028	1,20	125 000	



FACTEURS DE RISQUES

RISQUES LIÉS À L'OBTENTION DE LA LICENCE

La capacité de l'Émetteur résultant de cultiver, stocker et vendre du cannabis est réglementé par la Loi sur le cannabis et d'autres lois applicables sur le cannabis. Santé Canada est le principal organisme de réglementation de l'industrie dans son ensemble. Les lois applicables sur les cannabis visent à traiter le cannabis comme tout autre stupéfiant utilisé à des fins médicales en créant les conditions propices à la création d'une nouvelle industrie commerciale responsable de sa production et de sa distribution. La capacité de la Société résultant de cultiver, stocker et vendre du cannabis au Canada dépend de l'obtention des licences émises par Santé Canada.

RISQUES RÉGLEMENTAIRES

The activities of the Company are subject to regulation by Governmental Authorities, particularly Health Canada. Achievement of the Company's business objectives are contingent in part, upon compliance with regulatory Requirement enacted by these Governmental Authorities and Obtaining all regulatory Approvals, where necessary, for the sale of its products. The Company cannot predict the time required to Secure all appropriate regulatory Approvals for its products, or the extent of testing and documentation that may be required by Governmental Authorities. Any Delay Obtaining or Failure to obtain regulatory Approvals would significantly Delay the development of Markets and products and could have a material adverse effect on the Company's business, results of operations and financial condition.

FLUCTUATION DES PRIX DE MATIÈRES PREMIÈRES

Les revenus de l'entreprise, le cas échéant, devraient provenir en grande partie de la production, de la vente et de la distribution de cannabis. Le prix de la production, de la vente et de la distribution du cannabis fluctuera considérablement en raison de la jeunesse de l'industrie du cannabis et de nombreux facteurs indépendants de la volonté de la société, notamment les tendances internationales, économiques et politiques, les attentes d'inflation, le taux de change, les taux d'intérêt, les habitudes de consommation mondiales ou régionales, la production spéculative et les méthodes de distribution. L'effet de ces facteurs sur le prix du produit produit par la société et, par conséquent, sur la viabilité économique de l'entreprise, ne peut être prédit avec exactitude.

RISK FACTORS

RELIANCE ON LICENCE

The Issuer's ability to grow, store and sell cannabis is regulated by the Cannabis Act and other applicable cannabis laws. Health Canada is the leading regulator for the industry as a whole. Applicable cannabis laws aim to treat cannabis like any other narcotic used for medical purposes by creating the conditions for the creation of a new commercial industry responsible for its production and distribution. The Corporation's ability to grow, store and sell cannabis in Canada depends on obtaining licenses issued by Health Canada.

REGULATORY RISKS

The activities of the Company are subject to regulation by governmental authorities, particularly Health Canada. Achievement of the Company's business objectives are contingent in part, upon compliance with regulatory requirement enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delay obtaining or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the Company's business, results of operations and financial condition.

FLUCTUATING PRICES OF RAW MATERIALS

The Company revenues, if any, are expected to be in large part derived from the production, sale and distribution of cannabis. The price of production, sale and distribution of cannabis will fluctuate widely due to the how young the cannabis industry is and is affected by numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange, interest rates, global or regional consumptive patterns, speculative production and distributions methods. The effect of these factor on the price of product produced by the Company and, therefore, the economic viability of any of the Company's business, cannot accurately be predicted.



ANALYSE PAR LA DIRECTION DE LA SITUATION FINANCIÈRE ET DES RÉSULTATS D'EXPLOITATION

MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL SITUATION AND OPERATIONS RESULTS

ENVIRONNEMENT ET AUTRES RÈGLEMENTATIONS

Les activités de la Société sont assujetties à la réglementation environnementale, notamment en ce qui concerne les émissions et les rejets dans l'eau, l'air et le sol, la manutention et l'élimination des matières et des déchets dangereux et non dangereux. La Société engagera des coûts et des obligations permanents liés à la conformité aux questions environnementales. Le défaut d'obtenir une approbation de conformité environnementales et réglementaires peut entraîner des coûts supplémentaires pour les mesures correctives, les pénalités ou les restrictions imposées à nos activités de fabrication. De plus, des modifications aux lois environnementales ou autres, une application plus rigoureuse de ces lois ou tout autre événement imprévu pourraient exiger des opérations étendues de la Société ou donner lieu à des responsabilités importantes, ce qui pourrait avoir un effet négatif important sur les activités, les résultats d'exploration et la situation financière de la Société.

FINANCEMENT

La société en est à l'étape de développement et d'exploitation initiale et n'a généré aucun revenu. La capacité de la société à obtenir le financement nécessaire pour soutenir ses activités dépendra en partie des conditions du marché des capitaux et de la réussite de l'entreprise. Il ne peut y avoir d'assurance que l'entreprise réussira dans ses efforts pour obtenir un financement supplémentaire ou un financement supplémentaire à des conditions jugées satisfaisantes par la direction de l'entreprise. Si un financement supplémentaire est obtenu par l'émission d'actions de la société, le contrôle peut changer, et les actionnaires peuvent subir une dilution supplémentaire. Si des fonds suffisants ne sont pas disponibles ou ne sont pas disponibles selon des modalités acceptables, la société peut être tenue de réduire son plan d'affaires ou de cesser ses activités.

ENTREPRISE AGRICOLE

L'activité principale de la Société concernera la culture du cannabis qui est un produit agricole. À ce titre, la Société est soumise aux risques inhérents à l'Activité agricole, tels que les organismes nuisibles, les maladies de plantes et les risques agricoles similaires. Rien ne garantit que les éléments naturels n'aient pas d'effets néfastes sur le volume, la qualité et la consistance des produits.

RESPONSABILITÉ DE LA DIRECTION À L'ÉGARD DE L'INFORMATION FINANCIÈRE

Les états financiers audités de l'exercice terminé le 30 septembre 2018 et les autres informations financières contenues dans ce rapport de gestion sont la responsabilité de la direction de Corporation Terranueva et ont été approuvés par le conseil d'administration le 24 janvier 2019.

ENVIRONMENTAL AND OTHER REGULATIONS

The Company's operations are subject to environmental and regulations concerning among other things, emission and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and waste. The Company will incur ongoing costs and obligations related to compliance with environmental matters. Failure to obtain an Environmental Compliance Approval or otherwise comply with environmental and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operation. In addition, changes in environmental or other laws, more vigorous enforcement thereof or other unanticipated event could require extensive to Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

FINANCING AND DEVELOPMENT

The Company is in development and early operation stage and has not generated any revenues. The Company's ability to secure any required financing to sustain its operation will depend in part upon prevailing capital market conditions, as well as the Company's business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to the Company's management. If additional financing is raised by issuing Company's share, control may change, and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may be required to scale back its business plan or cease operating.

AGRICULTURAL OPERATIONS

The main activity of the Society will be the cultivation of cannabis which is an agricultural product. As such, the Corporation is subject to the risks inherent in agricultural activity, such as pests, plant diseases and similar agricultural risks. There is no guarantee that natural elements will not adversely affect the volume, quality and consistency of products.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The audited financial statements for the year ended September 30, 2018 and other financial information contained in this MD&A are the responsibility of Terranueva Corporation and have been approved by the Board of Directors on January 24, 2019.



*RAPPORT ANNUEL / ANNUAL REPORT
2017*



MESSAGE AUX ACTIONNAIRES

CHERS ACTIONNAIRES

Le conseil d'administration d'Axe Exploration Inc. vous présentent le rapport annuel 2017.

Tout sera mis en œuvre cette année afin d'apporter une plus-value à nos actionnaires.

Je termine en remerciant nos fidèles actionnaires pour leur support constant.

MESSAGE TO SHAREHOLDERS

DEAR SHAREHOLDERS

The Board of Directors of Axe Exploration Inc. present you the 2017 annual report.

Everything will be implemented during this year to provide more value to our shareholders.

I conclude by thanking our loyal shareholders for their constant support.

A handwritten signature in blue ink, appearing to read 'David Mc Donald', is written over a horizontal line.

David Mc Donald

PRÉSIDENT ET CHEF DE LA DIRECTION / PRESIDENT AND CEO

FAITS SAILLANTS DE 2016-2017

- Étude de plusieurs projets dans différents domaines et aucune entente fut conclue.

HIGHLIGHTS IN 2016-2017

- Study of several projects in different domains and no agreement has been reached.

PREVISION 2018

- Evaluation de divers projets dans différent secteur d'activité. La Société reste à l'affut de tout projet pouvant faire fructifier l'avis des actionnaires et prévoit l'embauche de spécialiste pour réaliser ses objectifs

FORECASTS 2018

- Evaluation of diverse projects in various business sector. The Company remains on the lookout for any project being able to make plus-value for the shareholders and plans specialist's hiring to realize its objectives



**ANALYSE PAR LA DIRECTION DE LA SITUATION
FINANCIÈRE ET DES RÉSULTATS D'EXPLOITATION**

**MANAGEMENT DISCUSSION AND ANALYSIS OF THE
FINANCIAL SITUATION AND OPERATIONS RESULTS**

Le présent rapport sur la situation financière et les résultats d'exploitation constitue une revue de la direction concernant les différents éléments qui ont influencé la performance des opérations et des résultats financiers de la compagnie au cours de l'exercice financier terminé le 30 septembre 2017. Ce rapport de gestion, daté du 29 janvier 2018, doit être analysé en relation avec les états financiers annuels audités de la Société au 30 septembre 2017, incluant les notes complémentaires aux états financiers. Tous les chiffres inclus dans le présent document sont en dollars canadiens.

The following Management's Discussion and Analysis « MD&A » presents results of operations and material changes in financial condition and constitutes management's review of various elements that have impacted operational and financial performance of Axe Exploration Inc. ("Axe" , or the Company) for the period ended September 30th, 2017. The following MD&A, dated January 29, 2018 should be read in conjunction with the company's audited financial statements dated September 30th, 2017 including related notes. All amounts included in the following document are in Canadian dollars.

DATE

Ce rapport a été rédigé le 29 janvier 2018.

DATE

This MD&A was produced on January ,29 2018.

DESCRIPTION DE L'ENTREPRISE

Axe Exploration Inc. anciennement Exploration Diamond Frank inc. constituée le 17 octobre 2007 en vertu de la loi canadienne sur les sociétés par actions, est une société d'exploration minière qui détient des propriétés minières au Québec.

DESCRIPTION OF THE BUSINESS

Axe Exploration Inc., formerly Diamond Frank Exploration inc., incorporated on October 17, 2007 under the Federal Business Corporation Law, is a mining exploration with properties in Quebec.

Depuis le 08 avril 2013, les actions d'Axe Exploration sont inscrites à la bourse de croissance TSX sous le symbole AXQ. Auparavant, soit de janvier 2008 au 05 avril 2013, les actions étaient inscrites sous le symbole DOD et la société portait le nom d'Exploration Diamond Frank inc. L'équipe de votre société oriente ses efforts sur les programmes d'exploration dédié a la découverte de nouvelles zones minéralisées sur les propriétés de la compagnie et évalue de nouveaux projets afin d'accroître la valeur de ses actions.

Since April 08 2013, the common shares of Axe Exploration are listed on the TSX Venture Exchange under the symbol AXQ. Previously, from January 2008 to April 05 2013,, the common shares were listed under the symbol DOD and the company bore the name Diamond Frank Exploration inc. The team of your company focuses its efforts on exploration program dedicated to the discovery of new mineralized zones on the property of the Company and evaluating new projects to increase the value of its shares.

ÉNONCÉS PROSPECTIFS

Le rapport de gestion contient des énoncés prospectifs qui reflètent, à la date du rapport de gestion, les attentes, estimations et projections de la société quant à ses opérations, à l'industrie minière en général et à l'environnement économique dans lequel elle évolue. Tout en étant raisonnable, ces énoncés comportent un certain élément de risque et d'incertitude et par conséquent, il n'y a aucune garantie qu'ils se réaliseront. Les résultats réels peuvent donc varier de façon importante de ceux mentionnés ou prévus dans ces énoncés prospectifs.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business, the mining industry in general and the economic environment in which it operates as of the date of the MD&A. These statements are reasonable but involve a number of risks and uncertainties, and there can be no assurance that they will prove to be accurate. Therefore, actual outcome and results may differ materially from those expressed in or implied by these forward-looking statements.



SURVOL

OVERVIEW

Dépenses d'exploration pour les exercices terminés le 30 septembre Exploration expenses for the years ended September 30					
	DESTORBELLE	GOLD PEAK	COMMANDANT	UNIQUE	TOTAL
Solde au 30 septembre 2016 Balance at September 30,2016	-	398 539	-		398 539
Forage / Drilling	-				
Géophysique Geophysics	-	-	-		-
Analyse Analysis	-	-	-	2 763	2 763
Main d'œuvre Logistique Work Management	-	10 484	-	42 928	53 412
Autres frais d'exploration Other exploration expenses	-	1 062	-	2 804	3 865
Gestion des travaux Works management	-	1 660	-	8 018	9 678
Géologie Geology	-	-	-	5 016	5 016
Sous-Total	-	13 206	-	61 529	74 735
Crédit d'impôt relatif aux ressources et crédit d'impôts miniers / Tax credit related to resources and mining tax credit		-			-
Dévaluation de frais d'exploration reportés Writedown of deferred exploration expenses	-	(411 745)	-	(61 529)	(473 274)
Solde au 30 septembre 2017 Balance at September,2017	-	-	-	-	-



	Dépenses d'exploration pour les exercices terminés le 30 septembre Exploration expenses for the year ended September 30				
	DESTORBELLE	GOLD PEAK	COMMANDANT	UNIQUE	TOTAL
Solde au 30 septembre 2015 Balance at September 30, 2015	-	398 539	-	-	398 539
Forage / Drilling	-	-	-	-	-
Géophysique Geophysics	-	-	-	-	-
Analyse Analysis	-	-	-	-	-
Main d'œuvre Logistique Work Management	-	-	-	-	-
Autres frais d'exploration Other exploration expenses	-	-	-	-	-
Gestion des travaux Works management	-	-	-	-	-
Géologie Geology	-	-	-	-	-
Sous-Total	-	-	-	-	-
Crédit d'impôt relatif aux ressources et crédit d'impôts miniers / Tax credit related to resources and mining tax credit	-	-	-	-	-
Dévaluation de frais d'exploration reportés Writedown of deferred exploration expenses	-	-	-	-	-
Solde au 30 septembre 2016 / Balance at September 30, 2016	-	398 539	-	-	398 539



ANALYSE PAR LA DIRECTION DE LA SITUATION FINANCIÈRE ET DES RÉSULTATS D'EXPLOITATION

MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL SITUATION AND OPERATIONS RESULTS

PROPRIÉTÉ DESTORBELLE

OR

DESTORBELLE PROPERTY

AU

Le projet Destorbelle est constitué de 24 titres miniers situés immédiatement à l'ouest de l'indice Aiguebelle-Goldfield. Axe Exploration est partenaire à 50% avec Exploration Typhon. L'entente est grevée d'une redevance de 2% NSR.

The Destorbelle project consists of 24 claims located directly at the west of Aiguebelle-Goldfield showing. Axe Exploration is 50% partner with Typhoon Exploration A 2% NSR Royalty is attached to the project.

Le contexte structural de cette propriété montre une grande similitude avec le Gîte Fayolle (Exploration Typhon Inc).

The structural context shows a high similarity with the Fayolle Deposit (Typhoon Exploration Inc).

La propriété a été dépréciée afin de permettre à la société de concentrer ses travaux sur ses autres propriétés.

The property has been depreciated in order to allow the company to focus its work on other properties.

PROPRIÉTÉ COMMANDANT

OR, CU,PD,AG

COMMANDANT PROPERTY

AU,CU,PD,AG

Commandant est une propriété situé tout près de Val D'Or, elle est composée de 9 titres miniers pour une superficie de 522,5 hectares.

Commandant is a property located near Val D'Or; it consists of 9 mining claims totalising 522.5 hectares.

Un conducteur fort, situé en bordure de l'intrusion ultramafique a bien répondu et a permis de mettre à jour un tout nouvel indice minéralisé en cuivre, argent et palladium. Les résultats d'analyse reçus ont retourné : 0.7 % Cu, 5 g/t Ag et 55 ppb de Pd.

A strong conductor on the edge of the ultramafic intrusion responded well and allowed the discovery a whole new copper, silver and palladium mineralized showing. Results from samples have returned: 0,7% Cu, 5 g/t AG and 55 ppb PD.

En raison du contexte économique mondial, la Société a dévalué la propriété.

Due to the economic context, the Company has devaluated the property.

PROPRIÉTÉ GOLD PEAK

OR

GOLD PEAK PROPERTY

AU

Cette propriété est constituée de 43 titres miniers pour un total de 1 955 hectares et est située au sud-est de la faille Porcupine-Destor. L'entente est grevée d'une redevance de 2% NSR.

This property is constituted by 43 mining claims totalling 1,955 hectares and is located in the southeast of the Fault Porcupine-Destor. The agreement is burdened by a 2% NSR Royalty.

Des travaux d'explorations ont été effectués, notamment de la récolte d'échantillons de sédiments glaciaires (till) et fluvio-glaciaires (esker). Un levé hélicoptère de type magnétique-électromagnétique a été réalisé.

Explorations work has been completed, including the collection of several glacial (till) and glacioaqueous (esker) sediment samples. An heliborne magnetic and electromagnetic type survey was performed.

Un programme de prospection avec échantillonnage fut initié en automne 2013 afin d'établir une meilleure connaissance du contexte géologique et minéralisateur d'une partie du secteur ouest de la propriété. Suite à ces travaux une coupe de ligne ainsi que des levés magnétométrique utilisant une GPS différentiel et PP-OreVision totalisant 35 Km ont été effectués afin de mieux cibler les futurs sites de travaux.

A prospection and sampling program was initiated in 2013 autumn to establish a detail geological map in the favourable corridor in the western part of the property. Following this work a linecutting and a 35Km magnetometer survey using differential GPS and 35 Km OreVision-IP survey were completed to lead to the future wok.

Plusieurs anomalies de Polarisation provoquée furent définies et de la reconnaissance géologique fut recommandée sur ces anomalies. Des travaux de prospection et de reconnaissance géologiques avec échantillonnage de veines, de structure et de minéralisation ont été effectués.

Several induced polarization anomalies were defined and geological reconnaissance wok was recommended on these anomalies. Prospecting and geological reconnaissance work, with veins, structures and mineralization sampling has been done.

Au cours de l'année 2014, des travaux de prospection et d'échantillonnage par rainurage furent réalisés sur quelques anomalies OreVision (Dipôle-Dipôle). L'une des zones anomales est affleurante et fut dégagée manuellement et échantillonnée. Des

During the year 2014, prospection and channel sampling works were completed on manually stripped outcrops corresponding to Induced Polarization (IP) anomalies (Dipôle-Dipôle Orevision Method). The outcropping host rock units consist of the Lac Caste sedimentary



**ANALYSE PAR LA DIRECTION DE LA SITUATION
FINANCIÈRE ET DES RÉSULTATS D'EXPLOITATION**

**MANAGEMENT DISCUSSION AND ANALYSIS OF THE
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PROPRIÉTÉ GOLD PEAK (SUITE)

OR

roches sédimentaires graphitiques de la Formation du Lac Caste furent reconnues avec plusieurs petites intrusions de composition dioritique à tonalitique recoupant les roches sédimentaires.

Les horizons graphiteux coïncident généralement avec les meilleures anomalies OreVision et contiennent de 2 à 5% de pyrite et traces à 1% de chalcoppyrite. Les valeurs les plus significatives furent obtenues dans l'échantillon P225812 : 0.25% Zn, 0.04% Cu et 0.5 g/t Ag; et l'échantillon P225813 : 0.16% Zn, 0.02% Cu et 0.3 g/t Ag

Un rapport selon la norme 43-101 a été publié le 25 février 2015 et ce rapport résume l'ensemble des travaux réalisés jusqu'à présent sur la propriété et les recommandations en deux phases pour les prochaines étapes du projet.

La propriété a été dévaluée au cours de l'année.

PROPRIÉTÉ UNIQUE

OR

Cette propriété est constituée de 12 titres miniers couvrant une superficie d'environ 449.54 hectares (4,5Km²). Elle est adjacente à la propriété Fayolle (Typhon).

Des travaux de prospection et d'échantillonnage ont été fait au courant des mois de juin et juillet 2017. Plus de 78 échantillons ont été pris. Les résultats seront divulgués dès que reçu par le laboratoire par communiqué de presse.

La propriété a été dévaluée au cours de l'année.

PROPRIÉTÉ TRÉSOR

OR

Cette propriété est constituée de 20 titres miniers couvrant une superficie d'environ 851.58 hectares (8,5Km²). La Société a décidé d'abandonner cette propriété en décembre 2016

ENVIRONNEMENT

Axe Exploration s'est engagé à respecter toutes les lois environnementales. Avec l'appui des agences gouvernementales et des responsables régionaux, la société prend aussi toutes les précautions nécessaires pour respecter son engagement de minimiser l'impact sur l'environnement dans le cadre de ses activités.

La société a par les années passées, procédé à l'ensemencement de ses sites d'exploration et a complété certain reboisement avec environ 2 000 arbres.

La société a toujours appliqué de façon informelle des pratiques rigoureuse et a décidé cette année d'adopter une politique de développement durable. Le document est disponible sur le site web dans la section «Documents».

GOLD PEAK PROPERTY (CONTINUED)

AU

Formation which locally contains graphitic zones. Several thin intrusions of dioritic to tonalitic composition cut the main sedimentary rock unit.

The graphitic horizons generally coincide with the strongest IP anomalies and are associated with 2-5% pyrite and traces to 1% chalcoppyrite. Samples P225812 and P225813 respectively returned the following significant results: 0.25% Zn, 0.04% Cu and 0.50 g/t Ag as well as 0.16% Zn, 0.02% Cu and 0.30 g/t Ag.

A report according to the standard NI43-101 was published on February 25, 2015 and summarizes all the past exploration efforts that were completed on the Gold Peak Property up to now as well as future work recommendations distributed over a two phases exploration work program

The property has been depreciated this year.

UNIQUE PROPERTY

AU

This property is constituted by 12 mining claims, covering a surface of approximately 449.54 hectares (4.5Km²). It's adjacent to the Fayolle Property (Typhon).

Prospecting and sampling works were done in June and July 2017. Over 78 samples were taken. The results of analysis will be released as soon as received by the laboratory.

The property has been depreciated this year.

TRESOR PROPERTY

AU

This property is constituted by 20 mining claims, covering a surface of approximately 851.58 hectares (8.5Km²). The Company decided to abandon this property in December 2016.

ENVIRONMENTAL ISSUES

Axe Exploration is committed to respect all environmental laws. In support of the governmental agencies and the regional people in charge, the society also takes all the necessary precautions to respect its commitment to minimize the impact on the environment within the framework of its activities.

The company has in past years completed the sowing of its exploration sites and completed some reforestation program for around 2,000 trees.

The company has always applied informally rigorous practices and decided this year to adopt a sustainable development policy. The document is available on the website in the "Documents" section.



**ANALYSE PAR LA DIRECTION DE LA SITUATION
FINANCIÈRE ET DES RÉSULTATS D'EXPLOITATION**

**MANAGEMENT DISCUSSION AND ANALYSIS OF THE
FINANCIAL SITUATION AND OPERATIONS RESULTS**

DONNÉES ANNUELLES CHOISIES

Les états financiers ont été préparés conformément aux Normes Internationales d'Information Financière (IFRS) et sont exprimés en dollars Canadiens.

SELECTED ANNUAL INFORMATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and are expressed in Canadian dollars.

DONNÉES ANNUELLES ANNUAL INFORMATION	EXERCICE TERMINÉ LE 30 SEPTEMBRE 2017 YEAR ENDED SEPTEMBER 30, 2017	EXERCICE TERMINÉ LE 30 SEPTEMBRE 2016 YEAR ENDED SEPTEMBER 30, 2016
Total des actifs Total assets	1 192 823	1 939 580
Revenu d'intérêt Interest revenue	14 370	17 277
Perte nette après impôt Net loss after income taxes	(850 462)	(353 418)

De par son statut de Société d'exploration minière, Axe Exploration ne génère pas de revenus réguliers, de sorte qu'elle doit assurer sa survie par l'émission de capital actions. La perte de l'exercice terminé le 30 septembre 2017 était donc prévisible et les dirigeants de la Société continue à bien gérer les sommes disponibles pour l'administration courante de ses activités.

According to its status, as a mining exploration company, Axe Exploration does not generate regular revenue. Therefore, the net loss of the year ended September 30, 2017 was foreseeable and the directors of the Company continue to manage the funds for the activities of the Company.

En décembre 2016 la Société a clôturé un placement de 90 000\$ composé de 1 440 000 actions accréditatives ordinaires à un prix de 0,05\$ et de 360 000 actions ordinaires à un prix de 0,05\$ et de 180 000 demi bons de souscription, un bon de souscription permettant d'acquérir une action au prix de 0,10\$ pour une période de 12 mois.

In December 2016, the Company has closed a placement of \$90,000 for 1,440,000 flow-through shares at a price of 0,05\$ and 360,000 common shares at a price of 0,05\$ and 180 000 half-warrants, one warrant entitling the holder to purchase one share at the price of \$0.10 for a period of 12 months.

La perte avant impôts de 2017 est de 885 742\$ et était de 353 418\$ en 2016. Les dépenses administratives de 2017 sont de 900 112\$ et étaient de 370 695\$ en 2016. Il y a eu une dépréciation de 529 274\$ sur les propriétés Gold Peak et Unique et il n'y en a eu aucune en 2016.

The loss before income taxes for 2017 is \$885,742 and was for 2016 of \$353,418. The administrative expenses of 2017 are \$900,112 and were of \$370,695 in 2016. There was an impairment of \$529,274 on the Gold Peak and Unique properties and was nil in 2016.

Les principales différences entre les deux exercices portent sur les autres charges opérationnelles qui ont diminuées de 20 755\$, elles sont de 75 418\$ en 2017 et étaient de 96 173\$ en 2016, voir détails page 15.

The main differences between the two years concern other operating expenses decreased by \$20,755, they are \$ 75,418 in 2017 and were \$ 96,174 in 2016, see details on page 15.

Il y a eu une rémunération-paiement fondés sur des actions en 2017 de 28 890\$ tandis qu'il y en a eu aucune en 2016.

There is a share-based payment in 2017 of \$28,890 and was nil in 2016.

La perte nette après impôt de 2017 est de 850 462\$ et était de 353 418\$ en 2016

The net loss after tax in 2017 is \$850,462 and was \$ 353,418 in 2016.



RÉSUMÉ DES RÉSULTATS TRIMESTRIELS

SUMMARY OF QUATERLY RESULTS

Résultats trimestriels Quaterly results	30 september 2017 September 30, 2017	30 juin 2017 June 30, 2017	31 mars 2017 March 31, 2017	31 décembre 2016 December 31, 2016
Total des actifs Total assets	1 192 823	1 882 513	1 885 027	1 950 116
(Perte nette) ou profit avant impôts Net (loss) or profit before income taxes	(562 371)	(74 057)	(126 843)	(87 191)
Perte nette de base et diluée/action Basic and diluted loss per share	(0.015)	(0.001)	(0.002)	(0.002)

Au cours du trimestre terminé le 30 septembre 2017, la perte nette avant impôt est de 68 377\$

During the quarter ended September 30, 2017, the net loss before income taxes is \$68,377.

LES FAITS SAILLANTS DU DERNIERS TRIMESTRES SONT :

HIGHLIGHTS FOR THE LAST QUARTERS ARE :

- a) Il n'y a pas eu d'honoraires professionnels au cours du trimestre, comparativement à 7 808\$ au cours du trimestre précédent
- b) Diminution de 3 721\$ des frais autres charges opérationnelles, elles sont 17 167\$ pour ce trimestre et étaient de 20 888\$ au trimestre précédent.
- c) Il y a eu une dévaluation des actifs d'exploration et d'évaluation pour un montant de 529 274\$

- a) There were no Professional fees during the quarter, they were \$7,808 during the last quarter
- b) Decrease of other operating expenses of \$3,721, they are \$17,167 for the quarter and were \$20,888 during the last quarter
- c) There was impairment of property, plant and equipment for the amount of \$529,274



LES FAITS SAILLANTS DES QUATRE DERNIERS TRIMESTRES SONT :

- a) Il y a eu une rémunération à base d'actions au montant de 28 890\$ au 2^{ième} trimestre.
- b) Les honoraires professionnels du 1^{ier} et 2^{ième} trimestre sont composé en majorité par les frais annuels d'audit.
- c) Les frais d'inscription, régistrierat et informations aux actionnaires sont plus élevés au 2^{ième} trimestre en raison de la tenue de l'assemblée annuelle et de l'inscription au TSX-V

HIGHLIGHTS FOR THE LAST FOUR QUARTERS ARE :

- a) There was a share-based payment of \$28,890 in the second quarter(Q2).
- b) The professional fees in the first(Q1) and second quarter(Q2) are for the annual audit fees.
- c) Registration, listing fees and shareholders' information are higher in the second quarter (Q2) in case of the annual meeting and the inscription at the TSX-V.

Dépenses d'administration des quatre derniers trimestres :

For the last fiscal year, the administrative expenses are :

FRAIS D'ADMINISTRATION ET AUTRES ADMINISTRATIVE AND OTHER EXPENSES	30 SEPTEMBRE 2017 SEPTEMBER 30 2017	30 JUIN 2017 JUNE 30 2017	31 MARS 2017 MARCH 31 2017	31 DÉCEMBRE 2016 DECEMBER 31, 2016
Honoraires professionnels Professional fees	164	-	7 808	17 317
Honoraire de consultation Consultants fees	40 164	40 164	42 662	39 024
Rémunération à base d'actions Stock-based compensation	-	-	28 890	-
Autres charges opérationnelles Other operating expenses	17 167	20 888	20 400	16 964
Salaires et Charges sociales Salaries and fringe benefits	6 833	7 971	11 759	11 726
Inscription, régistrierat et information aux actionnaires Registration, listing fees and shareholders' information	3 388	3 858	14 441	1 773
Assurance Insurance	2 679	2 891	2 440	2 486
Amortissement immobilisations corporelles Amortization of fixed assets	1 480	1 745	1 878	1 878
TOTAL DES FRAIS D'ADMINISTRATION ET AUTRES TOTAL OF ADMINISTRATIVE AND OTHER EXPENSES	71 875	77 517	130 278	91 168



RÉSULTATS D'EXPLOITATION

OPERATIONS RESULTS

DATE	FINANCEMENT / FINANCING		EMPLOI DU PRODUIT / USE OF PROCEED	OBJECTIFS / OBJECTIVES
Octobre 2010 October 2010	Actions ordinaires Common shares	3 000 000 \$	Assigné au Fonds de roulement. Assigned to working capital.	
Juin 2010 June 2010	Actions ordinaires Common shares	1 031 000 \$	Assigné au Fonds de roulement. Assigned to working capital.	
Décembre 2011 December 2011	Actions accréditives Flow-through shares	355 200 \$	Assigné à l'exploration sur les propriétés. Assigned to exploration expenses.	Les travaux ont été complétés en décembre 2012. Works were completed in December 2012.
	Actions ordinaires Common shares	88 800 \$	Assigné au Fonds de roulement. Assigned to working capital.	
	Total	444 000 \$		
Décembre 2012 December 2012	Actions accréditives Flow-through shares	116 000 \$	Assigné à l'exploration sur les propriétés. Assigned to exploration expenses.	Les travaux ont été complétés en décembre 2013/ Works were completed in December 2013.
Décembre 2013 December 2013	Actions accréditives Flow-through shares	116 020 \$	Assigné à l'exploration sur les propriétés. Assigned to exploration expenses.	Les travaux ont été complétés en décembre 2014/ Works were completed in December 2014.
Décembre 2016 December 2016	Actions accréditives Flow-through shares	72 000 \$	Assigné à l'exploration sur les propriétés. Assigned to exploration expenses.	Travaux complété sur le projet Unique en décembre 2017/ Works were completed on Unique project in december 2017.
	Actions ordinaires Common shares	18 000 \$	Assigné au Fonds de roulement. Assigned to working capital.	
	Total	90 000 \$		

FRAIS REPORTÉS

DEFERRED EXPENSES

PROPRIÉTÉS PROPERTIES	FRAIS REPORTÉS DEFERRED EXPENSES	SUR PROPRIÉTÉS DEVALUÉES OU RADIEES ON WRITE-DOWN OR WRITE-OFF PROPERTIES
Commandant	-	Projet dévalué/ Project write-down
Destorbelle	-	Projet dévalué/ Project write-down
Gold Peak	-	Projet dévalué/ Project write-down
Unique	-	Projet dévalué/ Project write-down



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MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL SITUATION AND OPERATIONS RESULTS

SITUATION DE TRÉSORERIE

Au 30 septembre 2017, la Société détenait 1 069 648\$ en encaisse non réservée et aucune encaisse réservée pour des travaux d'exploration statutaires.

La direction de la Société est consciente de ses besoins de liquidités continus et elle mettra les efforts nécessaires afin qu'Axe Exploration conserve sa solidité financière. De plus, la direction poursuivra son travail de visibilité auprès de la communauté financière afin de pouvoir réaliser d'autres financements.

SOURCES DE FINANCEMENT

La Société dispose d'une ligne de crédit par carte de crédit pour un montant maximum de 25 000 \$.

Les redevances sur les propriétés minières se détaillent comme suit :

Destorbelle	2%
Gold Peak	2%
Commandant	2%

TRANSACTIONS ENTRE PARTIES LIÉES ET OBJECTIFS COMMERCIAUX

Au cours de l'exercice, la Société a encouru les dépenses suivantes auprès d'administrateurs et auprès de sociétés dont le président est également le président de la Société.

Frais généraux d'administration	2 820
Honoraires de consultants	162 014
Dépenses d'exploration et d'évaluation	74 195
Salaire et avantages sociaux	29 625
Paiements fondés sur des actions	28 890
Location de véhicule	10 791

Ces opérations ont été conclues dans le cours normal des activités et ont été mesurées à la valeur d'échange, soit la valeur établie et acceptée par les parties.

ENGAGEMENT

La Société a confié, en vertu d'un contrat de gestion en date du 17 octobre 2007, la supervision de ses travaux d'exploration à la société Ressources Lutsvisky Inc., une société privée détenue en propriété exclusive par le président et chef de la direction de la Société. En vertu du contrat de gestion, Ressources Lutsvisky Inc. recevra de la Société une indemnité maximale de quinze pour cent (15 %) des frais encourus en sous-traitance durant la réalisation des programmes d'exploration. La Société pourra, unilatéralement, résilier le contrat de gestion. La Société sera alors tenue de payer à Ressources Lutsvisky Inc. à la date de résiliation un montant de résiliation de 211 300\$.

LIQUIDITY

As at September 30, 2017, the Company had \$1,069,648 in non-reserved cash and any reserved cash for statutory exploration expenses.

The management of the Company is aware of Axe Exploration needs for cash flow and they will make necessary efforts to maintain its financial strength. In addition, the management will continue the visibility of the Company in the financial community to find new financing.

CAPITAL RESOURCES

The Company has a credit line by credit card for a maximum amount of \$25,000.

Royalties on mining properties details are :

TRANSACTIONS WITH RELATED PARTIES AND COMMERCIAL OBJECTIVES

During the year, the Corporation incurred the following expenses with an officer and with companies of which the president is also the president of the Company.

General administrative expenses	2,820
Consultant fees	162,014
Exploration and evaluation expenses	74,195
Salaries	29,625
Share-based payments	28,890
Rent expenses	10,791

These transactions occurred during the normal course of operations and were measured at the exchange amount that is the amount established and accepted by the parties.

COMMITMENT

Pursuant to a management contract dated October 17, 2007, the Corporation entrusted the supervision of its exploration works to Ressources Lutsvisky Inc., a private corporation wholly-owned by the President and CEO of the Corporation. Under the management contract, Ressources Lutsvisky Inc. shall receive from the Corporation a maximum indemnity of fifteen percent (15%) of the subcontracting costs incurred during the completion of the exploration programs. The Corporation may, at its discretion, terminate the management contract. The Corporation will thus be liable to pay to Ressources Lutsvisky Inc. on the date of termination an amount of \$211,300.

PRINCIPALES MÉTHODES COMPTABLES

Généralités et application des IFRS

Les états financiers ont été préparés selon les méthodes comptables énoncées par les IFRS en vigueur au 30 septembre 2017.

Les principales méthodes comptables ayant servi à la préparation des présents états financiers sont résumées ci-dessous.

Instruments financiers

Les actifs et les passifs financiers sont comptabilisés lorsque la Société devient une partie aux dispositions contractuelles de l'instrument financier.

Les actifs financiers sont décomptabilisés lorsque les droits contractuels sur les flux de trésorerie liés à l'actif financier arrivent à expiration, ou lorsque l'actif financier et tous les risques et avantages importants sont transférés.

Un passif financier est décomptabilisé en cas d'extinction, de résiliation, d'annulation ou d'expiration.

Les actifs et les passifs financiers sont initialement évalués à la juste valeur majorée des coûts de transaction.

Les actifs et les passifs financiers sont évalués ultérieurement comme il est indiqué ci-après.

Actifs financiers

Aux fins de l'évaluation ultérieure, les actifs financiers sont classés dans la catégorie prête et créances au moment de la comptabilisation initiale.

La catégorie détermine la méthode d'évaluation ultérieure et la comptabilisation soit en résultat, soit en autres éléments du résultat global des produits et des charges qui en résulteront. Tous les produits et charges se rapportant aux actifs financiers comptabilisés en résultat net sont présentés dans les charges financières ou les revenus d'intérêts, le cas échéant.

Prêts et créances

Les prêts et créances sont des actifs financiers non dérivés à paiements fixes ou déterminables, qui ne sont pas inscrits à la cote sur un marché actif. Après leur comptabilisation initiale, ils sont évalués au coût amorti en utilisant la méthode du taux d'intérêt effectif, moins une provision pour perte de valeur. L'actualisation est omise si son effet est non significatif. La trésorerie et équivalents de trésorerie, et les dépôts à terme font partie de cette catégorie d'instruments financiers.

SUMMARY OF ACCOUNTING POLICIES

Overall considerations and adoption of IFRS

The financial statements have been prepared using accounting policies specified by those IFRS that are in effect at September 30, 2017.

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets are classified into the loans and receivables category upon initial recognition.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All income and expenses relating to financial assets that are recognized in profit or loss are presented within Finance costs or Interest Income, if any.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Cash and cash equivalents and term deposits fall into this category of financial instruments.



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PRINCIPALES MÉTHODES COMPTABLES (SUITE)

Instruments financiers (suite)

Dépréciation d'actifs financiers

Tous les actifs financiers sauf ceux à la juste valeur par le biais du résultat net font l'objet d'un test de dépréciation au moins à chaque date de clôture. Les actifs financiers sont dépréciés lorsqu'il existe des indications objectives qu'un actif financier ou un groupe d'actifs financiers a subi une perte de valeur.

Passifs financiers

Les passifs financiers de la Société comprennent les dettes fournisseurs et autres crédateurs.

Les passifs financiers sont évalués ultérieurement au coût amorti en utilisant la méthode du taux d'intérêt effectif

Les charges d'intérêts, le cas échéant, sont présentées dans les charges financières.

AUTRES EXIGENCES RELATIVES AU RAPPORT DE GESTION

De l'information additionnelle se rapportant à la Société est disponible sur SEDAR au www.sedar.com.

**INFORMATIONS ADDITIONNELLES POUR LES ÉMETTEURS ÉMERGENTS
SANS REVENU SIGNIFICATIF**

(a) dépenses d'exploration au coût ou capitalisées ;

Les informations requises sont présentées dans les notes complémentaires aux états financiers.

SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

Impairment of financial assets

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities

The Company's financial liabilities include trade and other payables

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss within Finance costs.

OTHER MD&A REQUIREMENTS

Additional information relating to the Company is available on SEDAR at www.sedar.com.

**ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT
SIGNIFICANT REVENUE**

(a) capitalized or expensed exploration costs;

The required disclosure is presented in the notes of the financial statements.



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**INFORMATIONS ADDITIONNELLES POUR LES ÉMETTEURS ÉMERGENTS
SANS REVENU SIGNIFICATIF (SUITE)**

(b) frais généraux d'administration ;

Voici le détail des frais généraux d'administration pour l'exercice terminé le 30 septembre 2017 et les prévisions pour le prochain exercice :

**ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT
SIGNIFICANT REVENUE (CONTINUED)**

(b) general administrative expenses;

For the year ended September 30, 2017, and the budget for the next exercise, general administrative expenses are as follows:

AUTRES CHARGES OPÉRATIONNELLES	30 SEPTEMBRE 2017 SEPTEMBER 30, 2017	30 SEPTEMBRE 2016 SEPTEMBER 30, 2016	PRÉVISION 2018 BUDGET 2018	OTHERS OPERATING EXPENSES
Intérêts et frais bancaires	709	853	1 000	Interest and bank charges
Messagerie et Publicité	4 099	7 032	10 500	Courrier and advertising
Loyer et entretien	5 217	11 404	10 000	Rent and maintenance
Taxe Licence Permis	8 276	5 104	5 000	Taxes, licence and permit
Frais de représentation	34 717	46 146	50 700	Representation expenses
Location véhicule	10 791	12 556	10 800	Location
Télécommunications	2 213	1 949	2 000	Telecommunications
Papeterie et frais de bureau	9 396	11 119	10 000	Stationery and office supplies
Total frais généraux	75 418	96 173	100 000	Total General Administrative expenses

INFORMATION SUR LES ACTIONS EN CIRCULATION

Le tableau suivant détaille la structure du capital actions, des options et des bons de souscriptions de la Société au 29 Janvier 2018, à la date de ce rapport de gestion. Ces données sont sujettes à des ajustements comptables mineurs préalablement à la présentation d'états financiers futurs.

DISCLOSURE OF OUTSTANDING SHARE DATA

The following table details the capital stock structure, warrants and share purchase options as at January 29, 2018, the date of this MD&A. These figures are subject to minor accounting adjustments prior to presentation in future financial statements.

	Date d'expiration Expiry date	Prix d'exercice Exercise price \$	Nombre Number	Nombre Number
Actions classe « A » Class « A » shares				57 432 645
Options d'achats d'actions Share purchase options	Avril 2021 April 2021	0,145	780 000	
Options d'achats d'actions Share purchase options	Mars 2023 March 2023	0,10	1 200 000	
Options d'achats d'actions Share purchase options	Janvier 2024 January 2024	0,05	1 250 000	
Options d'achats d'actions Share purchase options	Mars 2025 March 2025	0.05	1 200 000	
Options d'achats d'actions Share purchase options	Mars 2027 March 2027	0.05	1 000 000	
Options d'achats d'actions Share purchase options	Janvier 2028 January 2028	0.075	2 000 000	



FACTEURS DE RISQUES

RISQUES LIÉS À L'EXPLORATION

L'exploration minière comporte un degré de risque élevé. Peu de propriétés explorées sont mises en production. Des formations rocheuses inhabituelles ou imprévues, des incendies, des pannes de courant, des conflits de travail, des inondations, des explosions, des éboulements, des glissements de terrain et la difficulté d'obtenir de la main-d'œuvre qualifiée, de la machinerie ou de l'équipement approprié ou adéquat sont d'autres risques que comportent l'exécution des programmes d'exploration.

Les facteurs économiques liés à la mise en valeur de propriétés de ressources sont tributaires de nombreux facteurs, dont le coût d'exploitation, les variations de la matière extraite, la fluctuation des marchés des métaux, le coût de l'équipement de traitement et d'autres facteurs comme les réclamations des autochtones, la réglementation gouvernementale, notamment la réglementation portant sur les redevances, la production autorisée, l'importation et l'exportation de ressources naturelles et la protection de l'environnement. Selon le prix des ressources naturelles produites, la Société peut déterminer qu'il n'est pas opportun d'entreprendre ou de poursuivre la production commerciale. Il n'y a aucune certitude que les dépenses que la Société engagera dans l'exploration de ses propriétés minières donneront lieu à des découvertes de quantités commerciales de minerai. La plupart des projets d'exploration ne débouchent pas sur la découverte de gisements de minerai commercialement exploitables.

ENVIRONNEMENT ET AUTRE RÉGLEMENTATION

La législation, les règlements et les mesures actuels et futurs en matière d'environnement pourraient entraîner des frais, des dépenses en immobilisations, des restrictions et des retards additionnels dans les activités de la Société dont on ne peut prévoir l'étendue. Les exigences de la réglementation et les normes environnementales font l'objet d'une évaluation constante et peuvent être haussées considérablement, ce qui pourrait nuire sérieusement à l'entreprise de la Société ou à son aptitude à mettre ses propriétés en valeur d'une façon économique.

Avant que la production ne puisse débuter sur une propriété, la Société devra obtenir les approbations des autorités de réglementation et les approbations environnementales, et rien ne saurait garantir que ces approbations seront obtenues ou qu'elles le seront à temps. Le coût des changements dans la réglementation gouvernementale peut également réduire la rentabilité de l'exploitation ou empêcher entièrement la mise en valeur économique d'une propriété.

FINANCEMENT ET MISE EN VALEUR

La mise en valeur des propriétés de la Société dépend donc de son aptitude à obtenir le financement additionnel nécessaire. Rien ne saurait garantir qu'elle réussira à obtenir le financement requis. De plus, la mise en production de propriétés de ressources dépendra de l'utilisation des services d'un personnel expérimenté ou encore de la conclusion d'ententes avec d'autres grandes sociétés de ressources qui peuvent fournir cette expertise.

RISK FACTORS

EXPLORATION

Exploration and mining involve a high degree of risk. Few exploration properties end up going into production. Other risks related to exploration and mining activities include unusual or unforeseen formations, fire, power failures, labour disputes, flooding, explosions, cave-ins, landslides and shortages of adequate or appropriate manpower, machinery or equipment.

The development of a resource property is subject to many factors, including the cost of mining, variations in the quality of the material mined, fluctuations in the commodity and currency markets, the cost of processing equipment, and others, such as aboriginal claims, government regulations including regulations regarding royalties, authorized production, import and export of natural resources and environmental protection. Depending on the price of the natural resources produced, the Company may decide not to undertake or continue commercial production. There can be no assurance that the expenses incurred by the Corporation to explore its properties will result in the discovery of a commercial quantity of ore. Most exploration projects do not result in the discovery of commercially viable mineral deposits.

ENVIRONMENTAL AND OTHER REGULATION

Current and future environmental laws, regulations and measures could entail unforeseeable additional costs, capital expenditures, restrictions or delays in the Company's activities. Environmental regulations and standards are subject to constant revision and could be substantially tightened, which could have a serious impact on the Company and its ability to develop its properties economically.

Before it commences mining a property, the Company must obtain environmental permits and the approval of the regulatory authorities. There is no assurance that these permits and approvals will be obtained, or that they will be obtained in a timely manner. The cost of complying with government regulations December also impact the viability of an operation or altogether prevent the economic development of a property.

FINANCING AND DEVELOPMENT

Development of the Company's properties therefore depends on its ability to raise the additional funds required. There can be no assurance that the Corporation will succeed in obtaining the funding required. The Company also has limited experience in developing resource properties, and its ability to do so depends on the use of appropriately skilled personnel or signature of agreements with other large resource companies that can provide the required expertise.



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MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL SITUATION AND OPERATIONS RESULTS

COURS DES RESSOURCES

Des facteurs indépendants de la volonté de la Société peuvent influencer sur la qualité marchande des diamants, de l'or ou de tous autres minéraux découverts. Les cours des ressources ont fluctué considérablement, particulièrement durant les dernières années. Les répercussions de ces facteurs ne peuvent être prévues avec précision.

RISQUES NON ASSURÉS

Risques financiers

La société est considérée comme une société d'exploration. Elle doit donc obtenir du financement régulièrement afin de poursuivre ses activités d'exploration. Malgré le fait qu'elle ait réussi dans le passé, il n'y a aucune garantie de réussite pour l'avenir.

Risques relatifs aux titres de propriété

Bien que la Société ait pris des mesures pour vérifier le droit de propriété concernant les biens miniers dans lesquels elle détient une participation conformément aux normes de l'industrie visant la phase courante d'exploration de ces biens, ces procédures ne garantissent pas le titre de propriété à la Société. Le titre de propriété peut être assujéti à des accords antérieurs non reconnus et ne pas être conforme aux exigences en matière de réglementation.

Risque environnemental

La Société est sujette à différents incidents environnementaux qui peuvent survenir lors des travaux d'exploration. La Société maintient une surveillance des risques environnementaux.

CONTROLE ET PROCEDURES DE DIVULGATION DE L'INFORMATION

Le président et le chef de la direction financière sont responsables de l'établissement et du maintien des contrôles et des procédures de divulgation de l'information de la Société au sens du Règlement 52-109. Ces contrôles et procédures ont été évalués au 30 septembre 2017 et il a été conclu qu'ils étaient adéquats et efficaces.

STRATÉGIE GLOBALE ET PERSPECTIVES

La direction continuera de gérer ses fonds de façon très rigoureuse en ayant comme premier objectif d'optimiser le rendement de l'investissement de ses actionnaires. Sa stratégie de développement est axée sur l'évaluation des marchés boursiers et de toute nouvelle opportunités d'affaires.

COMMODITY PRICES

The factors that influence the market value of diamond, gold and any other mineral discovered are outside the Company's control. The impact of these factors cannot be accurately predicted. Resource prices can fluctuate widely, and have done so in recent years.

UNINSURED RISKS

Financial risks

The Company is an exploration company. The Company will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Mining claims an title risks

Although the Company has taken steps to verify title to mining properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's Title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Environmental risks

The Company is subject to various environmental incidents that can occur during exploration work. The Company maintains a surveillance of the environmental risks.

DISCLOSURE CONTROLS AND PROCEDURES

The company's President and the Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures in accordance with the Multilateral Instrument 52-109 of the Canadian Securities Administrator. These controls and procedures have been evaluated as at September 30, 2017 and have been determined to be effective.

GLOBAL STRATEGY AND PERSPECTIVES

Management will continue to manage its funds very rigorously, its primary objective being to optimize return on investment for its shareholders. Its development strategy is focused on the evaluation of the stock markets and any piece of news business opportunities.



AXE EXPLORATION INC. (une société d'exploration)
ÉTATS FINANCIERS
30 SEPTEMBRE 2017 ET 2016

AXE EXPLORATION INC. (an exploration company)
FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

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Raymond Chabot Grant Thornton
S.E.N.C.R.L.
50, avenue Dallaire
Rouyn-Noranda (Québec) J9X 4S7

Téléphone: 819 762-1714
Télécopieur: 819 762-3306
www.rcgt.com

Rapport de l'auditeur indépendant

Aux actionnaires de
Axe Exploration Inc.

Nous avons effectué l'audit des états financiers ci-joints de la société Axe Exploration Inc., qui comprennent les états de la situation financière aux 30 septembre 2017 et 2016 et les états du résultat global, les états des variations des capitaux propres et les tableaux des flux de trésorerie pour les exercices terminés à ces dates, ainsi qu'un résumé des principales méthodes comptables et d'autres informations explicatives.

Responsabilité de la direction pour les états financiers

La direction est responsable de la préparation et de la présentation fidèle de ces états financiers conformément aux Normes internationales d'information financière (IFRS), ainsi que du contrôle interne qu'elle considère comme nécessaire pour permettre la préparation d'états financiers exempts d'anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs.

Responsabilité de l'auditeur

Notre responsabilité consiste à exprimer une opinion sur les états financiers, sur la base de nos audits. Nous avons effectué nos audits selon les normes d'audit généralement reconnues du Canada. Ces normes requièrent que nous nous conformions aux règles de déontologie et que nous planifions et réalisons l'audit de façon à obtenir l'assurance raisonnable que les états financiers ne comportent pas d'anomalies significatives.

Independent Auditor's Report

To the shareholders of
Axe Exploration Inc.

We have audited the accompanying financial statements of Axe Exploration Inc., which comprise the statements of financial position as at September 30, 2017 and 2016 and the statements of comprehensive loss, changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the 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.

Auditor's 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.

Un audit implique la mise en œuvre de procédures en vue de recueillir des éléments probants concernant les montants et les informations fournis dans les états financiers. Le choix des procédures relève du jugement de l'auditeur, et notamment de son évaluation des risques que les états financiers comportent des anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs. Dans l'évaluation de ces risques, l'auditeur prend en considération le contrôle interne de l'entité portant sur la préparation et la présentation fidèle des états financiers afin de concevoir des procédures d'audit appropriées aux circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne de l'entité. Un audit comporte également l'appréciation du caractère approprié des méthodes comptables retenues et du caractère raisonnable des estimations comptables faites par la direction, de même que l'appréciation de la présentation d'ensemble des états financiers.

Nous estimons que les éléments probants que nous avons obtenus dans le cadre de nos audits sont suffisants et appropriés pour fonder notre opinion d'audit.

Opinion

A notre avis, les états financiers donnent, dans tous leurs aspects significatifs, une image fidèle de la situation financière de la société Axe Exploration Inc. aux 30 septembre 2017 et 2016, ainsi que de sa performance financière et de ses flux de trésorerie pour les exercices terminés à ces dates, conformément aux Normes internationales d'information financière (IFRS).

Raymond Chabot Grant Thornton S.E. N.C.R. L. ¹

Rouyn-Noranda
Le 29 janvier 2018

¹ CPA auditeur, CA permis de comptabilité publique n° A119351

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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Axe Exploration Inc. as at September 30, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Raymond Chabot Grant Thornton LLP ¹

Rouyn-Noranda
January 29, 2018

¹ CPA auditor, CA public accountancy permit no A119351

AXE EXPLORATION INC.

ÉTATS DE LA SITUATION FINANCIÈRE
aux 30 septembre 2017 et 2016
(en dollars canadiens)

STATEMENTS OF FINANCIAL POSITION
September 30, 2017 and 2016
(in Canadian dollars)

	Notes	30 septembre / September 30, 2017	30 septembre / September 30, 2016	
		\$	\$	
ACTIF				ASSETS
Courant				Current
Trésorerie		38 222	127 193	Cash
Placements	5	1 031 426	1 233 535	Investments
Taxes de vente à recevoir		14 755	8 926	Sales tax receivable
Crédits d'impôt relatifs aux ressources et crédits d'impôt miniers à recevoir		1 772	1 772	Tax credits related to resources and mining tax credits receivable
Frais payés d'avance		7 082	7 067	Prepaid expenses
		<u>1 093 257</u>	<u>1 378 493</u>	
Non courant				Non-current
Immobilisations corporelles	6	99 566	106 548	Property, plant and equipment
Actifs d'exploration et d'évaluation	7	-	454 539	Exploration and evaluation assets
		<u>99 566</u>	<u>561 087</u>	
Total de l'actif		<u>1 192 823</u>	<u>1 939 580</u>	Total assets
PASSIF				LIABILITIES
Courant				Current
Dettes fournisseurs et autres créditeurs		56 540	30 962	Trade and other payables
Total du passif		<u>56 540</u>	<u>30 962</u>	Total liabilities
CAPITAUX PROPRES				EQUITY
Capital-actions	9	7 753 754	7 699 754	Share Capital
Bons de souscription	9	720	-	Warrants
Surplus d'apport		1 092 005	1 062 219	Contributed surplus
Déficit		(7 710 196)	(6 853 355)	Deficit
Total des capitaux propres		<u>1 136 283</u>	<u>1 908 618</u>	Total equity
Total du passif et des capitaux propres		<u>1 192 823</u>	<u>1 939 580</u>	Total liabilities and equity

Les notes complémentaires font partie intégrante des états financiers.

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

Les états financiers ont été approuvés et autorisés pour publication par le conseil d'administration le 29 janvier 2018

These financial statements were approved and authorized for issue by the Board of Directors on January 29, 2018

POUR LE CONSEIL D'ADMINISTRATION / ON BEHALF OF THE BOARD,

(s) Claude Lavoie, Administrateur - Director

(s) Pascal Ducharme, Administrateur - Director

AXE EXPLORATION INC.

ÉTATS DU RÉSULTAT GLOBAL
des exercices terminés les 30 septembre 2017 et 2016
(en dollars canadiens)

STATEMENTS OF COMPREHENSIVE LOSS
Years ended September 30, 2017 and 2016
(in Canadian dollars)

	Notes	2017	2016	
		\$	\$	
CHARGES				EXPENSES
Honoraires des consultants		162 014	156 096	Consultants fees
Honoraires professionnels		25 289	24 822	Professional fees
Autres charges opérationnelles		75 418	96 173	Other operating expenses
Salaires et charges sociales		38 289	50 055	Salaries and fringe benefits
Rémunération - paiements fondés sur des actions	10	28 890	-	Share-based payments
Inscription, régistariat et information aux actionnaires		23 460	29 599	Registration, listing fees and shareholder's information
Assurances		10 496	7 805	Insurance
Amortissement des immobilisations corporelles	6	6 982	6 145	Amortization of property, plant and equipment
Dévaluation des actifs d'exploration et d'évaluation	7	529 274	-	Impairment of exploration and evaluation assets
Résultat opérationnel		(900 112)	(370 695)	Operating loss
AUTRES				OTHERS
Revenus d'intérêts		14 370	17 277	Interest income
RÉSULTAT AVANT IMPÔTS		(885 742)	(353 418)	LOSS BEFORE INCOME TAXES
Impôts différés	12	35 280	-	Deferred income tax expense
RÉSULTAT NET ET RÉSULTAT GLOBAL DE L'EXERCICE		(850 462)	(353 418)	LOSS AND COMPREHENSIVE LOSS FOR THE YEAR
RÉSULTAT NET DE BASE ET DILUÉ PAR ACTION	11	(0,015)	(0,006)	BASIC AND DILUTED LOSS PER SHARE

Les notes complémentaires font partie intégrante des états financiers.
The accompanying notes are an integral part of the financial statements.

AXE EXPLORATION INC.

ÉTATS DES VARIATIONS DES CAPITAUX PROPRES
des exercices terminés les 30 septembre 2017 et 2016
(en dollars canadiens)

STATEMENTS OF CHANGES IN EQUITY
Years ended September 30, 2017 and 2016
(in Canadian dollars)

Notes	Capital- actions / Share capital	Bons de souscription / Warrants	Surplus d'apport / Contributed surplus	Déficit / Deficit	Total des capitaux propres / Total equity	
	\$	\$	\$	\$	\$	
Solde au 30 septembre 2015	7 699 754	26 679	1 035 540	(6 499 937)	2 262 036	Balance at September 30, 2015
Résultat net et résultat global	-	-	-	(353 418)	(353 418)	Loss and comprehensive loss
Bons de souscription expirés	-	(26 679)	26 679	-	-	Warrants expired
Solde au 30 septembre 2016	7 699 754	-	1 062 219	(6 853 355)	1 908 618	Balance at September 30, 2016
Résultat net et résultat global	-	-	-	(850 462)	(850 462)	Loss and comprehensive loss
Émission d'actions assorties de bons de souscription	10 800	720	896	-	12 416	Share issuances with warrants
Émission d'options	-	-	28 890	-	28 890	Options granted
Émission d'actions accréditatives	43 200	-	-	-	43 200	Issuance of flow-trough shares
Frais d'émission d'actions	-	-	-	(6 379)	(6 379)	Share issuance expenses
Solde au 30 septembre 2017	7 753 754	720	1 092 005	(7 710 196)	1 136 283	Balance at September 30, 2017

Les notes complémentaires font partie intégrante des états financiers.
The accompanying notes are an integral part of the financial statements.

AXE EXPLORATION INC.

TABLEAUX DES FLUX DE TRÉSORERIE
des exercices terminés les 30 septembre 2017 et 2016
(en dollars canadiens)

STATEMENTS OF CASH FLOWS
Years ended September 30, 2017 and 2016
(in Canadian dollars)

	Notes	2017 \$	2016 \$	
ACTIVITÉS OPÉRATIONNELLES				OPERATING ACTIVITIES
Résultat net		(850 462)	(353 418)	Net loss
Ajustements				Adjustments
Rémunération - paiements fondés sur des actions	10	28 890	-	Share-based payments
Amortissement des immobilisations corporelles	6	6 982	6 145	Amortization of property, plant and equipment
Dévaluation des actifs d'exploration et d'évaluation	7	529 274	-	Impairment of exploration and evaluation assets
Impôts différés	12	(35 280)	-	Deferred income tax expense
Variation nette des éléments du fonds de roulement	13	4 429	4 133	Net change in operating working capital items
		<u>(316 167)</u>	<u>(343 140)</u>	
ACTIVITÉS D'INVESTISSEMENT				INVESTING ACTIVITIES
Acquisition de placement		-	(17 271)	Purchase of investments
Cession de placements		202 109	-	Disposal of Investments
Acquisition d'immobilisations corporelles		-	(6 900)	Acquisition of property, plant and equipment
Crédits d'impôt relatif aux ressources et crédits d'impôt minier à recevoir		-	7 202	Tax credits related to resources and mining tax credits receivable
Acquisition d'actifs d'exploration et d'évaluation		(59 430)	-	Acquisition of exploration and evaluation assets
		<u>142 679</u>	<u>(16 969)</u>	
ACTIVITÉS DE FINANCEMENT				FINANCING ACTIVITIES
Frais d'émission d'unités		(5 483)	-	Unit issuance expenses
Encaissement au titre de capital-actions et bons de souscription		90 000	-	Cash inflow relating to share capital and warrants
		<u>84 517</u>	<u>-</u>	
DIMINUTION DE LA TRÉSORERIE				CASH DECREASE
Trésorerie, au début		<u>127 193</u>	<u>487 302</u>	Cash, beginning of year
Trésorerie, à la fin		<u><u>38 222</u></u>	<u><u>127 193</u></u>	Cash, end of year
Informations additionnelles – Flux de trésorerie (note 14)				Additional information disclosures – Cash flows (Note 14)

AXE EXPLORATION INC.

NOTES COMPLÉMENTAIRES
aux 30 septembre 2017 et 2016
(en dollars canadiens)

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016
(in Canadian dollars)

1- NATURE DES ACTIVITÉS

Axe Exploration Inc (ci-après la « Société »), se spécialise dans l'exploration de gisements aurifères et de métaux précieux situés au Canada.

2- GÉNÉRALITÉS ET CONFORMITÉ AUX IFRS

Les états financiers de la Société ont été établis conformément aux IFRS.

La Société est constituée en vertu de la *Loi canadienne sur les sociétés par actions*. Le siège social, qui est aussi l'établissement principal, est situé au 255 Curé-Labelle, suite 204, Laval, Québec, Canada. Les actions de la Société sont cotées à la Bourse de croissance TSX.

3- PRINCIPALES MÉTHODES COMPTABLES**3.1 Généralités**

Les principales méthodes comptables et bases d'évaluation ayant servi à la préparation des présents états financiers sont résumées ci-dessous.

3.2 Base d'évaluation

Les présents états financiers ont été préparés selon la méthode du coût historique.

3.3 Monnaie fonctionnelle et monnaie de présentation

Les états financiers sont présentés en devise canadienne qui est aussi la monnaie fonctionnelle.

3.4 Instruments financiers

Les actifs et les passifs financiers sont comptabilisés lorsque la Société devient une partie aux dispositions contractuelles de l'instrument financier.

Les actifs financiers sont décomptabilisés lorsque les droits contractuels sur les flux de trésorerie liés à l'actif financier arrivent à expiration, ou lorsque l'actif financier et tous les risques et avantages importants sont transférés.

Un passif financier est décomptabilisé en cas d'extinction, de résiliation, d'annulation ou d'expiration.

1- NATURE OF OPERATIONS

Axe Exploration Inc. (the "Company"), specializes in exploration of gold deposits and precious metals located in Canada.

2- GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

The financial statements of the Company have been prepared in accordance with IFRS.

The Company is incorporated under the *Canada Business Corporations Act*. The address of the Company's registered office and its principal place of business is 255 Cure-Labelle, Suite 204, Laval, Quebec, Canada. The Company's shares are listed on the TSX Venture Exchange.

3- SUMMARY OF ACCOUNTING POLICIES**3.1 Overall considerations**

The significant accounting policies and measurement bases that have been applied in the preparation of these financial statements are summarized below.

3.2 Basis of evaluation

These financial statements are prepared using the historical cost method.

3.3 Functional currency and presentation currency

The financial statements are presented in Canadian currency which is the functional currency.

3.4 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

AXE EXPLORATION INC.

NOTES COMPLÉMENTAIRES
aux 30 septembre 2017 et 2016
(en dollars canadiens)

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016
(in Canadian dollars)

3- PRINCIPALES MÉTHODES COMPTABLES (suite)
3.4 Instruments financiers (suite)

Les actifs et les passifs financiers sont initialement évalués à la juste valeur majorée des coûts de transaction.

Les actifs et les passifs financiers sont évalués ultérieurement comme il est indiqué ci-après.

Actifs financiers

Aux fins de l'évaluation ultérieure, les actifs financiers de la Société sont classés dans la catégorie prêts et créances au moment de la comptabilisation initiale.

La catégorie détermine la méthode d'évaluation ultérieure et la comptabilisation soit en résultat, soit en autres éléments du résultat global des produits et des charges qui en résulteront. Tous les produits et charges se rapportant aux actifs financiers comptabilisés en résultat net sont présentés dans les charges financières ou les revenus d'intérêts, le cas échéant.

Prêts et créances

Les prêts et créances sont des actifs financiers non dérivés à paiements fixes ou déterminables, qui ne sont pas cotés sur un marché actif. Après leur comptabilisation initiale, ils sont évalués au coût amorti en utilisant la méthode du taux d'intérêt effectif, moins une provision pour perte de valeur. L'actualisation est omise si son effet est non significatif. La trésorerie et les placements font partie de cette catégorie d'instruments financiers.

Dépréciation d'actifs financiers

Tous les actifs financiers font l'objet d'un test de dépréciation au moins à chaque date de clôture. Les actifs financiers sont dépréciés lorsqu'il existe des indications objectives qu'un actif financier ou un groupe d'actifs financiers a subi une perte de valeur.

Passifs financiers

Les passifs financiers de la Société comprennent les dettes fournisseurs et autres créditeurs.

Les passifs financiers sont évalués ultérieurement au coût amorti en utilisant la méthode du taux d'intérêt effectif.

Les charges d'intérêts, le cas échéant, sont présentées dans les charges financières.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.4 Financial instruments (continued)

Financial assets and financial liabilities are measured initially at fair value plus transactions costs.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, the Company's financial assets are classified into the loans and receivables category upon initial recognition.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All income and expenses relating to financial assets that are recognized in profit or loss are presented within Finance costs or Interest Income, if any.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Cash and investments fall into this category of financial instruments.

Impairment of financial assets

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities

The Company's financial liabilities include trade and other payables.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss within Finance costs.

AXE EXPLORATION INC.

NOTES COMPLÉMENTAIRES
aux 30 septembre 2017 et 2016
(en dollars canadiens)

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016
(in Canadian dollars)

3- PRINCIPALES MÉTHODES COMPTABLES (suite)
3.5 Résultat de base et dilué par action

Le résultat de base par action est calculé en divisant le résultat attribuable aux porteurs d'actions ordinaires de la Société par le nombre moyen pondéré d'actions ordinaires en circulation au cours de l'exercice. Le résultat dilué par action est calculé en ajustant le résultat attribuable aux porteurs d'actions ordinaires de la Société ainsi que le nombre moyen pondéré d'actions ordinaires en circulation, des effets de toutes les actions ordinaires potentielles dilutives, lesquelles englobent les options d'achat d'actions et les bons de souscription. Aux fins de ce calcul, on considère que les actions ordinaires potentielles dilutives ont été converties en actions ordinaires au début de l'exercice ou à la date d'émission des actions ordinaires potentielles si elle est ultérieure.

3.6 Contrats de location simple

Les contrats de location pour lesquels une portion importante des risques et des avantages est conservée par le bailleur sont traités comme des contrats de location simple. Les paiements au titre des contrats de location simple sont comptabilisés en charges sur une base linéaire pendant toute la durée du contrat de location. Les frais connexes, comme ceux se rapportant à la maintenance et à l'assurance, sont comptabilisés en charges au fur et à mesure qu'ils sont engagés.

3.7 Crédits d'impôt à recevoir

La Société a droit à des crédits d'impôt remboursables sur les frais d'exploration admissibles engagés et à des crédits de droits remboursables selon la Loi sur l'impôt minier. Ces crédits d'impôt sont comptabilisés en réduction des dépenses d'exploration engagées et en fonction des estimations de la direction. La Société comptabilise ces crédits d'impôt lorsqu'il existe une assurance raisonnable que les crédits seront recouverts et accordés et que la Société respectera les conditions connexes.

3.8 Actifs d'exploration et d'évaluation

Les actifs d'exploration et d'évaluation sont les coûts engagés dans la recherche initiale de ressources minérales avant que la faisabilité technique et la viabilité commerciale de l'extraction ne soient démontrables. Les coûts engagés avant l'acquisition des servitudes légales d'exploration et d'évaluation sont comptabilisés en résultat au moment où ils sont engagés.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.5 Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to common equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to common equity holders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which include options and warrants. Dilutive potential common shares shall be deemed to have been converted into common shares at the beginning of the period or, if later, at the date of issue of the potential common shares.

3.6 Operating lease agreements

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are recognized as an expense on a straight-line basis over the lease term. Related expenses, such as maintenance and insurance expenses, are charged as incurred.

3.7 Tax credits receivable

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. These tax credits are recognized as a reduction of the exploration costs incurred based on estimates made by management. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

3.8 Exploration and evaluation assets

Exploration and evaluation assets are costs incurred in the course of initial search of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

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3- PRINCIPALES MÉTHODES COMPTABLES (suite)
3.8 Actifs d'exploration et d'évaluation (suite)

Lorsque les servitudes légales d'exploration et d'évaluation ont été obtenues, tous les coûts liés à l'acquisition des droits miniers et les dépenses liées à l'exploration et à l'évaluation des propriétés minières, diminués des crédits d'impôt liés à ces dépenses, sont comptabilisés en actifs d'exploration et d'évaluation. Les dépenses liées à l'exploration et à l'évaluation qui sont capitalisées incluent notamment les études topographiques, géologiques, géochimiques et géophysiques, les forages d'exploration, le creusement de tranchées, l'échantillonnage ainsi que les activités en liaison avec l'évaluation de la faisabilité technique et de la viabilité commerciale de l'extraction d'une ressource minérale.

Les différents coûts sont incorporés au coût de l'actif d'exploration et d'évaluation, propriété minière par propriété minière, jusqu'à ce que la faisabilité technique et la viabilité commerciale de l'extraction d'une ressource minérale soient démontrées. Ces actifs sont comptabilisés en tant qu'immobilisations incorporelles et sont présentés au coût moins le cumul des pertes de valeur. Aucune charge d'amortissement n'est comptabilisée pour ces actifs durant la phase d'exploration et d'évaluation.

S'il était établi que la viabilité d'une propriété minière n'est pas assurée ou si la propriété minière était abandonnée, le montant capitalisé serait réduit à sa valeur recouvrable (voir note 3.10), l'écart étant alors comptabilisé immédiatement en résultat net.

Si la faisabilité technique et la viabilité commerciale de l'extraction d'une ressource minérale peuvent être démontrées, les actifs d'exploration et d'évaluation liés à la propriété minière correspondante sont alors transférés dans les immobilisations corporelles dans la catégorie Actifs miniers en construction. Avant le transfert, les actifs d'exploration et d'évaluation doivent être soumis à un test de dépréciation (voir note 3.10), et toute perte de valeur doit être comptabilisée en résultat net avant le reclassement.

Jusqu'à maintenant, aucune faisabilité technique ni aucune viabilité commerciale de l'extraction d'une ressource minérale n'a été démontrée.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.8 Exploration and evaluation assets (continued)

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights, expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are recognized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource.

The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (see Note 3.10); the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment (see Note 3.10) and any impairment loss is recognized in profit or loss before reclassification.

Until now, no technical feasibility and no commercial viability of extracting a mineral resource have been demonstrated.

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3- PRINCIPALES MÉTHODES COMPTABLES (suite)
3.8 Actifs d'exploration et d'évaluation (suite)

Bien que la Société ait pris des mesures conformes aux pratiques de l'industrie pour le stade d'exploration actuel de telles propriétés afin d'obtenir les titres de propriété des propriétés minières dans lesquelles elle détient un intérêt financier, ces procédures ne garantissent toutefois pas la validité du titre de propriété. Les titres de propriété des propriétés minières peuvent être assujettis à des ententes préalables non enregistrées et au non-respect de dispositions réglementaires.

3.9 Immobilisations corporelles

Les immobilisations corporelles sont comptabilisées au coût historique diminué du cumul des pertes de valeur et des amortissements.

Le coût historique tient compte de tous les coûts directement attribuables à l'acquisition. Les valeurs résiduelles, la méthode d'amortissement et la durée d'utilité des actifs sont revus chaque année et ajustés au besoin.

L'amortissement des immobilisations corporelles est calculé sur les composantes qui ont des durées d'utilité homogène en recourant à la méthode dégressive selon les taux indiqués ci-après :

Immeuble	5 %
Équipement d'exploration	20 %
Matériel informatique	55 %
Véhicule	30 %

La charge d'amortissement de chaque période est comptabilisée en résultat net, sauf pour certaines immobilisations corporelles liées aux activités d'exploration et d'évaluation dont la charge d'amortissement est incorporée dans la valeur comptable d'un actif d'exploration et d'évaluation lorsqu'elles sont utilisées dans le cadre de projets précis d'exploration et d'évaluation.

3.10 Dépréciation des actifs d'exploration et d'évaluation et des immobilisations corporelles

Aux fins d'évaluation de la dépréciation, les actifs sont regroupés aux niveaux les plus bas générant des entrées de trésorerie largement indépendantes (unités génératrices de trésorerie). Par conséquent, certains actifs sont soumis individuellement à un test de dépréciation tandis que d'autres sont testés au niveau d'une unité génératrice de trésorerie.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.8 Exploration and evaluation assets (continued)

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the mining property titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements

3.9 Property, Plant and Equipment

Property, plant and equipment are accounted for at historical cost less any accumulated impairment losses and amortization.

The historical cost of property, plant and equipment comprises any acquisition costs directly attributable. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Amortization of property, plant and equipment is based on each part of a property, plant and equipment which has similar useful life using declining method at the following rates:

Building	5%
Exploration equipment	20%
Computer equipment	55%
Vehicle	30%

The amortization expense for each period is recognized in profit or loss except for certain items of property, plant and equipment related to exploration and evaluation activities where the amortization expense is included in the carrying amount of an exploration and evaluation asset when it relates to a specific exploration and evaluation project.

3.10 Impairment of exploration and evaluation assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

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3- PRINCIPALES MÉTHODES COMPTABLES (suite)
3.10 Dépréciation des actifs d'exploration et d'évaluation et des immobilisations corporelles (suite)

Tous les actifs individuels ou unités génératrices de trésorerie sont soumis à un test de dépréciation lorsque des événements ou des changements de circonstances indiquent que leur valeur comptable pourrait ne pas être recouvrable.

Des tests de dépréciation des actifs d'exploration et d'évaluation sont effectués projet par projet, chaque projet représentant une seule unité génératrice de trésorerie. Un test de dépréciation est effectué lorsque les indicateurs de dépréciation l'indiquent, mais généralement lorsqu'une de ces circonstances se présente :

- Le droit d'exploration dans la zone spécifique expire ou expirera dans un proche avenir et il n'est pas prévu qu'il soit renouvelé ;
- Aucune dépense d'exploration et d'évaluation ultérieure dans la zone spécifique n'est prévue au budget ni planifiée ;
- Aucune découverte de ressources n'est commercialement viable et la Société a décidé de cesser l'exploration dans la zone spécifique ;
- Un travail suffisant a été réalisé afin d'indiquer que la valeur comptable de la dépense comptabilisée en actif ne sera pas entièrement récupérée.

De plus, si la faisabilité technique et la viabilité commerciale de l'extraction d'une ressource minérale peuvent être démontrées, les actifs d'exploration et d'évaluation liés à la propriété minière correspondante doivent être soumis à un test de dépréciation avant d'être transférés dans les immobilisations corporelles.

Une perte de valeur égale au montant par lequel la valeur comptable d'un actif ou d'une unité génératrice de trésorerie excède sa valeur recouvrable est comptabilisée en résultat net. La valeur recouvrable d'un actif ou d'une unité génératrice de trésorerie est la plus élevée de sa juste valeur moins les coûts de sa vente, et de sa valeur d'utilité.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.10 Impairment of exploration and evaluation assets and property, plant and equipment (continued)

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- the right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- no further exploration or evaluation expenditures in the area are planned or budgeted;
- no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property, plant and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

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3- PRINCIPALES MÉTHODES COMPTABLES (suite)
3.10 Dépréciation des actifs d'exploration et d'évaluation et des immobilisations corporelles (suite)

Une perte de valeur peut être reprise si la valeur recouvrable d'un actif ou d'une unité génératrice de trésorerie excède sa valeur comptable.

3.11 Provisions et passifs éventuels

Les provisions sont comptabilisées lorsque les obligations juridiques ou implicites actuelles, résultant d'un événement passé, se traduiront probablement par une sortie de ressources représentatives d'avantages économiques de la Société et que les montants peuvent être estimés de manière fiable. L'échéance ou le montant de la sortie peuvent être incertains.

L'évaluation des provisions correspond aux dépenses estimées nécessaires à l'extinction de l'obligation actuelle, en fonction des éléments probants les plus fiables disponibles à la date de présentation de l'information financière, incluant les risques et les incertitudes liés à l'obligation actuelle. Les provisions sont actualisées lorsque la valeur temps de l'argent est significative.

Les activités de la Société sont régies par des lois et règlements gouvernementaux concernant la protection de l'environnement. Les conséquences environnementales sont difficilement déterminables, qu'il s'agisse des montants, de l'échéance ou de l'impact.

À la date de présentation de l'information financière, la direction estime que la Société exerce généralement ses activités en conformité avec les lois et règlements présentement en vigueur. Les coûts actuellement engagés pour la remise en état des sites sont présentement négligeables. Lorsque la faisabilité technique et la viabilité commerciale de l'extraction d'une ressource minérale seront démontrées, une provision pour restauration sera comptabilisée au coût de la propriété minière lorsqu'elle aura une obligation actuelle résultant d'un événement passé, qu'il sera probable qu'une sortie de ressources représentatives d'avantages économiques sera nécessaire pour éteindre l'obligation et que le montant de l'obligation pourra être estimé de manière fiable.

Lorsqu'une sortie possible de ressources représentatives d'avantages économiques résultant d'une obligation actuelle est considérée comme étant improbable ou de probabilité faible, aucun passif n'est comptabilisé.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.10 Impairment of exploration and evaluation assets and property, plant and equipment (continued)

An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

3.11 Provisions and contingent liabilities

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to determine in terms of amounts, timetable and impact.

As of the reporting date, management believes that the Company's operations are in material compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.

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3- PRINCIPALES MÉTHODES COMPTABLES (suite)
3.11 Provisions et passifs éventuels (suite)

Les provisions sont revues à chaque date de présentation de l'information financière et ajustées pour refléter les meilleures estimations actuelles à cette date. Aucune provision n'est enregistrée aux livres pour les périodes de présentation de l'information financière.

3.12 Impôt sur le résultat

La charge d'impôt comptabilisée en résultat correspond à la somme de l'impôt différé et de l'impôt exigible qui ne sont pas comptabilisés directement en capitaux propres.

Les actifs ou les passifs d'impôt exigible comprennent les montants à payer aux administrations fiscales ou à recouvrer auprès de ces administrations fiscales pour la période en cours et la période de présentation de l'information financière antérieure et qui n'ont pas été réglés à la date de clôture. L'impôt exigible est calculé sur le bénéfice imposable qui diffère du résultat dans les états financiers. Le calcul de l'impôt exigible est fondé sur les taux d'imposition et les réglementations fiscales qui ont été adoptés ou quasi adoptés à la fin de la période de présentation de l'information financière.

Toutefois, puisque la Société est en phase d'exploration et qu'elle n'a pas de bénéfice imposable, la charge d'impôt comptabilisée en résultat ne correspond présentement qu'à de l'impôt différé.

L'impôt différé est calculé selon la méthode du passif fiscal sur les différences temporaires entre la valeur comptable des actifs et des passifs et leur base fiscale. Toutefois, l'impôt différé n'est pas comptabilisé au moment de la comptabilisation initiale d'un goodwill ou au moment de la comptabilisation initiale d'un actif ou d'un passif, à moins que la transaction y donnant lieu ne soit un regroupement d'entreprises ou qu'elle ait une incidence sur le bénéfice imposable ou comptable.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.11 Provisions and contingent liabilities (continued)

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. No provision is recorded in the books for periods of financial reporting.

3.12 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

However, since the Company is in exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred tax.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

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3- PRINCIPALES MÉTHODES COMPTABLES (suite)
3.12 Impôt sur le résultat (suite)

Les actifs ou les passifs d'impôt différé sont calculés, sans actualisation, selon les taux d'imposition dont l'application est attendue au cours de leur période de réalisation respective lorsque ces taux sont adoptés ou quasi adoptés avant la fin de la période de présentation de l'information financière.

Les actifs d'impôt différé sont comptabilisés dans la mesure où il est probable que la perte fiscale ou la différence temporaire déductible sous-jacente permettra de compenser un bénéfice imposable futur. L'évaluation repose sur la prévision des résultats opérationnels futurs de la Société, ajustés pour tenir compte des produits et des charges non imposables importants et de limites particulières sur l'utilisation de toute perte fiscale ou tout crédit d'impôt inutilisés. Les passifs d'impôt différé sont toujours comptabilisés en entier.

Les actifs ou les passifs d'impôt différé sont compensés uniquement lorsque la Société a le droit et l'intention de compenser les actifs ou les passifs d'impôt exigible découlant des mêmes administrations fiscales.

Les variations des actifs ou des passifs d'impôt différé sont comptabilisées en résultat net à titre d'impôt différé, sauf si elles concernent des éléments qui ont été comptabilisés directement en capitaux propres, auquel cas l'impôt différé correspondant est également comptabilisé en capitaux propres.

3.13 Capitaux propres

Le capital-actions représente le montant reçu à l'émission des actions. Si les actions sont émises à la suite d'exercice d'options sur actions, d'options aux courtiers ou de bons de souscription, ce poste comprend également la charge de rémunération antérieurement comptabilisée au poste surplus d'apport ou bons de souscription. De plus, si les actions sont émises dans le cadre d'une acquisition de propriété ou tout autre actif non monétaire, les actions sont mesurées à la juste valeur en fonction du cours de la Bourse le jour où l'entente est conclue.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.12 Income Taxes (continued)

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax expense in profit or loss, except where they relate to items that are recognized directly in equity, in which case the related deferred tax is also recognized in equity.

3.13 Equity

Share capital represents the amount received on the issue of shares. If shares are issued when stock options, brokers options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded as contributed surplus or warrants. In addition, if the shares are issued in an acquisition of property or other assets that are not monetary, shares are measured at fair value based on stock price on the day the agreement is signed.

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3- PRINCIPALES MÉTHODES COMPTABLES (suite)

3.13 Capitaux propres (suite)

Émission d'unités

Les produits des émissions d'unités sont répartis entre les actions et les bons de souscription émis au moyen de la méthode résiduelle. Les produits sont d'abord imputés aux actions en fonction du cours de la Bourse au moment de l'émission et le montant résiduel est attribué aux bons de souscription.

Placements accreditifs

L'émission d'unités accreditives constitue en substance une émission d'actions ordinaires, de bons de souscription et la vente d'un droit à des déductions fiscales au profit des investisseurs. Au moment de l'émission des unités accreditives, la vente du droit aux déductions fiscales est différée et comptabilisée dans les autres passifs à l'état de la situation financière. Les produits des émissions des unités accreditives sont répartis entre les actions, les bons de souscription et les autres passifs émis au moyen de la méthode résiduelle. Les produits sont d'abord imputés aux actions en fonction du cours de la Bourse à la date de l'émission, puis aux bons de souscription en fonction de la juste valeur de ceux-ci à la date de l'émission, et le montant résiduel est attribué aux autres passifs. La juste valeur des bons de souscription est déterminée à l'aide du modèle d'évaluation Black-Scholes. Lorsque les dépenses admissibles ont été engagées et que la Société a l'intention ferme de renoncer à son droit aux déductions fiscales au profit des investisseurs, le montant comptabilisé en autres passifs est renversé et comptabilisé en résultat net en déduction de la charge d'impôt différé et un passif d'impôt différé est comptabilisé pour la différence temporelle imposable découlant du fait que la valeur comptable des dépenses admissibles inscrites à l'actif dans l'état de la situation financière diffère de leur base fiscale.

Autres éléments des capitaux propres

Le surplus d'apport inclut les charges de rémunération liées aux options sur actions et aux options aux courtiers.

Le déficit comprend l'ensemble des pertes de l'exercice en cours et des exercices antérieurs moins les frais d'émission, déduction faite de tout avantage d'impôt sur le résultat sous-jacent à ces frais d'émission.

3- SUMMARY OF ACCOUNTING POLICIES (continued)

3.13 Equity (continued)

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Flow-through placements

Issuance of flow-through shares represents in substance an issue of common shares and the sale of the right to tax deductions to the investors. When the flow-through shares are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the statement of financial position. The proceeds received from flow-through placements are allocated between shares, warrants and other liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance, then to warrants according to their fair value at the date of issuance and the residual proceeds are allocated to other liability. The fair value of the warrants is determined using the Black-Scholes valuation model. The liability component recorded initially on the issuance of shares is reversed on renouncement of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income tax expense. A deferred tax liability is also recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset and its tax basis.

Other elements of equity

Contributed surplus include share-based payment charges relating to stock options and brokers options.

Deficit includes all current and prior periods losses less issuance costs, net of any underlying income tax benefit from these issuance costs.

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3.13 Capitaux propres (suite)

Le poste bons de souscription inclut les charges liées aux bons de souscription. Lorsque ces bons de souscription sont expirés, les charges correspondantes sont transférées dans le surplus d'apport.

3.14 Paiements fondés sur des actions

La Société gère un régime de paiements fondés sur des actions et réglés en instruments de capitaux propres à l'intention des administrateurs, employés et consultants qui y sont admissibles. Le régime de la Société ne comporte pas d'option de règlement en espèces.

Tous les biens et les services reçus en contrepartie de l'octroi d'un paiement fondé sur des actions sont évalués à leur juste valeur, sauf si cette juste valeur ne peut être estimée de façon fiable. Si la Société ne peut estimer de façon fiable la juste valeur des biens ou des services reçus, elle doit en évaluer la valeur indirectement par référence à la juste valeur des instruments de capitaux propres attribués. Pour les transactions effectuées avec des membres du personnel et des tiers fournissant des services similaires, la Société évalue la juste valeur des services reçus par référence à la juste valeur des instruments des capitaux propres attribués.

Les paiements fondés sur des actions (à l'exception des options aux courtiers) sont ultimement comptabilisés en résultat net à la dépense ou capitalisés comme actifs d'exploration et d'évaluation selon la nature du paiement et la contrepartie est portée au crédit du surplus d'apport dans les capitaux propres. Les paiements fondés sur des actions à des courtiers dans le cas d'un financement en actions sont comptabilisés comme frais d'émission d'instruments de capitaux propres et la contrepartie est comptabilisée au crédit du surplus d'apport dans les capitaux propres.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.13 Equity (continued)

Warrants include charges relating to warrants. When these warrants are expired, the relating charges are transferred to contributed surplus.

3.14 Equity-settled share-based payments

The Company operates an equity-settled share-based payment plan for its eligible directors, employees and consultants. The Company's plan does not feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services received by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments (except brokers options) are ultimately recognized as an expense in the profit or loss or capitalized as exploration and evaluation assets, depending on the nature of the payment with a corresponding credit to contributed surplus, in equity. Equity-settled share-based payments to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to contributed surplus, in equity.

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3- PRINCIPALES MÉTHODES COMPTABLES (suite)
3.14 Paiements fondés sur des actions (suite)

Dans les cas où des périodes ou des conditions d'acquisition de droits s'appliquent, la charge est répartie sur la période d'acquisition en fonction de la meilleure estimation disponible du nombre d'options sur actions dont l'acquisition est attendue. Les conditions d'acquisition non liées au marché font partie des hypothèses portant sur le nombre d'options qui, selon les attentes, deviendront exerçables. Les estimations sont ensuite révisées lorsqu'il y a des indications à l'effet que le nombre d'options sur actions dont l'acquisition est attendue diffère des estimations précédentes. Tout rajustement cumulatif avant l'acquisition des droits est comptabilisé dans l'exercice en cours.

Aucun rajustement n'est apporté aux charges comptabilisées dans des exercices antérieurs si le nombre d'options sur actions qui ont finalement été acquises diffère de celui qui avait été prévu au moment de l'acquisition.

3.15 Information sectorielle

La Société présente et divulgue l'information sectorielle selon les informations examinées régulièrement par les principaux décideurs opérationnels, c'est-à-dire le président et le conseil d'administration.

La Société a déterminé qu'il n'y avait qu'un seul secteur opérationnel, soit le secteur d'exploration et d'évaluation des ressources minérales.

3.16 Normes, modifications et interprétations de normes publiées qui ne sont pas encore en vigueur et qui n'ont pas été adoptées de façon anticipée par la Société

À la date d'autorisation de ces états financiers, de nouvelles normes et interprétations de normes existantes et de nouvelles modifications ont été publiées, mais ne sont pas encore en vigueur, et la Société ne les a pas adoptées de façon anticipée.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.14 Equity-settled share-based payments (continued)

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period.

No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

3.15 Segmental reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the Chairman and the Board of Directors.

The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

3.16 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Company.

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3- PRINCIPALES MÉTHODES COMPTABLES (suite)
3.16 Normes, modifications et interprétations de normes publiées qui ne sont pas encore en vigueur et qui n'ont pas été adoptées de façon anticipée par la Société (suite)

La direction prévoit que l'ensemble des prises de position sera adopté dans les méthodes comptables de la Société au cours du premier exercice débutant après la date d'entrée en vigueur de chaque prise de position. L'information sur les nouvelles normes et interprétations ainsi que les nouvelles modifications aux normes, qui sont susceptibles d'être pertinentes pour les états financiers de la Société, est fournie ci-dessous. Certaines autres nouvelles normes et interprétations ont été publiées, mais la Société ne s'attend pas à ce qu'elles aient une incidence sur ses états financiers.

IFRS 9 – Instruments financiers (IFRS 9)

L'International Accounting Standards Board (« IASB ») a publié IFRS 9 Instruments financiers (2014), qui représente l'achèvement de son projet de remplacement d'IAS 39 Instruments financiers : Comptabilisation et évaluation. La nouvelle norme présente des changements importants apportés aux directives d'IAS 39 sur le classement et l'évaluation des actifs financiers et instaure un nouveau modèle pour les pertes de crédit attendues pour la dépréciation des actifs financiers. IFRS 9 fournit également de nouvelles directives sur l'application de la comptabilité de couverture. Cette norme s'applique aux exercices ouverts à compter du 1er janvier 2018, l'adoption anticipée étant permise. La direction ne prévoit pas d'incidence importante sur ses états financiers découlant de cette norme.

3- SUMMARY OF ACCOUNTING POLICIES (continued)
3.16 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company (continued)

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of each pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have an impact on the Company's financial statements.

IFRS 9 – Financial Instruments (IFRS 9)

The International Accounting Standards Board ("IASB") recently released IFRS 9 "Financial Instruments" (2014), representing the completion of its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has yet to assess the impact of this new standard on its financial statements.

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4- JUGEMENTS, ESTIMATIONS ET HYPOTHÈSES

Lorsqu'elle prépare les états financiers, la direction pose un certain nombre de jugements, d'estimations et d'hypothèses quant à la comptabilisation et à l'évaluation des actifs, des passifs, des produits et des charges.

4.1 Jugements posés par la direction

Les paragraphes qui suivent traitent des jugements importants que doit poser la direction dans le cadre de l'application des méthodes comptables de la Société, qui ont l'incidence la plus significative sur les états financiers.

Comptabilisation des actifs d'impôt différé et évaluation de la charge d'impôt sur le résultat

La direction évalue régulièrement les probabilités que ses actifs d'impôt différé ne se réalisent pas. Dans le cadre de cette évaluation, la direction doit déterminer s'il est probable que la société génère ultérieurement un bénéfice imposable suffisant auquel ces pertes pourront être imputées pendant la période de report. De par sa nature, cette évaluation requiert une grande part de jugement. À ce jour, la direction n'a comptabilisé aucun actif d'impôt différé en excédent des différences temporaires imposables existantes, qui sont censées s'inverser durant la période de report (se reporter à la note 3.12).

Dépréciation des immobilisations corporelles

L'évaluation des faits et circonstances démontrant l'existence d'un quelconque indice qu'un actif a pu se déprécier ou reprendre de la valeur est un processus subjectif qui implique du jugement et souvent un certain nombre d'estimations et d'hypothèses.

4- CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

4.1 Judgments made by Management

The following paragraphs discuss significant judgments to be put under the direction of applying the accounting policies of the Company, which have the most significant impact on the financial statements.

Recognition of deferred tax assets and valuation of income tax on earnings

Management regularly assesses the likelihood that its deferred tax assets will not be realized. As part of this evaluation, management must determine if it is probable that the Company generates sufficient future taxable income to which these losses can be offset during the deferral period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred assets in excess of existing taxable temporary differences, which are expected to reverse during the deferral period (see Note 3.12).

Impairment of property, plant and equipment

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and assumptions in many cases.

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4- JUGEMENTS, ESTIMATIONS ET HYPOTHÈSES (suite)

4.2 Sources d'incertitude relative aux estimations

L'information sur les estimations et les hypothèses qui ont la plus grande incidence sur la comptabilisation et l'évaluation des actifs, des passifs, des produits et des charges est présentée ci-après. Les résultats réels peuvent différer significativement.

Dépréciation des actifs d'exploration et d'évaluation

L'évaluation des faits et circonstances démontrant l'existence d'un quelconque indice qu'un actif a pu se déprécier ou reprendre de la valeur est un processus subjectif qui implique du jugement et souvent un certain nombre d'estimations et d'hypothèses (se reporter à la note 3.10)

S'il existe un indice qu'un actif a pu se déprécier ou reprendre de la valeur, la valeur recouvrable de l'actif pris individuellement ou de l'unité génératrice de trésorerie doit être estimée.

En évaluant la dépréciation la Société doit procéder à certaines estimations et hypothèses concernant les circonstances futures, en particulier sur la faisabilité technique et la démontrabilité de la viabilité commerciale de l'extraction, la probabilité que les dépenses seront récupérées par l'exploitation future des propriétés ou la cession des propriétés lorsque les activités n'ont pas atteint un stade suffisant pour permettre l'évaluation de l'existence des réserves, la capacité de la Société d'obtenir le financement nécessaire afin de compléter l'exploration et le développement, et le renouvellement des permis. Les estimations et hypothèses peuvent changer si de nouvelles informations deviennent disponibles. Si, après capitalisation des dépenses d'exploration et d'évaluation, des informations suggèrent que le recouvrement des dépenses est improbable, les montants capitalisés sont radiés dans l'exercice où l'information devient disponible.

Une dévaluation des actifs d'exploration et d'évaluation de 529 274 \$ a été imputé au résultat pour l'exercice terminé le 30 septembre 2017 (0 \$ pour l'exercice terminé le 30 septembre 2016). Aucune reprise de perte de valeur n'a été comptabilisée pour les périodes considérées.

4- CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (continued)

4.2 Sources of estimation uncertainty

Information on estimates and assumptions that have the greatest impact on the recognition and measurement of assets, liabilities, income and expenses are discussed below. Actual result may differ materially.

Impairment of exploration and evaluation assets

The assessment of the facts and circumstances showing the existence of any indication that an asset may be impaired or resume the value is a subjective process that involves judgment and often a number of estimates and assumptions (see Note 3.10).

If there is an indication that an asset may be impaired or regain value, the recoverable amount of an individual asset or cash-generating unit must be estimated.

In assessing impairment, the Company must make certain estimates and assumptions regarding future circumstances, particularly on the technical feasibility and the probability of the commercial viability of extracting, the probability that the expenditure will be recovered by future exploitation of ownership or disposition of the properties where the activities have not reached a sufficient stage to allow the assessment of the existence of reserves, the ability of the Company to obtain necessary financing to complete the exploration and development and renewal of licences. The estimates and assumptions may change as new information becomes available. If, after the capitalization of exploration and evaluation expenditures, information suggests that cost recovery is unlikely, the capitalized amounts are written off in the year in which the information becomes available.

An impairment of exploration and evaluation assets of \$529,274 has been charged to income for the year ended September 30, 2017 (\$0 for the year ended September 30, 2016). No reversal of impairment losses has been recognized for the reporting periods.

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4- JUGEMENTS, ESTIMATIONS ET HYPOTHÈSES 4- (suite)

Paiements fondés sur des actions

Pour estimer les charges liées aux paiements fondés sur des actions, il faut sélectionner un modèle d'évaluation approprié et obtenir les données qui sont nécessaires pour le modèle d'évaluation choisi. La Société a estimé la volatilité de ses propres actions ainsi que la durée de vie probable et la période d'exercice des options octroyées. Le modèle utilisé par la Société est le modèle de Black-Scholes (se reporter à la note 10).

4- CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (continued)

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options and warrants granted and the time of exercise of those share options. The model used by the Company is the Black-Scholes valuation model (see Note 10).

5- PLACEMENTS

Placements

Les placements sont composés des montants suivants :

5- INVESTMENTS

Investments

Investments are comprised of the following amounts :

	Taux d'intérêt / Interest Rate	Date d'échéance / Expiry date	30 septembre 2017 / September 30, 2017	30 septembre 2016 / September 30, 2016
			\$	\$
Dépôt à terme / Term deposit	1,36 %	14 décembre 2017 / December 14, 2017	1 031 426	-
Dépôt à terme / Term deposit	1,35 %	14 décembre 2016 / December 14, 2016	-	1 233 535
			<u>1 031 426</u>	<u>1 233 535</u>

6- IMMOBILISATIONS CORPORELLES

6- PROPERTY, PLANT AND EQUIPMENT

	Terrains/ Lands	Immeuble / Building	Équipement d'exploration / Exploration equipment	Matériel informatique / Computer equipment	Véhicule / Vehicle	Total
	\$	\$	\$	\$	\$	\$
Valeur comptable brute / Gross carrying amount						
Solde au 30 septembre 2015 / Balance at September 30, 2015	45 563	52 997	27 957	3 700	-	130 217
Acquisition / Additions	-	-	-	1 400	5 500	6 900
Solde au 30 septembre 2016 / Balance at September 30, 2016	45 563	52 997	27 957	5 100	5 500	137 117
Acquisition / Additions	-	-	-	-	-	-
Solde au 30 septembre 2017 / Balance at September 30, 2017	45 563	52 997	27 957	5 100	5 500	137 117

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6- IMMOBILISATIONS CORPORELLES (suite)**6- PROPERTY, PLANT AND EQUIPMENT (continued)**

	Terrains/ Lands	Immeuble / Building	Équipement d'exploration / Exploration equipment	Matériel informatique / Computer equipment	Véhicule / Vehicle	Total
Cumul des amortissements / Accumulated Amortization						
Solde au 30 septembre 2015 / Balance at September 30, 2015	-	8 380	13 454	2 590	-	24 424
Amortissement / Amortization	-	2 231	2 900	739	275	6 145
Solde au 30 septembre 2016 / Balance at September 30, 2016	-	10 611	16 354	3 329	275	30 569
Amortissement / Amortization	-	2 119	2 321	974	1 568	6 982
Solde au 30 septembre 2017 / Balance at September 30, 2017	-	12 730	18 675	4 303	1 843	37 551
Valeur nette comptable / Carrying amount						
Solde au 30 Septembre 2016 / Balance at September 30, 2016	45 563	42 386	11 603	1 771	5 225	106 548
Solde au 30 septembre 2017 / Balance at September 30, 2017	45 563	40 267	9 282	797	3 657	99 566

Toutes les charges d'amortissement sont présentées dans le poste Amortissement des immobilisations corporelles.

All depreciation charges are shown in the position Amortization of property, plant and equipment.

7- ACTIFS D'EXPLORATION ET D'ÉVALUATION**7- EXPLORATION AND EVALUATION ASSETS**

	Solde au 30 septembre 2015 / Balance as at September 30, 2015	Entrées Additions	Dépréciation Impairment	Crédits d'impôts et de droits remboursables / Tax credits and credit on duties	Solde au 30 septembre 2016 / Balance as at September 30, 2016	Entrées Additions	Dépréciation Impairment	Crédits d'impôts et de droits remboursables / Tax credits and credit on duties	Solde au 30 septembre 2017 / Balance as at September 30, 2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gold Peak									
Droits miniers / Mining rights	56 000	-	-	-	56 000	-	-	(56 000)	-
Dépenses d'exploration et d'évaluation / Exploration and evaluation expenses	398 539	-	-	-	398 539	13 206	-	(411 745)	-
Unique									
Dépenses d'exploration et d'évaluation / Exploration and evaluation expenses	-	-	-	-	-	61 529	-	(61 529)	-
	<u>454 539</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>454 539</u>	<u>74 735</u>	<u>-</u>	<u>(529 274)</u>	<u>-</u>

Toutes les pertes de valeur (ou les reprises, le cas échéant) sont présentées en résultat net dans le poste Dévaluation d'actifs d'exploration et d'évaluation.

All impairment charges (or reversals, if any) are included in impairment of exploration and evaluation assets in profit or loss.

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7- ACTIFS D'EXPLORATION ET D'ÉVALUATION
(suite)
Commandant

Le projet Commandant est localisé dans la partie Sud-Ouest du Québec à 50 km au sud de Val-d'Or. En vertu d'une convention conclue le 6 avril 2011, la Société a acquis la propriété composée de 9 titres miniers et est détenue à 100 % par la Société. La propriété est soumise à une redevance de 2 % (NSR) advenant la mise en production commerciale d'un gisement dont 1 % est rachetable au prix de 1 500 000 \$.

En raison du contexte économique mondial, la Société a dévalué en 2014 la propriété et les dépenses d'exploration et d'évaluation reportées.

Gold Peak

Cette propriété, située à l'est du Gîte Fayolle sur la Faille Porcupine Destor, a été acquise en août 2010. Le projet comprend 43 titres miniers et est détenu à 100% par la Société. La propriété est soumise à une redevance de 2 % (NSR) advenant la mise en production commerciale d'un gisement dont 1 % est rachetable au prix de 1 500 000 \$. Comme aucun travail n'est prévu, la Société a dévalué la propriété au cours de l'exercice pour 56 000 \$ et les dépenses d'exploration et d'évaluation pour 411 745 \$.

Destorbelle

La Société détient une participation indivise de 50 % dans cette propriété.

La propriété est soumise à une redevance de 2 % (NSR) advenant la mise en production commerciale d'un gisement dont 1 % est rachetable au prix de 1 000 000 \$.

Comme la propriété est détenue à 50 % par Axe Exploration Inc. et à 50 % par Exploration Typhon Inc. et considérant que Exploration Typhon Inc. souhaitait concentrer ses activités sur le projet Fayolle, il a été entendu qu'aucun travail ne serait fait sur cette propriété. La Société a donc dévalué en 2014 les dépenses d'exploration et d'évaluation reportées.

Unique

La Société a acquis la propriété par désignation sur carte. La propriété est composée de 12 claims.

Une première phase de prospection a été complétée sur la propriété avec la collecte de 85 échantillons provenant d'affleurements rocheux et de blocs provenant de la couverture de mort-terrain. Comme aucun travail n'est prévu, la Société a dévalué les dépenses d'exploration et d'évaluation au cours de l'exercice pour 61 529 \$.

7- EXPLORATION AND EVALUATION ASSETS
(continued)
Commandant

The Commandant project is located in the Southwestern part of Quebec, 50 km south of Val-d'Or. Pursuant to an agreement signed on April 6, 2011, the Company acquired the property comprised of 9 mining claims and is 100% owned by the Company. The property is subject to a 2% NSR royalty upon commercial production of a deposit, 1% of which may be bought back for \$1,500,000.

Due to the global world economic context, the Company has devaluated in 2014 the property and the exploration and evaluation expenses.

Gold Peak

The property, located East of the Fayolle Deposit on the Destor Porcupine Fault, was acquired in August 2010. The project comprises 43 mining claims and is 100% owned by the Company. The property is subject to a 2% NSR royalty upon commercial production of a deposit, 1% of which may be bought back for \$1,500,000. Considering the fact that no work is planned, the Company has devaluated the property during the exercise for \$56,000 and the deferred exploration and evaluation assets for \$411,745.

Destorbelle

The Company holds a 50% undivided interest in this property.

The property is subject to a 2% NSR royalty upon commercial production of a deposit, 1% of which may be bought back for \$1,000,000.

As the property is owned at 50% by Axe Exploration Inc. and at 50% by Typhoon Exploration Inc. and since Typhoon Exploration Inc. wanted to concentrate its activities on its Fayolle project, it was agreed that no work would be undertaken on this property. Therefore the Company has devaluated in 2014 the exploration and evaluation expenses.

Unique

The Company acquired the property by map designation. The property is composed of 12 claims.

A first phase of prospecting was completed on the property with the collection of 85 samples originating from bedrock outcrops and from glacial boulders. Considering the fact, that no work is planned, the Company has devaluated the deferred exploration and evaluation assets during the exercise for \$61,529.

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8- FACILITÉ DE CRÉDIT

La Société dispose d'une ligne de crédit par carte de crédit pour un montant maximum de 25 000 \$, portant intérêt au taux de 19,99 %. Ce crédit demeurera en vigueur tant et aussi longtemps que la Société respectera ses engagements. Aux 30 septembre 2017 et 2016, la Société dispose d'un montant inutilisé de 25 000 \$.

9- CAPITAUX PROPRES

9.1 Capital-actions

Le capital-actions de la Société comprend seulement des actions ordinaires entièrement libérées.

Capital action autorisé

Nombre illimité d'actions sans valeur nominale. Toutes les actions sont admissibles, chacune de la même façon, au versement de dividendes et au remboursement du capital et donnent droit à un vote à l'assemblée des actionnaires de la Société.

Les mouvements dans le capital-actions de la Société se détaillent comme suit :
Changes in Company's share capital were as follows:

	<u>2017</u>	<u>2016</u>	
	Quantité / Number	Quantité / Number	
Solde au début	55 557 445	55 557 445	Balance, beginning of year
Émission d'unités Accréditives ^(a)	1 440 000	-	Issuance of flow-through units
Émission d'unités Ordinaires ^(a)	360 000	-	Issuance of shares
Solde à la fin	<u>57 357 445</u>	<u>55 557 445</u>	Balance, end of year

^(a) En décembre 2016, la Société a conclu un financement privé d'un montant total de 90 000 \$. La Société a émis des unités composés de 1 440 000 actions accréditives à 0,05 \$ l'action, 360 000 actions ordinaires à 0,05 \$ et 90 000 bons de souscriptions. Chaque bon de souscription permet au détenteur d'acquérir une action à 0,10 \$ l'action expirant 12 mois après la clôture du financement soit le 29 décembre 2017. Un montant de 35 280 \$ lié à la portion passif a été comptabilisé dans les autres passifs dans l'état de la situation financière et a tout été renversé au 30 septembre 2017. Un montant de 720 \$ a été comptabilisé en augmentation des bons de souscription.

8- CREDIT FACILITY

The Company has a credit line by credit card for a maximum amount of \$25,000. The credit line bears interest at 19.99%. This credit is available as long as the Company respects its commitments. As at September 30, 2017 and 2016, the unused amount is \$25,000.

9- SHAREHOLDER'S EQUITY

9.1 Share capital

The share capital of the Company consists only of fully paid common shares.

Authorized share capital

Unlimited number of shares without par value. All shares are equally eligible to receive dividends and the repayment of capital, and represent one vote each at the shareholders' meeting of the Company.

^(a) In December 2016, the Company completed a private placement of a total of \$ 90,000. The Company issued units composed of 1,440,000 flow-through shares at a price of \$0.05 per share, 360 000 common shares at a price of \$0.05 per share and 90,000 warrants. Each warrant entitles the holder to purchase an equivalent number of common shares, at a price of \$0.10 per share expiring 12 months following the closing, being on December 29, 2017. An amount of \$35,280 related to the liability portion was recorded in other liabilities in the statement of financial position and everything was reversed on September 30, 2017. An amount of \$720 was recorded as an increase in warrants.

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9- CAPITAUX PROPRES (suite)**9.2 Bons de souscription**

Les bons de souscription en circulation permettent à leurs détenteurs de souscrire à un nombre équivalent d'actions ordinaires comme suit :

	2017		2016		
	Quantité Number	Prix de souscription moyen pondéré Weighted average exercise price	Quantité Number	Prix de souscription moyen pondéré Weighted average exercise price	
		\$		\$	
Solde au début	-	-	2 320 000	0,05	Balance, beginning of year
Octroyés	90 000	0,10			Granted
Expirés	-	-	(2 320 000)	0,05	Expired
Solde à la fin	90 000	0,10	-	-	Balance, end of year

Les tableaux ci-après résument l'information relative aux bons de souscription en circulation.

Bons de souscription en circulation
au 30 septembre 2017 /
Warrants Outstanding
as at September 30, 2017

90 000

Prix
Price
\$

0,10\$

Date d'expiration / Expiry Date

Décembre 2017/ December, 2017

La juste valeur de chaque bon émis lors du financement a été estimée à la date d'émission en utilisant le modèle d'évaluation Black & Scholes en fonction des données moyennes pondérées suivantes pour les émissions au cours de l'exercice :

	2017
Dividende prévu	-
Prix moyen de l'action à la date d'émission	0,03
Volatilité moyenne prévue	141 %
Taux d'intérêt moyen sans risque	0,64 %
Durée moyenne prévue	1 an / year
Prix d'exercice moyen à la date d'émission	0,10 \$

La volatilité prévue sous-jacente a été déterminée par rapport aux données historiques des actions de la Société sur une période de 1 an. Aucune caractéristique particulière inhérente aux bons émis n'a été prise en compte dans l'évaluation de la juste valeur.

La juste valeur moyenne pondérée des bons octroyés en 2017 est de 0,007 \$.

9- SHAREHOLDER'S EQUITY (continued)**9.2 Warrants**

Outstanding warrants entitles their holders to subscribe to an equivalent number of common shares, as follows :

The following tables summarize the information relating to the warrants outstanding.

The fair value of warrants issued in the flow-through financing was estimated on the issuing date using the Black-Scholes pricing model with the following weighted average assumptions for the awards granted during the year:

	2016
Dividende prévu	- Expected dividend paid
Prix moyen de l'action à la date d'émission	- Average share price on issuing date
Volatilité moyenne prévue	- Expected weighted volatility
Taux d'intérêt moyen sans risque	- Risk-free interest average rate
Durée moyenne prévue	- Expected average life
Prix d'exercice moyen à la date d'émission	- Average exercise price at issuing date

The underlying expected volatility was determined by reference to historical data of the shares of the Company over 1 year. No special features inherent to the warrants issued were incorporated into measurement of fair value.

The weighted average fair value of warrants granted in 2017 is \$0.007.

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9- CAPITAUX PROPRES (suite)

9.3 Options aux courtiers

Les mouvements dans les options aux courtiers de la Société se détaillent comme suit :

	<u>2017</u>	
	Quantité Number	Prix de levée moyen pondéré Weighted average exercise price
Solde au début	-	\$ -
Octroyées ^(a)	<u>75 200</u>	0,05 \$
Solde à la fin	<u>75 200</u>	0,05 \$
Options aux courtiers exercçables à la fin de l'exercice	<u>75 200</u>	0,05 \$

^(a) Au cours de l'exercice, la Société a émis dans le cadre d'un placement privé, 75 200 options aux courtiers à un prix d'exercice de 0,05 \$ si exercées dans les 12 mois.

La juste valeur de chaque option émise aux courtiers estimé à la date d'octroi en utilisant le modèle d'évaluation d'options Black & Scholes en fonction des données moyennes pondérées suivantes pour les attributions octroyées au cours de l'exercice :

	<u>2017</u>
Dividende prévu	-
Prix moyen de l'action à la date d'émission	0,03 \$
Volatilité moyenne prévue	141 %
Taux d'intérêt moyen sans risque	0,64 %
Durée moyenne prévue	12 mois / months
Prix d'exercice moyen à la date d'émission	0,05 \$

La volatilité prévue sous-jacente a été déterminée par rapport aux données historiques des actions de la Société sur une période de 1 an. Aucune caractéristique particulière inhérente aux options émises n'a été prise en compte dans l'évaluation de la juste valeur.

La juste valeur moyenne pondérée des options octroyées au courtier est de 0,012 \$.

9- SHAREHOLDER'S EQUITY (continued)

9.3 Options to brokers

Changes in Company's options to brokers were as follows :

	<u>2016</u>	
	Quantité Number	Prix de levée moyen pondéré Weighted average exercise price
Balance, beginning of year	-	-
Granted ^(a)	-	-
Balance, end of year	-	-
Options to brokers exercisable at the end of the year	-	-

^(a) During the year, in a private placement, the Company issued 75,200 options to brokers at an exercise price of \$0.05 if exercised within 12 months.

The fair value of each option granted was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions for the awards granted during the year:

	<u>2016</u>
Expected dividend paid	-
Average share price on issuing date	-
Expected weighted volatility	-
Risk-free interest average rate	-
Expected average life	-
Average exercise price at issuing date	-

The underlying expected volatility was determined by reference to historical data of the shares of the Company over 1 year. No special features inherent to the options issued were incorporated into measurement of fair value.

The weighted average fair value of broker options granted in 2017 is \$0.012.

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10- OPTIONS D'ACHAT D'ACTIONS

La Société a instauré un régime d'options d'achat d'actions (le «régime») en vertu duquel des options peuvent être accordées à des administrateurs, employés, consultants ainsi qu'à des fournisseurs de services de la Société.

Le régime prévoit que le nombre maximal d'actions de la Société pouvant être réservé à des fins d'émission ne peut excéder 9 249 633 actions et que le nombre maximal d'actions réservées à l'attribution des options à un seul bénéficiaire ne peut dépasser 5 % (2 % pour les fournisseurs de services et les responsables des relations aux investisseurs) des actions ordinaires en circulation à la date d'attribution.

Les conditions d'acquisition des options d'achat d'actions sont sans restriction. Par contre, les droits aux options pour les responsables des relations aux investisseurs deviennent acquis sur une période de 12 mois, soit 25 % à chaque trimestre. Le prix de levée des options est fixé au moment de l'octroi mais ne peut être inférieur au cours de clôture. La durée maximum des options est de 10 ans.

Les mouvements dans les options d'achat d'actions de la Société se détaillent comme suit :

10- SHARE PURCHASE OPTIONS

The Company has established a stock option plan (the "plan") under which options to purchase shares may be granted to certain directors, employees and consultants as well as suppliers of the Company.

The plan provides that the maximum number of shares that may be reserved for issuance under the plan shall not exceed 9,249,633 shares and that the maximum number of shares which may be reserved for issuance to any optionee pursuant to it may not exceed 5% (2% for suppliers and relation investors representative) of the shares outstanding at the time of grant.

The acquisition conditions of share purchase options are without restriction. Therefore, the options granted to relation investors representative are vested over a 12 month period on the basis of 25% every quarter. Exercise price of options is determined at the grant date and shall not be lower than the closing price. The options period shall be a period of a maximum of 10 years.

Changes in the Company's share purchase options were as follows :

	2017		2016		
	Quantité Number	Prix de levée moyen pondéré Weighted average exercise price	Quantité Number	Prix de levée moyen pondéré Weighted average exercise price	
		\$		\$	
Solde au début	4 430 000	0,08	4 495 000	0,08	Balance, beginning of year
Octroyées	1 000 000	0,05	-	-	Granted
Expirées	-		(65 000)	0,05	Expired
Solde à la fin	<u>5 430 000</u>	0,07	<u>4 430 000</u>	0,08	Balance, end of year
Options exerçables à la fin de l'exercice	<u>5 430 000</u>	0,07	<u>4 430 000</u>	0,08	Options exercisable at the end of the year

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10- OPTIONS D'ACHAT D' ACTIONS (suite)

La juste valeur de chaque option octroyée a été estimée à la date d'octroi en utilisant le modèle d'évaluation d'options Black-Scholes en fonction des données moyennes pondérées suivantes pour les attributions octroyées au cours de l'exercice :

	<u>2017</u>
Dividende prévu	-
Prix moyen de l'action à la date d'octroi	0,03 \$
Volatilité moyenne prévue	136 %
Taux d'intérêt moyen sans risque	1,78 %
Durée moyenne prévue	10 ans/years
Prix d'exercice moyen à la date d'octroi	0,05 \$

La volatilité prévue sous-jacente a été déterminée en 2017 par rapport aux données historiques des actions de la Société sur une période de 1 an. Aucune caractéristique particulière inhérente aux options attribuées n'a été prise en compte dans l'évaluation de la juste valeur.

La juste valeur moyenne pondérée des options octroyées en 2017 est de 0,029\$.

En 2017, il y a eu une rémunération à base d'actions à des administrateurs, employés et consultants pour un montant de 28 890\$ (aucun en 2016). Ce coût a été comptabilisé au résultat opérationnel avec un crédit équivalent au surplus d'apport.

Les tableaux ci-après résument l'information relative aux options d'achat d'actions octroyées en vertu du régime

**Options en circulation
au 30 septembre 2017
Options Outstanding
as at September 30, 2017**

780 000
1 200 000
1 250 000
1 200 000
1 000 000
5 430 000

Date d'échéance/Expiry date

6 avril 2021 / April 6, 2021
28 mars 2023/ March 28, 2023
22 janvier 2024/ January 22, 2024
26 mars 2025/ March 26, 2025
30 mars 2027/March 30, 2027

**Prix de levée
Exercise price
\$**

0,145
0,10
0,05
0,05
0,05

10- SHARE PURCHASE OPTIONS (continued)

The fair value of each option granted was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions for the awards granted during the year:

	<u>2016</u>	
	-	Expected dividend paid
	-	Average share price on grant date
	-	Expected weighted volatility
	-	Risk-free interest average rate
	-	Expected average life
	-	Average exercise price at grant date

The underlying expected volatility was determined in 2017 by reference to historical data of the shares of the Company over 1 year. No special features inherent to the options granted were incorporated into measurement of fair value.

The weighted average fair value of stock options granted in 2017 is \$0.029.

During the 2017 financial year, stock-based compensation expenses to directors, employees and consultants were in the amount of \$28,890, (none in 2016). These expenses have been accounted to operating loss with a corresponding credit to contributed surplus.

The following tables summarize the information relating to the share purchase options granted under the plan.

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10- OPTIONS D'ACHAT D' ACTIONS (suite)**10- SHARE PURCHASE OPTIONS (continued)**

Options en circulation au 30 Septembre 2016 Options Outstanding as at September 30, 2016	Date d'échéance/Expiry date	Prix de levée Exercise price \$
780 000	6 avril 2021 / April 6, 2021	0,145
1 200 000	28 mars 2023/ March 28, 2023	0,10
1 250 000	22 janvier 2024/ January 22, 2024	0,05
<u>1 200 000</u>	26 mars 2025/ March 26, 2025	0,05
<u>4 430 000</u>		

11- RÉSULTAT PAR ACTION

Le calcul du résultat de base par action est effectué à partir du résultat de l'exercice divisé par le nombre moyen pondéré d'actions ordinaires en circulation au cours de l'exercice. En calculant le résultat dilué par action, les actions ordinaires potentielles dilutives, telles que les options, les options aux courtiers et les bons de souscription, n'ont pas été prises en considération car leur conversion aurait pour effet de diminuer la perte par action et aurait donc un effet antidilutif. Les informations sur les options et les bons de souscription en circulation ayant un effet potentiellement dilutif sur le résultat par action futur sont présentées aux notes 9 et 10.

Le résultat de base et dilué par action a été calculé à partir du résultat net comme numérateur, c'est-à-dire qu'aucun ajustement au résultat net n'a été nécessaire en 2017 et 2016.

	2017
Résultat net	(850 462)
Nombre moyen pondéré d'actions ordinaires	56 913 609
Résultat de base et dilué par action ordinaire	(0,015 \$)

Il n'y a pas eu d'autres transactions concernant des actions ordinaires entre la date de clôture et la date de l'autorisation de publication de ces états financiers.

11- LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, dilutive potential common shares such as share options, options to brokers and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 9 and 10.

Both the basic and diluted loss per share have been calculated using the net loss as the numerator, i.e. no adjustment to the net loss was necessary in 2017 and 2016.

	2016	
	(353 418 \$)	Net loss
	55 557 445	Weighted average number of shares outstanding
	(0,006 \$)	Basic and diluted loss per share

There have been no other transactions involving common shares between the reporting date and the date of authorization of these financial statements.

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12- IMPÔTS SUR LE RÉSULTAT

Le taux d'imposition effectif de la Société est différent du taux d'imposition combiné fédéral et provincial de l'impôt sur le revenu au Canada. Cette différence résulte des éléments suivants :

	<u>2017</u>	<u>2016</u>	
	\$	\$	
Perte avant impôts sur le résultat	<u>(885 742)</u>	<u>(353 418)</u>	Loss before taxes
Impôts sur le résultat selon le taux d'imposition combiné fédéral et provincial au Canada, 26,83% en 2017 et 26,9 % en 2016	(237 645)	(95 069)	Tax expense at combined statutory rate of 26.83% in 2017 and 26,9% in 2016
Augmentation (diminution) des impôts sur le résultat résultant des éléments suivants :			Increase (decrease) in taxes resulting from:
Différence entre les taux d'impôts différés et statutaires	2 779	-	Difference between deferred and statutory taxes rates
Changement du taux des impôts différés	14 531	-	Change in deferred taxes rate
Variation des différences temporaires non constatées	186 700	90 788	Variation of unrecorded temporary differences
Effet fiscal de l'émission d'actions accréditatives	19 080	-	Tax effect of the issuance of flow-through shares
Renversement des autres passifs relatifs aux actions accréditatives	(35 280)	-	Reversal of other liabilities related to flow-through shares
Rémunération fondée sur des actions	7 751	-	Share-based payments
Ajustement des impôts différés des années antérieures	3 954	-	Adjustment of deferred taxes from previous years
Éléments non déductibles et autres	2 850	4 281	Non deductible items and others
	<u>(35 280)</u>	<u>-</u>	

Composition des impôts différés à l'état du résultat global

	<u>2017</u>	<u>2016</u>	Composition of deferred income taxes in the statement of comprehensive income
	\$	\$	
Naissance et renversement de différences temporaires	(227 044)	(90 788)	Inception and reversal of temporary differences
Effet fiscal de l'émission d'actions accréditatives	19 080	-	Tax effect of the issuance of flow-through shares
Renversement des autres passifs relatifs aux actions accréditatives	(35 280)	-	Reversal of other liabilities related to flow-through shares
Différence entre les taux d'impôts différés et statutaires	2 779	-	Difference between deferred and statutory taxes rates
Changement du taux des impôts différés	14 531	-	Change in deferred taxes rate
Ajustement des impôts différés des années antérieures	3 954	-	Adjustment of deferred taxes from previous years
Variation de l'effet fiscal des différences temporelles non constatées	186 700	90 788	Variation of tax effect from unrecorded temporary differences
	<u>(35 280)</u>	<u>-</u>	

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12- IMPÔTS SUR LE RÉSULTAT (suite)

12- INCOME TAXES (continued)

Mouvements des impôts différés de 2017

Changes in deferred taxes in 2017

	Solde au 30 septembre 2016 / Balance at September 30, 2016	Comptabilisé en résultat net / Recognized in net income	Solde au 30 septembre 2017 / Balance at September 30, 2017	
	\$	\$	\$	
Actifs d'exploration et d'évaluation	-	-	-	Exploration and evaluation assets
Pertes autres qu'en capital	-	-	-	Non-capital tax losses
Renversement des autres passifs relatifs aux actions accréditatives	-	35 280	-	Reversal of other liabilities related to flow-through shares
Variation des impôts différés selon l'état du résultat global	-	35 280	-	Variation of future income taxes in the statement of comprehensive income

Au 30 septembre 2017, la Société dispose des différences temporaires suivantes pour lesquelles aucun actif d'impôts différés n'a été constaté :

As at September 30, 2017, deductible timing differences for which the Company has not recognized a deferred tax asset are as follows :

	Fédéral / Federal	Provincial	
	\$	\$	
Actifs d'exploration et d'évaluation	665 768	665 767	Exploration and evaluation assets
Immobilisations corporelles	66 301	66 301	Property, plant and equipment
Frais d'émission d'actions	5 701	908	Shares issuance costs
Pertes autres qu'en capital	3 998 395	3 662 939	Non-capital tax losses
Autres	2 811	8 086	Others
	<u>4 738 976</u>	<u>4 404 001</u>	

Au 30 septembre 2017, les pertes autres qu'en capital sur lesquelles aucun actif d'impôts différés n'a été constaté expirent de la façon suivante :

As at September 30, 2017, non-capital tax losses for which no deferred tax asset has been recorded expire as follows:

	Fédéral / Federal	Provincial
	\$	\$
2028	108 974	107 944
2029	182 620	178 575
2030	291 702	284 295
2031	846 635	654 529
2032	458 066	401 309
2033	532 441	512 440
2034	513 224	498 034
2035	421 314	405 940
2036	327 401	313 526
2037	316 018	306 347
	<u>3 998 395</u>	<u>3 662 939</u>

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12- IMPÔTS SUR LE RÉSULTAT (suite)**12- INCOME TAXES (continued)**

La Société dispose de crédits d'impôts à l'investissement de 2 851 \$ (2 851 \$ en 2016) qui ne sont pas constatés. Ces crédits peuvent être utilisés afin de réduire les impôts à payer fédéral et expirent à différentes dates entre 2029 et 2034.

The Company has investment tax credits of \$2,851 (\$2,851 in 2016) that are not recorded. These credits are available to reduce federal income taxes for the future years. These investment tax credits mature between 2029 and 2034.

Mouvements des impôts différés de 2016**Changes in deferred taxes in 2016**

	Solde au 30 septembre 2015 / Balance at September 30, 2015	Comptabilisé en résultat net / Recognized in net income	Solde au 30 septembre 2016 / Balance at September 30, 2016	
	\$	\$	\$	
Actifs d'exploration et d'évaluation	-	-	-	Exploration and evaluation assets
Pertes autres qu'en capital	-	-	-	Non-capital tax losses
	-	-	-	
Renversement des autres passifs relatifs aux actions accréditives		-		Reversal of other liabilities related to flow-through shares
Variation des impôts différés selon l'état du résultat global		-		Variation of future income taxes in the statement of comprehensive income

Au 30 septembre 2016, la Société dispose des différences temporaires suivantes pour lesquelles aucun actif d'impôt différés n'a été constaté :

As at September 30, 2016, deductible timing differences for which the Company has not recognized a deferred tax asset are as follows :

	Fédéral / Federal	Provincial	
	\$	\$	
Actif d'exploration et d'évaluation	208 495	212 837	Exploration and evaluation assets
Immobilisations corporelles	58 569	58 569	Property, plant and equipment
Frais d'émission d'actions	2 197	382	Shares issuance costs
Pertes autres qu'en capital	3 695 266	3 369 226	Non-capital tax losses
Autres	3 561	8 836	Others
	<u>3 968 088</u>	<u>3 649 850</u>	

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13- INFORMATIONS ADITIONNELLES AUX FLUX DE TRÉSORERIE

Variation nette des éléments hors caisse du fonds de roulement

	<u>2017</u>
	\$
Taxes de vente à recevoir	(5 829)
Frais payés d'avance	(15)
Dettes fournisseurs et autres créditeurs	10 273
	<u>4 429</u>

Les opérations non monétaires du bilan sont les suivantes:

	<u>2017</u>
Frais d'émission d'actions sous forme d'options accordées à un courtier en contrepartie du surplus d'apport	896
Actifs d'exploration et d'évaluation en contrepartie de dettes fournisseurs	15 305

Le montant d'intérêts reçus relié aux activités opérationnelles est de 14 370 \$ (17 277 \$ en 2016).

14- OPÉRATIONS ENTRE PARTIES LIÉES

Les parties liées de la Société comprennent les principaux dirigeants et les sociétés des principaux dirigeants comme il est expliqué ci-dessous.

Sauf indication contraire, aucune des transactions ne comporte de caractéristique ni condition spéciales, et aucune garantie n'a été donnée ou reçue. Les soldes sont généralement réglés en trésorerie.

14.1 Transactions avec des sociétés liées

La Société a confié, en vertu d'un contrat de gestion en date du 17 octobre 2007 et amendé en juin 2014, la supervision de ses travaux d'exploration à la société Ressources Lutsvisky Inc., une société privée détenue en propriété exclusive par le président et chef de la direction de la Société.

En vertu du contrat de gestion, Ressources Lutsvisky Inc. recevra de la Société une indemnité maximale de quinze pour cent (15 %) des frais encourus en sous-traitance durant la réalisation des programmes d'exploration. La Société pourra, unilatéralement, résilier le contrat de gestion. La Société sera alors tenue de payer à Ressources Lutsvisky Inc. à la date de résiliation un montant égal à 15 % du montant du programme de l'année en cours et une pénalité de 5 % par année, se terminant le 31 décembre de la troisième année après la date de résiliation du contrat de gestion, le tout sous réserve d'un montant global maximal de 211 300\$.

13- ADDITIONAL INFORMATION RELATED TO CASH FLOWS

Net change in non-cash operating working capital items

	<u>2016</u>
	\$
Sales tax receivable	(1 943)
Prepaid expenses	(1 742)
Trade and other payables	7 818
	<u>4 133</u>

Non-cash investing and financing activities are as follows:

	<u>2016</u>
Share issuance fees related to options granted to a broker in consideration of contributed surplus	-
Exploration and evaluation assets in consideration of trade payables	-

The amount of interest received related to operating activities is of \$14,370 (\$17,277 in 2016).

14- RELATED PARTY TRANSACTIONS

The Company's related parties include key management and their Companies as described below.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

14.1 Transactions with related companies

Pursuant to a management contract dated October 17, 2007 and amended in June 2014, the Company entrusted the supervision of its exploration works to Ressources Lutsvisky Inc., a private Company wholly-owned by the President and CEO of the Company.

Under the management contract, Ressources Lutsvisky Inc. shall receive from the Company a maximum indemnity of fifteen percent (15%) of the subcontracting costs incurred during the completion of the exploration programs. The Company may, at its discretion, terminate the management contract. The Company will thus be liable to pay to Ressources Lutsvisky Inc. on the date of termination an amount equal to 15% of the amount of the program for the ongoing year and a penalty of 5% per year, ending on December 31 of the third year following the termination date of the management contract, all subject to a maximum aggregate amount of \$ 211,300.

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14- OPÉRATIONS ENTRE PARTIES LIÉES (suite)

14.1 Transactions avec des sociétés liées (suite)

Pour l'exercice terminé le 30 septembre 2017, le taux des frais de gestion est égal à 15 % (15% en 2016).

Le tableau suivant présente les opérations conclues avec Lutsvisky au cours de l'exercice.

	<u>2017</u>
	\$
Dépenses d'exploration et d'évaluation	74 195
Frais généraux d'administration	2 820
Honoraires des consultants	162 014
Acquisition d'immobilisations corporelles ^(a)	-

^(a) Cette opération est évaluée à la valeur d'échange convenue entre les parties.

Aux 30 septembre 2017 et 2016, les dettes fournisseurs et autres créiteurs incluent une somme à payer à Lutsvisky, respectivement de 48 252 \$ et 15 514 \$.

Au cours de l'exercice, la Société a encouru des frais de location auprès de la Société Exploration Typhon Inc., une société publique dirigée par le président et chef de la direction de la Société.

Le tableau suivant présente les opérations conclues avec Exploration Typhon Inc. au cours de l'exercice :

	<u>2017</u>
	\$
Location d'un véhicule	10 791

Au 30 septembre 2017, les dettes fournisseurs et autres créiteurs incluent une somme à payer à Exploration Typhon de 1 139 \$ (3 425 \$ en 2016)

14.2 Transactions avec les principaux dirigeants

Les principaux dirigeants de la Société sont les membres du conseil d'administration ainsi que le président. La rémunération des principaux dirigeants comprend les charges suivantes :

	<u>2017</u>
Avantages à court terme du personnel	
Salaires	26 654
Paiements fondés sur des actions	28 890
Total de la rémunération	<u>55 544</u>

14- RELATED PARTY TRANSACTIONS (continued)

14.1 Transactions with related companies (continued)

For the year ended on September 30, 2017, the rate of management fees is 15% (15% in 2016).

The table below presents related party transactions concluded with Lutsvisky during the year.

	<u>2016</u>	
	\$	
	-	Exploration and evaluation expenses
	6 591	General administrative expenses
	156 096	Consultants fees
	5 500	Acquisition of property, plant and equipment ^(a)

^(a) The transaction is valued at the exchange value agreed between the parties.

As at September 30, 2017 and 2016, trade and other payables include amounts payable to Lutsvisky, respectively of \$48,252 and \$15,514.

During the year, the Company incurred rent expenses from the company Typhoon Exploration Inc., a listed company headed by the president and CEO of the Company.

The following table presents transactions with Typhoon Exploration Inc. during the year:

	<u>2016</u>	
	\$	
	2 738	Car rental

As at September 30, 2017, trade and other payables include amounts payable to Typhoon Exploration Inc. of \$1,139 (\$3,425 in 2016)

14.2 Transactions with key management personnel

The Company key management personnel are members of the Board of Directors, as well as the president. Key management personnel remuneration includes the following expenses:

	<u>2016</u>	
		Short-term employee benefits
	26 391	Salaries
	-	Share-based payments
Total remunération	<u>26 391</u>	Total remuneration

AXE EXPLORATION INC.

NOTES COMPLÉMENTAIRES
aux 30 septembre 2017 et 2016
(en dollars canadiens)

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016
(in Canadian dollars)

15- RISQUES DÉCOULANT DES INSTRUMENTS FINANCIERS

La Société est exposée à différents risques relativement aux instruments financiers. Les principaux types de risques auxquels la Société est exposée sont le risque de crédit et le risque de liquidité.

Les objectifs poursuivis par la Société visent à s'assurer des entrées de trésorerie à court et à moyen terme tout en réduisant l'exposition aux marchés des capitaux. La Société ne négocie pas d'actifs financiers à des fins spéculatives.

Aucun changement n'a été effectué en matière d'objectifs, de politiques ou de procédures liés à la gestion des risques découlant des instruments financiers au cours des périodes de présentation de l'information financière considérées.

Les principaux risques financiers auxquels la Société est exposée sont décrits ci-après.

15.1 Risque de crédit

Le risque de crédit est le risque qu'une autre partie à un instrument financier manque à une de ses obligations et, de ce fait, amène la Société à subir une perte financière.

L'exposition maximale de la Société au risque de crédit est limitée à la valeur comptable des actifs financiers suivants à la date de présentation de l'information financière :

	30 septembre / September 30		
	2017	2016	
	\$	\$	
Trésorerie	38 222	127 193	Cash
Placements	1 031 426	1 233 535	Investments
Valeur comptable	<u>1 069 648</u>	<u>1 360 728</u>	Carrying amounts

La direction de la Société estime que la qualité du crédit de tous les actifs financiers décrits ci-dessus, à chaque date de présentation de l'information financière, est bonne.

Aucun actif financier de la Société n'est garanti par un instrument de garantie ou par une autre forme de rehaussement de crédit.

15- FINANCIAL INSTRUMENT RISKS

The Company is exposed to various risks in relation to financial instruments. The main types of risks the Company is exposed to are credit risk and liquidity risk.

The Company focuses on actively securing short to medium-term cash flows by minimizing the exposure to financial markets. The Company does not actively engage in the trading of financial instruments for speculative purposes.

No changes were made in the objectives, policies and processes related to financial instruments risk management during the reporting periods.

The most significant financial risks to which the Company is exposed to are described below.

15.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

The Company's management considers that all the above financial assets for each of the reporting dates under review are of good credit quality.

None of the Company's financial assets are secured by collateral or other credit enhancements.

NOTES COMPLÉMENTAIRES
aux 30 septembre 2017 et 2016
(en dollars canadiens)

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016
(in Canadian dollars)

15- RISQUES DÉCOULANT DES INSTRUMENTS FINANCIERS (suite)

15.2 Risque de liquidité

Le risque de liquidité est le risque que la Société éprouve des difficultés à honorer des engagements liés à des passifs financiers, qui sont à régler par la remise de trésorerie ou d'un autre actif financier.

La gestion du risque de liquidité vise à maintenir un montant suffisant de trésorerie et à s'assurer que la Société dispose de sources de financement sous la forme de financements privés suffisants. La Société établit des prévisions budgétaires et de trésorerie afin de s'assurer qu'elle dispose des fonds nécessaires pour rencontrer ses obligations. L'obtention de nouveaux fonds permet à la Société de poursuivre ses activités et malgré le fait qu'elle ait réussi dans le passé, il n'y a aucune garantie de réussite pour l'avenir. À la fin du mois de septembre 2017, la Société a suffisamment de liquidités pour prendre en charge ses passifs financiers et ses passifs financiers futurs provenant de ses engagements.

Les dettes fournisseurs et autres créditeurs ont des échéances contractuelles de moins de trois mois.

16- POLITIQUES ET PROCÉDÉS DE GESTION DU CAPITAL

Les objectifs de la Société en ce qui a trait à la gestion du capital sont les suivants :

- Assurer la capacité de la Société de poursuivre ses activités;
- Augmenter la valeur des actifs de la Société;
- Assurer un rendement aux actionnaires de la Société.

Ces objectifs seront atteints par l'établissement de projets d'exploration adéquats, la mise en valeur de ces projets et ultimement la mise en production ou la vente des propriétés et l'obtention de liquidités, avec des partenaires ou seul.

La Société gère son capital sur la base de la valeur comptable des capitaux propres. Le capital pour l'exercice financier en cours est présenté à l'état des variations des capitaux propres.

La Société n'est soumise à aucune exigence en matière de capital imposée de l'extérieur, sauf lorsqu'elle conclut un placement accréditif pour lequel le montant doit être utilisé à des fins d'exploration.

15- FINANCIAL INSTRUMENT RISKS (continued)

15.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private placements for a sufficient amount. The Company establishes budget and cash estimates to ensure it has the necessary funds to fulfill its obligations. Obtaining additional funds makes it possible to the Company to continue its operations, and while it has been successful in the past, there is no guarantee for the future. At the end of September 2017, the Company had enough funds available to meet its financial liabilities and future financial liabilities from its commitments.

Trade accounts and other liabilities have contractual maturities of less than three months.

16- POLICIES AND PROCESSES FOR MANAGING CAPITAL

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to shareholders of the Company.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods under review is summarized in the statement of changes in equity.

The Company is not exposed to any externally imposed capital requirements except when the Company issues flow-through shares for which an amount should be used for exploration work.

AXE EXPLORATION INC.

NOTES COMPLÉMENTAIRES
aux 30 septembre 2017 et 2016
(en dollars canadiens)

NOTES TO FINANCIAL STATEMENTS
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(in Canadian dollars)

16- POLITIQUES ET PROCÉDÉS DE GESTION DU CAPITAL (suite)

La Société finance ses activités d'exploration et d'évaluation principalement en recherchant des capitaux supplémentaires au moyen soit de placements privés, soit de placements publics.

Lorsque les conditions de financement ne sont pas optimales, la Société peut signer des conventions d'options ou autres ententes pour être en mesure de continuer ses activités d'exploration et d'évaluation ou peut ralentir ses activités jusqu'à ce que les conditions de financement s'améliorent.

Aucun changement n'a été effectué en matière d'objectifs, de procédures ou de processus de gestion de capital durant les périodes de présentation de l'information financière.

17- ÉVENTUALITÉS

La Société est financée en partie par l'émission d'actions accréditatives et, en vertu de règles fiscales relatives à ce type de financement, la Société s'est engagée à réaliser des travaux d'exploration minière.

Ces règles fiscales fixent également des échéances pour la réalisation des travaux d'exploration qui doivent être entrepris au plus tard à la première des dates suivantes :

- Deux ans suivant les placements accréditifs;
- Un an après que la Société a renoncé aux déductions fiscales relatives aux travaux d'exploration.

Cependant, il n'existe aucune garantie à l'effet que ces dépenses d'exploration seront admissibles à titre de frais d'exploration au Canada, même si la Société s'est engagée à prendre toutes les mesures nécessaires à cet égard. Le refus de certaines dépenses par l'administration fiscale pourrait avoir un impact fiscal négatif pour les investisseurs.

Au cours de la période de présentation de l'information financière, la Société a reçu un montant de 72 000 \$ à la suite d'un placement accréditif pour lequel elle a renoncé aux déductions fiscales en date du 31 décembre 2016.

16- POLICIES AND PROCESSES FOR MANAGING CAPITAL (continued)

The Company finances its exploration and evaluation activities mainly seeking additional capital either by private financing or public financing.

When financing conditions are not optimal, the Company may enter into option agreements or other agreements to be able to continue its exploration and evaluation activities or can slow until financing conditions improve.

No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

17- CONTINGENCIES

The Company is partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work.

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the earlier of the following dates:

- Two years following the flow-through placements; and
- One year after the Company has renounced the tax deductions relating to the exploration work.

However, there is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

During the reporting period, the Corporation received an amount of \$72,000 following flow-through placement for which the Corporation renounced tax deductions on December 31, 2016.

AXE EXPLORATION INC.

NOTES COMPLÉMENTAIRES
aux 30 septembre 2017 et 2016
(en dollars canadiens)

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016
(in Canadian dollars)

18- ÉVÉNEMENT SUBSÉQUENT

Après la fin de l'exercice, la direction a décidé de procéder à la vente d'un des terrains pour un montant de 40 000 \$ sous réserve de l'approbation des autorités réglementaire.

18- SUBSEQUENT EVENT

Subsequent to its year-end, the Company decided to sell one of the lands, for an amount of \$40,000 subject to regulatory approvals.



RENSEIGNEMENTS GÉNÉRAUX

INSCRIPTION BOURSIÈRE
Bourse de croissance TSX
Symbole : AXQ

AUDITEURS
Raymond Chabot Grant Thornton
Comptables Agréés
Rouyn-Noranda, Québec

AGENT DE TRANSFERT ET REGISTRAIRE
Computershare
Montréal, Québec

DIRIGEANTS
David Mc Donald, Président
Johanne Moreau, CFO

CONSEIL D'ADMINISTRATION
David Mc Donald
Johanne Moreau
Pascal Ducharme
Claude Lavoie

CONSEILLERS JURIDIQUES
XploraMines S.A.
Montréal, Québec

AXE EXPLORATION INC
Siège Social
255, boul. Curé-Labelle
Bureau 204
Laval, Qc H7L 2Z9
Tél. : 450.622.5785
Télec. : 450.622.4337

Bureau d'exploration (Mont-Brun)
Tél. : 819-637-2096

Courriel : info@axeexploration.com
Site web : www.axeexploration.com

GENERAL INFORMATION

EXCHANGE LISTING
TSX Venture Exchange
Symbol: AXQ

AUDITORS
Raymond Chabot Grant Thornton
Chartered Accountants
Rouyn-Noranda, Quebec

TRANSFER AGENT
Computershare
Montreal, Quebec

OFFICERS
David Mc Donald, President
Johanne Moreau, CFO

BOARD OF DIRECTORS
David Mc Donald
Johanne Moreau
Pascal Ducharme
Claude Lavoie

LEGAL COUNSEL
XploraMines S.A.
Montreal, Quebec

AXE EXPLORATION INC.
Head Office
255 Cure-Labelle Blvd
Suite 204
Laval, Qc H7L 2Z9
Tel. : 450.622.5785
Fax : 450.622.4337

Exploration Office (Mont-Brun)
Tel. : 819-637-2096

Email : info@axeexploration.com
Web site : www.axeexploration.com



*RAPPORT ANNUEL / ANNUAL REPORT
2016*



MESSAGE AUX ACTIONNAIRES

CHERS ACTIONNAIRES

Le conseil d'administration de Axe Exploration Inc. vous présentent le rapport annuel 2016.

La société s'implique principalement dans la découverte de gisements aurifères, Axe Exploration possède des intérêts dans 4 propriétés toutes situées au Québec, principalement en Abitibi, une région reconnue pour son potentiel aurifère.

En 2017 certains travaux d'exploration seront entrepris sur le projet Goldpeak.

Tout sera mis en œuvre cette année afin d'apporter une plus-value à nos actionnaires.

Votre société est en excellente santé financière et n'a aucune dette.

Je termine en remerciant nos fidèles actionnaires pour leur support constant.

MESSAGE TO SHAREHOLDERS

DEAR SHAREHOLDERS

The Board of Directors of Axe Exploration Inc. present you the 2016 annual report.

The company primarily involves in the discovery of gold deposits, Axe Exploration has interests in four properties all located in Quebec, mainly in Abitibi area, a region known for its gold potential.

In 2017, some exploration work will be undertaken on the Goldpeak project.

Everything will be implemented during this year to provide more value to our shareholders.

Your Society is in excellent financial health and had no debt.

I conclude by thanking our loyal shareholders for their constant support.

A handwritten signature in blue ink, appearing to read 'David Mc Donald', is written over a horizontal line.

David Mc Donald

PRÉSIDENT ET CHEF DE LA DIRECTION /PRESIDENT AND CEO



FAITS SAILLANTS DE 2015-2016

- Étude de plusieurs projets dans différents domaines et aucune entente fut conclue.

HIGHLIGHTS IN 2015-2016

- Study of several projects in different domains and no agreement has been reached.

PREVISION 2016-2017

- Evaluation de divers projets à acquérir au Québec et hors Québec.
- Placement Privé de 90 000\$ clôturé le 29 décembre 2016.
- Travaux prévus sur le projet Goldpeak.

FORECASTS 2016-2017

- Evaluation of various projects to be acquired in Québec and outside Québec
- Private Placement of \$90,000 closed on December 29, 2016.
- Works provided on the Goldpeak project.

STRATEGIE DE L'ENTREPRISE

Axe Exploration. est une société canadienne d'exploration minière possédant un portefeuille de propriétés situées dans la sous-province géologique de l'Abitibi. Afin d'accroître la valeur de ses actifs, l'entreprise a pour stratégie d'utiliser des technologies modernes d'exploration tout en s'engageant à minimiser son impact sur l'environnement. Elle entend poursuivre sa mission d'exploration et de développement de façon autonome ou encore en partenariat.

Les propriétés de Axe Exploration Inc. ont été sélectionnées parce qu'elles sont situées dans des contextes géologiques très favorables, à proximité de camps miniers disposant de toutes les infrastructures nécessaires à leur développement. Elles sont toutes localisées au Québec.

CORPORATE STRATEGY

Axe Exploration Inc is an exploration company operating in Canada with a portfolio of properties located in the geological sub-province of Abitibi. To increase the value of its assets, the company's strategy is to use modern exploration technologies with a commitment to minimize its impact on the environment. She intends to continue its mission of exploration and development independently or in partnership.

The properties of Axe Exploration Inc. were selected because they are located in very favourable geological settings, close to mining camps that have the entire infrastructure necessary for their development. They are all located in Quebec.



**ANALYSE PAR LA DIRECTION DE LA SITUATION
FINANCIÈRE ET DES RÉSULTATS D'EXPLOITATION**

**MANAGEMENT DISCUSSION AND ANALYSIS OF THE
FINANCIAL SITUATION AND OPERATIONS RESULTS**

Le présent rapport sur la situation financière et les résultats d'exploitation constitue une revue de la direction concernant les différents éléments qui ont influencé la performance des opérations et des résultats financiers de la compagnie au cours de l'exercice financier terminé le 30 septembre 2016. Ce rapport de gestion, daté du 27 janvier 2017, doit être analysé en relation avec les états financiers annuels audités de la compagnie au 30 septembre 2016, incluant les notes complémentaires aux états financiers. Tous les chiffres inclus dans le présent document sont en dollars canadiens.

The following Management's Discussion and Analysis « MD&A » presents results of operations and material changes in financial condition and constitutes management's review of various elements that have impacted the company's operational and financial performance for the period ended September 30th, 2016. The following MD&A, dated January 27, 2017 should be read in conjunction with the company's audited financial statements dated September 30th, 2016, including related notes. All amounts included in the following document are in Canadian dollars.

DATE

Ce rapport a été rédigé le 27 janvier 2017.

DATE

This MD&A was produced on January 27, 2017.

DESCRIPTION DE L'ENTREPRISE

Axe Exploration Inc. anciennement Exploration Diamond Frank inc. constituée le 17 octobre 2007 en vertu de la loi canadienne sur les sociétés par actions, est une société d'exploration minière qui détient des propriétés minières au Québec.

DESCRIPTION OF THE BUSINESS

Axe Exploration Inc., formerly Diamond Frank Exploration inc., incorporated on October 17, 2007 under the Federal Business Corporation Law, is a mining exploration with properties in Quebec.

Depuis le 08 avril 2013, les actions d'Axe Exploration sont inscrites à la bourse de croissance TSX sous le symbole AXQ. Auparavant, soit de janvier 2008 au 05 avril 2013, les actions étaient inscrites sous le symbole DOD et la société portait le nom d'Exploration Diamond Frank inc. L'équipe de votre société oriente ses efforts sur les programmes d'exploration dédié à la découverte de nouvelles zones minéralisées sur les propriétés de la compagnie et évalue de nouveaux projets afin d'accroître la valeur de ses actions.

Since April 08 2013, the common shares of Axe Exploration are listed on the TSX Venture Exchange under the symbol AXQ. Previously, from January 2008 to April 05 2013, the common shares were listed under the symbol DOD and the company bore the name Diamond Frank Exploration inc. The team of your company focuses its efforts on exploration program dedicated to the discovery of new mineralized zones on the property of the Company and evaluating new projects to increase the value of its shares.

ÉNONCÉS PROSPECTIFS

Le rapport de gestion contient des énoncés prospectifs qui reflètent, à la date du rapport de gestion, les attentes, estimations et projections de la société quant à ses opérations, à l'industrie minière en général et à l'environnement économique dans lequel elle évolue. Tout en étant raisonnable, ces énoncés comportent un certain élément de risque et d'incertitude et par conséquent, il n'y a aucune garantie qu'ils se réaliseront. Les résultats réels peuvent donc varier de façon importante de ceux mentionnés ou prévus dans ces énoncés prospectifs.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business, the mining industry in general and the economic environment in which it operates as of the date of the MD&A. These statements are reasonable but involve a number of risks and uncertainties, and there can be no assurance that they will prove to be accurate. Therefore, actual outcome and results may differ materially from those expressed in or implied by these forward-looking statements.



SURVOL

OVERVIEW

Dépenses d'exploration pour les exercices terminés le 30 septembre Exploration expenses for the year ended September 30				
	DESTORBELLE	GOLD PEAK	COMMANDANT	TOTAL
Solde au 30 septembre 2015 Balance at September 30,2015	-	398 539	-	398 539
Forage / Drilling	-			
Géophysique Geophysics	-	-	-	-
Analyse Analysis	-	-	-	-
Main d'œuvre Logistique Work Management	-	-	-	-
Autres frais d'exploration Other exploration expenses	-	-	-	-
Gestion des travaux Works management	-	-	-	-
Géologie Geology	-	-	-	-
Sous-Total	-	-	-	-
Crédit d'impôt relatif aux ressources et crédit d'impôts miniers / Tax credit related to resources and mining tax credit		-		-
Dévaluation de frais d'exploration reportés Writedown of deferred exploration expenses	-		-	-
Solde au 30 septembre 2016 Balance at September 30,2016	-	398 539	-	398 539



Dépenses d'exploration pour les exercices terminés le 30 septembre Exploration expenses for the year ended September 30				
	DESTORBELLE	GOLD PEAK	COMMANDANT	TOTAL
Solde au 30 septembre 2014 Balance at September 30, 2014	-	326 137	-	326 137
Forage / Drilling	-			
Géophysique Geophysics	-	-	-	-
Analyse Analysis	-	1 577	-	1 577
Main d'œuvre Logistique Work Management	-	28 227	-	28 227
Autres frais d'exploration Other exploration expenses	-	17 995	-	17 995
Gestion des travaux Works management	-	8 381	-	8 381
Géologie Geology	-	21 380	-	21 380
Sous-Total	-	77 560	-	77 560
Crédit d'impôt relatif aux ressources et crédit d'impôts miniers / Tax credit related to resources and mining tax credit		(5 158)		(5158)
Dévaluation de frais d'exploration reportés Writedown of deferred exploration expenses	-		-	-
Solde au 30 septembre 2015 Balance at September 30, 2015	-	398 539	-	398 539



ANALYSE PAR LA DIRECTION DE LA SITUATION FINANCIÈRE ET DES RÉSULTATS D'EXPLOITATION

MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIALSITUATION AND OPERATIONS RESULTS

PROPRIÉTÉ DESTORBELLE

OR

Le projet Destorbelle est constitué de 24 titres miniers situés immédiatement à l'ouest de l'indice Aiguebelle-Goldfield. Axe Exploration est partenaire à 50% avec Exploration Typhon. L'entente est grevée d'une redevance de 2% NSR.

Le contexte structural de cette propriété montre une grande similitude avec le Gîte Fayolle (Exploration Typhon Inc).

La propriété a été dépréciée afin de permettre à la société de concentrer ses travaux sur ses autres propriétés.

DESTORBELLE PROPERTY

AU

The Destorbelle project consists of 24 claims located directly at the west of Aiguebelle-Goldfield showing. Axe Exploration is 50% partner with Typhoon Exploration A 2% NSR Royalty is attached to the project.

The structural context shows a high similarity with the Fayolle Deposit (Typhoon Exploration Inc).

The property has been depreciated in order to allow the company to focus its work on other properties.

PROPRIÉTÉ COMMANDANT

OR,CU,PD,AG

Commandant est une propriété situé tout près de Val D'Or, elle est composé de 9 titres miniers pour une superficie de 522,5 hectares.

Un conducteur fort, situé en bordure de l'intrusion ultramafique a bien répondu et a permis de mettre à jour un tout nouvel indice minéralisé en cuivre, argent et palladium. Les résultats d'analyse reçus ont retourné : 0.7 % Cu, 5 g/t Ag et 55 ppb de Pd.

En raison du contexte économique mondial, la Société a dévalué la propriété.

COMMANDANT PROPERTY

AU,CU,PD,AG

Commandant is a property located near Val D'Or; it consists of 9 mining claims totalising 522.5 hectares.

A strong conductor on the edge of the ultramafic intrusion responded well and allowed the discovery a whole new copper, silver and palladium mineralized showing. Results from samples have returned: 0,7% Cu, 5 g/t AG and 55 ppb PD.

Due to the economic context, the Company has devaluated the property.

PROPRIÉTÉ GOLD PEAK

OR

Cette propriété est constituée de 43 titres miniers pour un total de 1 955 hectares et est située au sud-est de la faille Porcupine-Destor. L'entente est grevée d'une redevance de 2% NSR.

Des travaux d'explorations ont été effectués, notamment de la récolte d'échantillons de sédiments glaciaires (till) et fluvio-glaciaires (esker). Un levé hélicoptéré de type magnétique-électromagnétique a été réalisé.

Un programme de prospection avec échantillonnage fut initié en automne 2013 afin d'établir une meilleure connaissance du contexte géologique et minéralisateur d'une partie du secteur ouest de la propriété. Suite à ces travaux une coupe de ligne ainsi que des levés magnétométrique utilisant une GPS différentiel et PP-OreVision totalisant 35 Km ont été effectué afin de mieux cibler les futurs sites de travaux.

Plusieurs anomalies de Polarisation provoquée furent définies et de la reconnaissance géologique fut recommandée sur ces anomalies. Des travaux de prospection et de reconnaissance géologiques avec échantillonnage de veines, de structure et de minéralisation ont été effectués.

Au cours de l'année 2014, des travaux de prospection et d'échantillonnage par rainurage furent réalisés sur quelques anomalies OreVision (Dipôle-Dipôle). L'une des zones anormales est affleurante et fut dégagée manuellement et échantillonnée. Des

GOLD PEAK PROPERTY

AU

This property is constituted by 43 mining claims totalling 1,955 hectares and is located in the southeast of the Fault Porcupine-Destor. The agreement is burdened by a 2% NSR Royalty.

Explorations work has been completed, including the collection of several glacial (till) and glacioaqueous (esker) sediment samples. An heliborne magnetic and electromagnetic type survey was performed.

A prospection and sampling program was initiated in 2013 autumn to establish a detail geological map in the favourable corridor in the western part of the property. Following this work a linecutting and a 35Km magnetometer survey using differential GPS and 35 Km OreVision-IP survey were completed to lead to the future wok in 2014.

Several induced polarization anomalies were defined and geological reconnaissance wok was recommended on these anomalies. Prospecting and geological reconnaissance work, with veins, structures and mineralization sampling has been done.

During Autumn 2014, prospection and channel sampling works were completed on manually stripped outcrops corresponding to Induced Polarization (IP) anomalies (Dipôle-Dipôle Orevision Method). The outcropping host rock units consist of the Lac Caste sedimentary



**ANALYSE PAR LA DIRECTION DE LA SITUATION
FINANCIÈRE ET DES RÉSULTATS D'EXPLOITATION**

**MANAGEMENT DISCUSSION AND ANALYSIS OF THE
FINANCIAL SITUATION AND OPERATIONS RESULTS**

PROPRIÉTÉ GOLD PEAK (SUITE)

OR

roches sédimentaires graphitiques de la Formation du Lac Caste furent reconnues avec plusieurs petites intrusions de composition dioritique à tonalitique recoupant les roches sédimentaires.

Les horizons graphiteux coïncident généralement avec les meilleures anomalies OreVision et contiennent de 2 à 5% de pyrite et traces à 1% de chalcopryrite. Les valeurs les plus significatives furent obtenues dans l'échantillon P225812 : 0.25% Zn, 0.04% Cu et 0.5 g/t Ag; et l'échantillon P225813 : 0.16% Zn, 0.02% Cu et 0.3 g/t Ag

Un rapport selon la norme 43-101 a été publié le 25 février 2015 et ce rapport résume l'ensemble des travaux réalisés jusqu'à présent sur la propriété et les recommandations en deux phases pour les prochaines étapes du projet.

PROPRIÉTÉ UNIQUE

OR

Cette propriété est constituée de 12 titres miniers couvrant une superficie d'environ 449.54 hectares (4,5Km²). Elle est adjacente à la propriété Fayolle (Typhon).

PROPRIÉTÉ TRÉSOR

OR

Cette propriété est constituée de 20 titres miniers couvrant une superficie d'environ 851.58 hectares (8,5Km²). La Société a décidé d'abandonner cette propriété en décembre 2016

ENVIRONNEMENT

Axe Exploration s'est engagé à respecter toutes les lois environnementales. Avec l'appui des agences gouvernementales et des responsables régionaux, la société prend aussi toutes les précautions nécessaires pour respecter son engagement de minimiser l'impact sur l'environnement dans le cadre de ses activités.

La société a par les années passées, procédé à l'ensemencement de ses sites d'exploration et a complété certain reboisement avec environ 2 000 arbres.

La société a toujours appliqué de façon informelle des pratiques rigoureuse et a décidé cette année d'adopter une politique de développement durable. Le document est disponible sur le site web dans la section «Documents».

GOLD PEAK PROPERTY (CONTINUED)

AU

Formation which locally contains graphitic zones. Several thin intrusions of dioritic to tonalitic composition cut the main sedimentary rock unit.

The graphitic horizons generally coincide with the strongest IP anomalies and are associated with 2-5% pyrite and traces to 1% chalcopryrite. Samples P225812 and P225813 respectively returned the following significant results: 0.25% Zn, 0.04% Cu and 0.50 g/t Ag as well as 0.16% Zn, 0.02% Cu and 0.30 g/t Ag.

A report according to the standard NI43-101 was published on February 25, 2015 and summarizes all the past exploration efforts that were completed on the Gold Peak Property up to now as well as future work recommendations distributed over a two phases exploration work program

UNIQUE PROPERTY

AU

This property is constituted by 12 mining claims, covering a surface of approximately 449.54 hectares (4.5Km²). It's adjacent to the Fayolle Property (Typhon).

TRESOR PROPERTY

AU

This property is constituted by 20 mining claims, covering a surface of approximately 851.58 hectares (8.5Km²). The Company decided to abandon this property in December 2016.

ENVIRONMENTAL ISSUES

Axe Exploration is committed to respect all environmental laws. In support of the governmental agencies and the regional people in charge, the society also takes all the necessary precautions to respect its commitment to minimize the impact on the environment within the framework of its activities.

The company has in past years completed the sowing of its exploration sites and completed some reforestation program for around 2,000 trees.

The company has always applied informally rigorous practices and decided this year to adopt a sustainable development policy. The document is available on the website in the "Documents" section.



DONNÉES ANNUELLES CHOISIES

Les états financiers ont été préparés conformément aux Normes Internationales d'Information Financière (IFRS) et sont exprimés en dollars Canadiens.

SELECTED ANNUAL INFORMATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and are expressed in Canadian dollars.

DONNÉES ANNUELLES ANNUAL INFORMATION	EXERCICE TERMINÉ LE 30 SEPTEMBRE 2016 YEAR ENDED SEPTEMBER 30, 2016	EXERCICE TERMINÉ LE 30 SEPTEMBRE 2015 YEAR ENDED SEPTEMBER 30, 2015
Total des actifs Total assets	1 939 580	2 285 180
Revenu d'intérêt Interest revenue	17 277	23 026
Perte nette après impôt Net loss after income taxes	(353 418)	(340 909)

De par son statut de Société d'exploration minière, Axe Exploration ne génère pas de revenus réguliers, de sorte qu'elle doit assurer sa survie par l'émission de capital actions. La perte de l'exercice terminé le 30 septembre 2016 était donc prévisible et les dirigeants de la Société continue à bien gérer les sommes disponibles pour l'administration courante de ses activités.

According to its status, as a mining exploration company, Axe Exploration does not generate regular revenue. Therefore, the net loss of the year ended September 30, 2016 was foreseeable and the directors of the Company continue to manage the funds for the activities of the Company.

En décembre 2013 Axe Exploration a clôturé un placement pour un total de 116 020 \$ composé de 1 657 428 actions ordinaires accréditives. En décembre 2016 la Société a clôturé un placement de 90 000\$ composé de 1 440 000 actions accréditives ordinaires et de 360 000 actions ordinaires.

In December 2013, Axe Exploration has closed placement of \$116,020 composed of 1,657,428 flow-through shares. In December 2016, the Company has closed a placement of \$90,000 for 1,440,000 flow-through shares and 360,000 common shares.

La perte avant impôts de 2016 est de 353 418\$ et était de 364 008 \$ en 2015. Les dépenses administratives de 2016 sont de 370 695\$ et étaient de 387 034\$ en 2015.

The loss before income taxes for 2016 is \$353,418 and was for 2015 of \$340,008. The administrative expenses of 2016 are \$370,695 and were of \$387,034 in 2015.

Les principales différences entre les deux exercices portent sur les honoraires professionnels qui ont diminués de 6 831\$. Elles sont de 24 822\$ en 2016 et étaient de 31 653\$ en 2015.

The main differences between the two years concern professional fees that have decreased by \$ 6,831. They are \$24,822 in 2016 and were of \$31,653 in 2015.

Les autres charges opérationnelles ont augmentées de 17 616\$, elles sont de 96 173\$ en 2016 et étaient de 78 557\$ en 2015, voir détails page 15.

Other operating expenses increased by \$17,617, they are \$ 96,174 in 2016 and were \$ 78,557 in 2015, see details on page 15.

Il n'y a pas eu de rémunération-paiement fondés sur des actions en 2016, elles étaient de 17 829\$ en 2015.

There is no share-based payment in 2016 and was of \$17,829 in 2015.

La perte nette après impôt de 2016 est de 353 418\$ et était de 340 909\$ en 2015

The net loss after tax in 2016 is \$353,418 and was \$ 340,909 in 2015.



RÉSUMÉ DES RÉSULTATS TRIMESTRIELS

SUMMARY OF QUATERLY RESULTS

Résultats trimestriels Quaterly results	30 Septembre 2016 September 30, 2016	30 Juin 2016 June 30, 2016	31 mars 2016 March 31, 2016	31 décembre 2015 December 31, 2015
Total des actifs Total assets	1 939 580	2 037 254	2 116 011	2 209 161
(Perte nette) ou profit avant impôts Net loss or profit before income taxes	(75 502)	(86 134)	(94 228)	(97 554)
Perte nette de base et diluée/action Basic and diluted loss per share	(0.001)	(0.002)	(0.002)	(0.002)

Au cours du trimestre terminé le 30 septembre 2016, la perte nette avant impôt est de 75 502\$.

During the quarter ended September 30, 2016, the net loss before income taxes is \$75,502

Les éléments importants de la période sont les suivants :

The most important expenses of this period are:

- Frais généraux d'administration de 20 943 \$.

- General administrative expenses for the amount of \$20,943

LES FAITS SAILLANTS DES QUATRES DERNIERS TRIMESTRES SONT :

HIGHLIGHTS FOR THE LAST FOUR QUARTERS ARE :

- a) Augmentation de 17 616\$ des Autres Charges opérationnelles elles sont de 96 173 \$ en 2016 étaient de 78 557 \$ en 2015.
- b) Pas de rémunération à base d'action en 2016, elle était de 17 829 \$ en 2015.

- a) Increase of \$17,616 of the other operating expenses, they were \$96,173 in 2016 and were \$78,557 in 2015.
- b) There was no Share-based payment in 2016, it was \$17,829 in 2015.



Dépenses d'administration des quatre derniers trimestres :

For the last fiscal year, the administrative expenses are :

FRAIS D'ADMINISTRATION ET AUTRES ADMINISTRATIVE AND OTHER EXPENSES	30 SEPTEMBRE 2016 SEPTEMBER 30, 2016	30 JUIN 2016 JUNE 30, 2016	31 MARS 2016 MARCH 31, 2016	31 DÉCEMBRE 2015 DECEMBER 31, 2015
Honoraires professionnels Professional fees	487	-	5 532	18 803
Honoraire de consultation Consultants fees	39 024	39 024	39 024	39 024
Rémunération à base d'actions Stock-based compensation	-	-	-	-
Autres charges opérationnelles Other operating expenses	20 943	26 997	21 619	26 615
Salaires et Charges sociales Salaries and fringe benefits	11 516	13 871	13 382	11 286
Inscription, registrariat et information aux actionnaires Registration, listing fees and shareholders' information	3 149	8 964	15 186	2 300
Impôts de la partie XII.6 Part XII.6 taxes	-	-	-	-
Frais Environnementaux Environmental fees	-	-	-	-
Assurance Insurance	2 697	2 153	2 151	804
Radiation de propriétés minières Write-off of mining properties	-	-	-	-
Amortissement immobilisations corporelles Amortization of fixed assets	1 839	(762)	1 456	3 613
Dépréciation d'immobilisation corporelles Impairment on property, plant and equipment	-	-	-	-
Pertes sur disposition immobilisations corporelles Loss on disposal of property, plant and equipment	-	-	-	-
TOTAL DES FRAIS D'ADMINISTRATION ET AUTRES TOTAL OF ADMINISTRATIVE AND OTHER EXPENSES	79 655	90 246	98 350	102 445



RÉSULTATS D'EXPLOITATION

OPERATIONS RESULTS

DATE	FINANCEMENT / FINANCING		EMPLOI DU PRODUIT / USE OF PROCEED	OBJECTIFS / OBJECTIVES
Octobre 2010 October 2010	Actions ordinaires Common shares	3 000 000 \$	Assigné au Fonds de roulement. Assigned to working capital.	
Juin 2010 June 2010	Actions ordinaires Common shares	1 031 000 \$	Assigné au Fonds de roulement. Assigned to working capital.	
Décembre 2011 December 2011	Actions accréditives Flow-through shares	355 200 \$	Assigné à l'exploration sur les propriétés. Assigned to exploration expenses.	Les travaux ont été complétés en décembre 2012.
	Actions ordinaires Common shares	88 800 \$	Assigné au Fonds de roulement. Assigned to working capital.	Works were completed in December 2012.
	Total	444 000 \$		
Décembre 2012 December 2012	Actions accréditives Flow-through shares	116 000 \$	Assigné à l'exploration sur les propriétés. Assigned to exploration expenses.	Les travaux ont été complétés en décembre 2013/ Works were completed in December 2013.
Décembre 2013 December 2013	Actions accréditives Flow-through shares	116 020 \$	Assigné à l'exploration sur les propriétés. Assigned to exploration expenses.	Les travaux ont été complétés en décembre 2014/ Works were completed in December 2014.
Décembre 2016 December 2016	Actions accréditives Flow-through shares	72 000 \$	Assigné à l'exploration sur les propriétés. Assigned to exploration expenses.	Travaux prévus sur le projet Goldpeak / Works planned on Goldpeak project.
	Actions ordinaires Common shares	18 000 \$	Assigné au Fonds de roulement. Assigned to working capital.	
	Total	90 000 \$		

FRAIS REPORTÉS

DEFERRED EXPENSES

PROPRIÉTÉS PROPERTIES	FRAIS REPORTÉS DEFERRED EXPENSES 30 SEPTEMBRE 2016 SEPTEMBER 30, 2016	OBJECTIFS FUTURS OBJECTIVES
Gold Peak	454 539	Planification des travaux en cours/ Planning work in planning
Unique	-	Planification des travaux en cours/ Planning work in planning

PROPRIÉTÉS PROPERTIES	FRAIS REPORTÉS DEFERRED EXPENSES	SUR PROPRIÉTÉS DEVALUEES OU RADIEES ON WRITE-DOWN OR WRITE-OFF PROPERTIES
Commandant	-	Projet dévalué/ Project write-down
Destorbelle	-	Projet dévalué/ Project write-down



**ANALYSE PAR LA DIRECTION DE LA SITUATION
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**MANAGEMENT DISCUSSION AND ANALYSIS OF THE
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SITUATION DE TRÉSORERIE

Au 30 septembre 2016, la Société détenait 1 703 566\$ en encaisse non réservée et aucune encaisse réservée pour des travaux d'exploration statutaires.

La direction de la Société est consciente de ses besoins de liquidités continus et elle mettra les efforts nécessaires afin qu'Axe Exploration conserve sa solidité financière. De plus, la direction poursuivra son travail de visibilité auprès de la communauté financière afin de pouvoir réaliser d'autres financements.

SOURCES DE FINANCEMENT

La Société dispose d'une ligne de crédit par carte de crédit pour un montant maximum de 25 000 \$.

Les redevances sur les propriétés minières se détaillent comme suit :

Destorbelle	2%
Gold Peak	2%
Commandant	2%

**TRANSACTIONS ENTRE PARTIES LIÉES ET OBJECTIFS
COMMERCIAUX**

Au cours de l'exercice, la Société a encouru les dépenses suivantes auprès d'administrateurs et auprès de sociétés dont le président est également le président de la Société.

Frais généraux d'administration	6 591
Honoraires de consultants	156 096
Dépenses d'exploration et d'évaluation	-
Salaire et avantages sociaux	29 391

Ces opérations ont été conclues dans le cours normal des activités et ont été mesurées à la valeur d'échange, soit la valeur établie et acceptée par les parties.

ENGAGEMENT

La Société a confié, en vertu d'un contrat de gestion en date du 17 octobre 2007, la supervision de ses travaux d'exploration à la société Ressources Lutsvisky Inc., une société privée détenue en propriété exclusive par le président et chef de la direction de la Société. En vertu du contrat de gestion, Ressources Lutsvisky Inc. recevra de la Société une indemnité maximale de quinze pour cent (15 %) des frais encourus en sous-traitance durant la réalisation des programmes d'exploration. La Société pourra, unilatéralement, résilier le contrat de gestion. La Société sera alors tenue de payer à Ressources Lutsvisky Inc. à la date de résiliation un montant de résiliation de 211 300\$.

LIQUIDITY

As at September 30, 2016, the Company had \$1,703,566 in non-reserved cash and no reserved cash for statutory exploration expenses.

The management of the Company is aware of Axe Exploration needs for cash flow and they will make necessary efforts to maintain its financial strength. In addition, the management will continue the visibility of the Company in the financial community to find new financing.

CAPITAL RESOURCES

The Company has a credit line by credit card for a maximum amount of \$25,000.

Royalties on mining properties details are :

**TRANSACTIONS WITH RELATED PARTIES AND
COMMERCIAL OBJECTIVES**

During the year, the Corporation incurred the following expenses with an officer and with companies of which the president is also the president of the Company.

General administrative expenses	6,591
Consultant fees	156,096
Exploration and evaluation expenses	-
Salaries	29,391

These transactions occurred during the normal course of operations and were measured at the exchange amount that is the amount established and accepted by the parties.

COMMITMENT

Pursuant to a management contract dated October 17, 2007, the Corporation entrusted the supervision of its exploration works to Ressources Lutsvisky Inc., a private corporation wholly-owned by the President and CEO of the Corporation. Under the management contract, Ressources Lutsvisky Inc. shall receive from the Corporation a maximum indemnity of fifteen percent (15%) of the subcontracting costs incurred during the completion of the exploration programs. The Corporation may, at its discretion, terminate the management contract. The Corporation will thus be liable to pay to Ressources Lutsvisky Inc. on the date of termination an amount of \$211,300.



QUATRIÈME TRIMESTRE

Le trimestre se terminant le 30 septembre 2016 s'est résulté en une perte de 75 502 \$ avant impôt.

Les faits saillants du quatrième trimestre sont :

- Diminution des autres charges opérationnelles de 6 054 \$
- Il y a eu des honoraires professionnels de 487 \$
- Diminution d'Inscription, régistariat et information aux actionnaires de 5 815 \$

Des informations supplémentaires se retrouvent à la page 9

PRINCIPALES MÉTHODES COMPTABLES

Généralités et application des IFRS

Les états financiers ont été préparés selon les méthodes comptables énoncées par les IFRS en vigueur au 30 septembre 2016.

Les principales méthodes comptables ayant servi à la préparation des présents états financiers sont résumées ci-dessous.

Instruments financiers

Les actifs et les passifs financiers sont comptabilisés lorsque la Société devient une partie aux dispositions contractuelles de l'instrument financier.

Les actifs financiers sont décomptabilisés lorsque les droits contractuels sur les flux de trésorerie liés à l'actif financier arrivent à expiration, ou lorsque l'actif financier et tous les risques et avantages importants sont transférés.

Un passif financier est décomptabilisé en cas d'extinction, de résiliation, d'annulation ou d'expiration.

Les actifs et les passifs financiers sont initialement évalués à la juste valeur majorée des coûts de transaction.

Les actifs et les passifs financiers sont évalués ultérieurement comme il est indiqué ci-après.

Actifs financiers

Aux fins de l'évaluation ultérieure, les actifs financiers sont classés dans la catégorie prête et créances au moment de la comptabilisation initiale.

La catégorie détermine la méthode d'évaluation ultérieure et la comptabilisation soit en résultat, soit en autres éléments du résultat global des produits et des charges qui en résulteront. Tous les produits et charges se rapportant aux actifs financiers comptabilisés en résultat net sont présentés dans les charges financières ou les revenus d'intérêts, le cas échéant.

Prêts et créances

Les prêts et créances sont des actifs financiers non dérivés à paiements fixes ou déterminables, qui ne sont pas inscrits à la cote sur un marché actif. Après leur comptabilisation initiale, ils sont évalués au coût amorti en utilisant la méthode du taux d'intérêt effectif, moins une provision pour perte de valeur. L'actualisation est omise si son effet est non significatif. La trésorerie et équivalents de trésorerie, et les dépôts à terme font partie de cette catégorie d'instruments financiers.

FOURTH QUARTER

The quarter ending September 30, 2016 recorded a net loss before income tax of \$75,502

Highlights for the fourth quarter are:

- Decrease of the other operating expenses of \$6,054.
- There was Professional fees for \$487
- Decrease of Registration, listing fees and shareholder's information of \$ 5,815.

Additional information can be found in page 9

SUMMARY OF ACCOUNTING POLICIES

Overall considerations and adoption of IFRS

The financial statements have been prepared using accounting policies specified by those IFRS that are in effect at September 30, 2016.

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets are classified into the loans and receivables category upon initial recognition.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All income and expenses relating to financial assets that are recognized in profit or loss are presented within Finance costs or Interest Income, if any.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Cash and cash equivalents and term deposits fall into this category of financial instruments.



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PRINCIPALES MÉTHODES COMPTABLES (SUITE)

Instruments financiers (suite)

Dépréciation d'actifs financiers

Tous les actifs financiers sauf ceux à la juste valeur par le biais du résultat net font l'objet d'un test de dépréciation au moins à chaque date de clôture. Les actifs financiers sont dépréciés lorsqu'il existe des indications objectives qu'un actif financier ou un groupe d'actifs financiers a subi une perte de valeur.

Passifs financiers

Les passifs financiers de la Société comprennent les dettes fournisseurs et autres crédateurs.

Les passifs financiers sont évalués ultérieurement au coût amorti en utilisant la méthode du taux d'intérêt effectif

Les charges d'intérêts, le cas échéant, sont présentées dans les charges financières.

AUTRES EXIGENCES RELATIVES AU RAPPORT DE GESTION

De l'information additionnelle se rapportant à la Société est disponible sur SEDAR au www.sedar.com.

**INFORMATIONS ADDITIONNELLES POUR LES ÉMETTEURS ÉMERGENTS
SANS REVENU SIGNIFICATIF**

(a) dépenses d'exploration au coût ou capitalisées ;

Les informations requises sont présentées dans les notes complémentaires aux états financiers.

SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

Impairment of financial assets

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities

The Company's financial liabilities include trade and other payables

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss within Finance costs.

OTHER MD&A REQUIREMENTS

Additional information relating to the Company is available on SEDAR at www.sedar.com.

**ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT
SIGNIFICANT REVENUE**

(a) capitalized or expensed exploration costs;

The required disclosure is presented in the notes of the financial statements.



**ANALYSE PAR LA DIRECTION DE LA SITUATION
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**MANAGEMENT DISCUSSION AND ANALYSIS OF THE
FINANCIAL SITUATION AND OPERATIONS RESULTS**

**INFORMATIONS ADDITIONNELLES POUR LES ÉMETTEURS ÉMERGENTS
SANS REVENU SIGNIFICATIF (SUITE)**

(b) frais généraux d'administration ;

Voici le détail des frais généraux d'administration pour l'exercice terminé le 30 septembre 2016 et les prévisions pour le prochain exercice :

**ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT
SIGNIFICANT REVENUE (CONTINUED)**

(b) general administrative expenses;

For the year ended September 30, 2016, and the budget for the next exercise, general administrative expenses are as follows:

AUTRES CHARGES OPÉRATIONNELLES	30 SEPTEMBRE 2016 SEPTEMBER 30, 2016	30 SEPTEMBRE 2015 SEPTEMBER 30, 2015	PRÉVISION 2017 BUDGET 2017	OTHERS OPERATING EXPENSES
Intérêts et frais bancaires	853	921	1 000	Interest and bank charges
Messagerie et Publicité	7 032	6 268	10 500	Courrier and advertising
Loyer et entretien	11 404	7 358	10 700	Rent and maintenance
Taxe Licence Permis	5 104	8 641	5 000	Taxes, licence and permit
Frais de représentation	46 156	30 699	50 000	Representation expenses
Location véhicule	12 556	13 874	10 800	Location
Télécommunications	1 949	2 333	2 000	Telecommunications
Papeterie et frais de bureau	11 119	8 463	10 000	Stationery and office supplies
Total frais généraux	96 173	78 557	100 000	Total General Administrative expenses

INFORMATION SUR LES ACTIONS EN CIRCULATION

Le tableau suivant détaille la structure du capital actions, des options et des bons de souscriptions de la Société au 27 janvier 2017, à la date de ce rapport de gestion. Ces données sont sujettes à des ajustements comptables mineurs préalablement à la présentation d'états financiers futurs.

DISCLOSURE OF OUTSTANDING SHARE DATA

The following table details the capital stock structure, warrants and share purchase options as at January 27, 2017, the date of this MD&A. These figures are subject to minor accounting adjustments prior to presentation in future financial statements.

	Date d'expiration Expiry date	Prix d'exercice Exercise price \$	Nombre Number	Nombre Number
Actions classe « A » Class « A » shares				57 357 445
Options d'achats d'actions Share purchase options	Avril 2021 April 2021	0,145	780 000	
Options d'achats d'actions Share purchase options	Mars 2023 March 2023	0,10	1 200 000	
Options d'achats d'actions Share purchase options	Janvier 2024 January 2024	0,05	1 250 000	
Options d'achats d'actions Share purchase options	Mars 2025 March 2025	0,05	1 200 000	
Bon de souscription/ Warrants	Décembre 2017 December 2017	0,10	180 000	
Bons de souscription courtiers/ Broker Warrants	Décembre 2017 December 2017	0,05	75 200	



FACTEURS DE RISQUES

RISQUES LIÉS À L'EXPLORATION

L'exploration minière comporte un degré de risque élevé. Peu de propriétés explorées sont mises en production. Des formations rocheuses inhabituelles ou imprévues, des incendies, des pannes de courant, des conflits de travail, des inondations, des explosions, des éboulements, des glissements de terrain et la difficulté d'obtenir de la main-d'œuvre qualifiée, de la machinerie ou de l'équipement approprié ou adéquat sont d'autres risques que comportent l'exécution des programmes d'exploration.

Les facteurs économiques liés à la mise en valeur de propriétés de ressources sont tributaires de nombreux facteurs, dont le coût d'exploitation, les variations de la matière extraite, la fluctuation des marchés des métaux, le coût de l'équipement de traitement et d'autres facteurs comme les réclamations des autochtones, la réglementation gouvernementale, notamment la réglementation portant sur les redevances, la production autorisée, l'importation et l'exportation de ressources naturelles et la protection de l'environnement. Selon le prix des ressources naturelles produites, la Société peut déterminer qu'il n'est pas opportun d'entreprendre ou de poursuivre la production commerciale. Il n'y a aucune certitude que les dépenses que la Société engagera dans l'exploration de ses propriétés minières donneront lieu à des découvertes de quantités commerciales de minerai. La plupart des projets d'exploration ne débouchent pas sur la découverte de gisements de minerai commercialement exploitables.

ENVIRONNEMENT ET AUTRE RÉGLEMENTATION

La législation, les règlements et les mesures actuels et futurs en matière d'environnement pourraient entraîner des frais, des dépenses en immobilisations, des restrictions et des retards additionnels dans les activités de la Société dont on ne peut prévoir l'étendue. Les exigences de la réglementation et les normes environnementales font l'objet d'une évaluation constante et peuvent être haussées considérablement, ce qui pourrait nuire sérieusement à l'entreprise de la Société ou à son aptitude à mettre ses propriétés en valeur d'une façon économique.

Avant que la production ne puisse débuter sur une propriété, la Société devra obtenir les approbations des autorités de réglementation et les approbations environnementales, et rien ne saurait garantir que ces approbations seront obtenues ou qu'elles le seront à temps. Le coût des changements dans la réglementation gouvernementale peut également réduire la rentabilité de l'exploitation ou empêcher entièrement la mise en valeur économique d'une propriété.

FINANCEMENT ET MISE EN VALEUR

La mise en valeur des propriétés de la Société dépend donc de son aptitude à obtenir le financement additionnel nécessaire. Rien ne saurait garantir qu'elle réussira à obtenir le financement requis. De plus, la mise en production de propriétés de ressources dépendra de l'utilisation des services d'un personnel expérimenté ou encore de la conclusion d'ententes avec d'autres grandes sociétés de ressources qui peuvent fournir cette expertise.

RISK FACTORS

EXPLORATION

Exploration and mining involve a high degree of risk. Few exploration properties end up going into production. Other risks related to exploration and mining activities include unusual or unforeseen formations, fire, power failures, labour disputes, flooding, explosions, cave-ins, landslides and shortages of adequate or appropriate manpower, machinery or equipment.

The development of a resource property is subject to many factors, including the cost of mining, variations in the quality of the material mined, fluctuations in the commodity and currency markets, the cost of processing equipment, and others, such as aboriginal claims, government regulations including regulations regarding royalties, authorized production, import and export of natural resources and environmental protection. Depending on the price of the natural resources produced, the Company may decide not to undertake or continue commercial production. There can be no assurance that the expenses incurred by the Corporation to explore its properties will result in the discovery of a commercial quantity of ore. Most exploration projects do not result in the discovery of commercially viable mineral deposits.

ENVIRONMENTAL AND OTHER REGULATION

Current and future environmental laws, regulations and measures could entail unforeseeable additional costs, capital expenditures, restrictions or delays in the Company's activities. Environmental regulations and standards are subject to constant revision and could be substantially tightened, which could have a serious impact on the Company and its ability to develop its properties economically.

Before it commences mining a property, the Company must obtain environmental permits and the approval of the regulatory authorities. There is no assurance that these permits and approvals will be obtained, or that they will be obtained in a timely manner. The cost of complying with government regulations December also impact the viability of an operation or altogether prevent the economic development of a property.

FINANCING AND DEVELOPMENT

Development of the Company's properties therefore depends on its ability to raise the additional funds required. There can be no assurance that the Corporation will succeed in obtaining the funding required. The Company also has limited experience in developing resource properties, and its ability to do so depends on the use of appropriately skilled personnel or signature of agreements with other large resource companies that can provide the required expertise.



ANALYSE PAR LA DIRECTION DE LA SITUATION FINANCIÈRE ET DES RÉSULTATS D'EXPLOITATION

MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL SITUATION AND OPERATIONS RESULTS

COURS DES RESSOURCES

Des facteurs indépendants de la volonté de la Société peuvent influencer sur la qualité marchande des diamants, de l'or ou de tous autres minéraux découverts. Les cours des ressources ont fluctué considérablement, particulièrement durant les dernières années. Les répercussions de ces facteurs ne peuvent être prévues avec précision.

RISQUES NON ASSURÉS

Risques financiers

La société est considérée comme une société d'exploration. Elle doit donc obtenir du financement régulièrement afin de poursuivre ses activités d'exploration. Malgré le fait qu'elle ait réussi dans le passé, il n'y a aucune garantie de réussite pour l'avenir.

Risques relatifs aux titres de propriété

Bien que la Société ait pris des mesures pour vérifier le droit de propriété concernant les biens miniers dans lesquels elle détient une participation conformément aux normes de l'industrie visant la phase courante d'exploration de ces biens, ces procédures ne garantissent pas le titre de propriété à la Société. Le titre de propriété peut être assujéti à des accords antérieurs non reconnus et ne pas être conforme aux exigences en matière de réglementation.

Risque environnemental

La Société est sujette à différents incidents environnementaux qui peuvent survenir lors des travaux d'exploration. La Société maintient une surveillance des risques environnementaux.

CONTROLE ET PROCEDURES DE DIVULGATION DE L'INFORMATION

Le président et le chef de la direction financière sont responsables de l'établissement et du maintien des contrôles et des procédures de divulgation de l'information de la Société au sens du Règlement 52-109. Ces contrôles et procédures ont été évalués au 30 septembre 2016 et il a été conclu qu'ils étaient adéquats et efficaces.

STRATÉGIE GLOBALE ET PERSPECTIVES

La direction continuera de gérer ses fonds de façon très rigoureuse en ayant comme premier objectif d'optimiser le rendement de l'investissement de ses actionnaires. Sa stratégie de développement est axée sur la découverte de gisements économiquement exploitables, dont les fruits de l'exploitation assureront la pérennité de la Société. La direction, dans l'application de sa stratégie de développement, tiendra compte du contexte global dans lequel se situe l'exploration, de l'évolution du marché boursier, du prix de l'or et autres métaux, et sera à l'affût de toute nouvelle opportunité d'affaires profitable pour ses actionnaires en 2017. De plus des certains travaux d'exploration seront entrepris sur le projet Goldpeak cette année.

COMMODITY PRICES

The factors that influence the market value of diamond, gold and any other mineral discovered are outside the Company's control. The impact of these factors cannot be accurately predicted. Resource prices can fluctuate widely, and have done so in recent years.

UNINSURED RISKS

Financial risks

The Company is an exploration company. The Company will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Mining claims an title risks

Although the Company has taken steps to verify title to mining properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's Title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Environmental risks

The Company is subject to various environmental incidents that can occur during exploration work. The Company maintains a surveillance of the environmental risks.

DISCLOSURE CONTROLS AND PROCEDURES

The company's President and the Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures in accordance with the Multilateral Instrument 52-109 of the Canadian Securities Administrator. These controls and procedures have been evaluated as at September 30, 2016 and have been determined to be effective.

GLOBAL STRATEGY AND PERSPECTIVES

Management will continue to manage its funds very rigorously, its primary objective being to optimize return on investment for its shareholders. Its development strategy is focused on the discovery of economically viable deposits that will generate profits from mining and ensure the Company's survival. In applying its development strategy, management will take into account the global exploration context, stock market trends and the prices of gold and other metals, and will be in the lookout for new profitable business opportunity for its shareholders in 2017. Some exploration work will begin on the Goldpeak project.



AXE EXPLORATION INC. (une société d'exploration)
ÉTATS FINANCIERS
30 SEPTEMBRE 2016 ET 2015

AXE EXPLORATION INC. (an exploration company)
FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

RAPPORT DE L'AUDITEUR INDÉPENDANT	1	INDEPENDENT AUDITOR'S REPORT
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Raymond Chabot Grant Thornton
S.E.N.C.R.L.
50, avenue Dallaire
Rouyn-Noranda (Québec) J9X 4S7

Téléphone: 819 762-1714
Télécopieur: 819 762-3306
www.rcgt.com

Rapport de l'auditeur indépendant

Aux actionnaires de
Axe Exploration Inc.

Nous avons effectué l'audit des états financiers ci-joints de la société Axe Exploration Inc., qui comprennent les états de la situation financière aux 30 septembre 2016 et 2015 et les états du résultat global, les états des variations des capitaux propres et les tableaux des flux de trésorerie pour les exercices terminés à ces dates, ainsi qu'un résumé des principales méthodes comptables et d'autres informations explicatives.

Responsabilité de la direction pour les états financiers

La direction est responsable de la préparation et de la présentation fidèle de ces états financiers conformément aux Normes internationales d'information financière (IFRS), ainsi que du contrôle interne qu'elle considère comme nécessaire pour permettre la préparation d'états financiers exempts d'anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs.

Responsabilité de l'auditeur

Notre responsabilité consiste à exprimer une opinion sur les états financiers, sur la base de nos audits. Nous avons effectué nos audits selon les normes d'audit généralement reconnues du Canada. Ces normes requièrent que nous nous conformions aux règles de déontologie et que nous planifions et réalisons l'audit de façon à obtenir l'assurance raisonnable que les états financiers ne comportent pas d'anomalies significatives.

Independent Auditor's Report

To the shareholders of
Axe Exploration Inc.

We have audited the accompanying financial statements of Axe Exploration Inc., which comprise the statements of financial position as at September 30, 2016 and 2015 and the statements of comprehensive loss, changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the 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.

Auditor's 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.

Un audit implique la mise en œuvre de procédures en vue de recueillir des éléments probants concernant les montants et les informations fournis dans les états financiers. Le choix des procédures relève du jugement de l'auditeur, et notamment de son évaluation des risques que les états financiers comportent des anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs. Dans l'évaluation de ces risques, l'auditeur prend en considération le contrôle interne de l'entité portant sur la préparation et la présentation fidèle des états financiers afin de concevoir des procédures d'audit appropriées aux circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne de l'entité. Un audit comporte également l'appréciation du caractère approprié des méthodes comptables retenues et du caractère raisonnable des estimations comptables faites par la direction, de même que l'appréciation de la présentation d'ensemble des états financiers.

Nous estimons que les éléments probants que nous avons obtenus dans le cadre de nos audits sont suffisants et appropriés pour fonder notre opinion d'audit.

Opinion

A notre avis, les états financiers donnent, dans tous leurs aspects significatifs, une image fidèle de la situation financière de la société Axe Exploration Inc. aux 30 septembre 2016 et 2015, ainsi que de sa performance financière et de ses flux de trésorerie pour les exercices terminés à ces dates, conformément aux Normes internationales d'information financière (IFRS).

Raymond Cholet Grant Thornton S.E. N.C.R.L. ¹

Rouyn-Noranda
Le 26 janvier 2017

¹ CPA auditeur, CA permis de comptabilité publique n° A119351

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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Axe Exploration Inc. as at September 30, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Raymond Cholet Grant Thornton LLP ¹

Rouyn-Noranda
January 26, 2017

¹ CPA auditor, CA public accountancy permit no A119351

AXE EXPLORATION INC.

ÉTATS DE LA SITUATION FINANCIÈRE
aux 30 septembre 2016 et 2015
(en dollars canadiens)

STATEMENTS OF FINANCIAL POSITION
September 30, 2016 and 2015
(in Canadian dollars)

	Notes	30 septembre / September 30, 2016 \$	30 septembre / September 30, 2015 \$	
ACTIF				ASSETS
Courant				Current
Trésorerie		127 193	487 302	Cash
Placements	6	1 233 535	1 216 264	Investments
Taxes de vente à recevoir		8 926	6 983	Sales tax receivable
Crédits d'impôt relatifs aux ressources et crédits d'impôt miniers à recevoir		1 772	8 974	Tax credits related to resources and mining tax credits receivable
Frais payés d'avance		7 067	5 325	Prepaid expenses
		<u>1 378 493</u>	<u>1 724 848</u>	
Non courant				Non-current
Immobilisations corporelles	7	106 548	105 793	Property, plant and equipment
Actifs d'exploration et d'évaluation	8	454 539	454 539	Exploration and evaluation assets
		<u>561 087</u>	<u>560 332</u>	
Total de l'actif		<u>1 939 580</u>	<u>2 285 180</u>	Total assets
PASSIF				LIABILITIES
Courant				Current
Dettes fournisseurs et autres créditeurs		30 962	23 144	Trade and other payables
Total du passif		<u>30 962</u>	<u>23 144</u>	Total liabilities
CAPITAUX PROPRES				EQUITY
Capital-actions	10	7 699 754	7 699 754	Share Capital
Bons de souscription	10	-	26 679	Warrants
Surplus d'apport		1 062 219	1 035 540	Contributed surplus
Déficit		(6 853 355)	(6 499 937)	Deficit
Total des capitaux propres		<u>1 908 618</u>	<u>2 262 036</u>	Total equity
Total du passif et des capitaux propres		<u>1 939 580</u>	<u>2 285 180</u>	Total liabilities and equity

Les notes complémentaires font partie intégrante des états financiers.

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

Les états financiers ont été approuvés et autorisés pour publication par le conseil d'administration le 26 janvier 2017

These financial statements were approved and authorized for issue by the Board of Directors on January 26, 2017

POUR LE CONSEIL D'ADMINISTRATION / ON BEHALF OF THE BOARD,

(s) Claude Lavoie, Administrateur - Director

(s) Pascal Ducharme, Administrateur - Director

AXE EXPLORATION INC.

ÉTATS DU RÉSULTAT GLOBAL
des exercices terminés les 30 septembre 2016 et 2015
(en dollars canadiens)

STATEMENTS OF COMPREHENSIVE LOSS
Years ended September 30, 2016 and 2015
(in Canadian dollars)

	Notes	2016	2015	
		\$	\$	
CHARGES				EXPENSES
Honoraires des consultants		156 096	155 823	Consultants fees
Honoraires professionnels		24 822	31 653	Professional fees
Autres charges opérationnelles		96 173	78 557	Other operating expenses
Salaires et charges sociales		50 055	58 227	Salaries and fringe benefits
Impôts de la partie XII.6		-	673	Part XII.6 taxes
Rémunération - paiements fondés sur des actions	11	-	17 829	Share-based payments
Inscription, régistrariat et information aux actionnaires		29 599	27 174	Registration, listing fees and shareholder's information
Assurances		7 805	11 934	Insurance
Amortissement des immobilisations corporelles	7	<u>6 145</u>	<u>5 164</u>	Amortization of property, plant and equipment
Résultat opérationnel		(370 695)	(387 034)	Operating loss
AUTRES				OTHERS
Revenus d'intérêts		<u>17 277</u>	<u>23 026</u>	Interest income
RÉSULTAT AVANT IMPÔTS		(353 418)	(364 008)	LOSS BEFORE INCOME TAXES
Impôts différés	13	<u>-</u>	<u>23 099</u>	Deferred income tax expense
RÉSULTAT NET ET RÉSULTAT GLOBAL DE L'EXERCICE		<u>(353 418)</u>	<u>(340 909)</u>	LOSS AND COMPREHENSIVE LOSS FOR THE YEAR
RÉSULTAT NET DE BASE ET DILUÉ PAR ACTION	12	<u>(0,006)</u>	<u>(0,006)</u>	BASIC AND DILUTED LOSS PER SHARE

Les notes complémentaires font partie intégrante des états financiers.
The accompanying notes are an integral part of the financial statements.

AXE EXPLORATION INC.

ÉTATS DES VARIATIONS DES CAPITAUX PROPRES
des exercices terminés les 30 septembre 2016 et 2015
(en dollars canadiens)

STATEMENTS OF CHANGES IN EQUITY
Years ended September 30, 2016 and 2015
(in Canadian dollars)

Notes	Capital- actions / Share capital	Bons de souscription / Warrants	Surplus d'apport / Contributed surplus	Déficit / Deficit	Total des capitaux propres / Total equity	
	\$	\$	\$	\$	\$	
Solde au 30 septembre 2014	7 699 754	26 679	1 017 711	(6 159 028)	2 585 116	Balance at September 30, 2014
Résultat net et résultat global	-	-	-	(340 909)	(340 909)	Loss and comprehensive loss
Octroi d'options	-	-	17 829	-	17 829	Options granted
Solde au 30 septembre 2015	7 699 754	26 679	1 035 540	(6 499 937)	2 262 036	Balance at September 30, 2015
Résultat net et résultat global	-	-	-	(353 418)	(353 418)	Loss and comprehensive loss
Bons de souscription expirés	-	(26 679)	26 679	-	-	Warrants expired
Solde au 30 septembre 2016	7 699 754	-	1 062 219	(6 853 355)	1 908 618	Balance at September 30, 2016

Les notes complémentaires font partie intégrante des états financiers.
The accompanying notes are an integral part of the financial statements.

AXE EXPLORATION INC.

TABLEAUX DES FLUX DE TRÉSORERIE
des exercices terminés les 30 septembre 2016 et 2015
(en dollars canadiens)

STATEMENTS OF CASH FLOWS
Years ended September 30, 2016 and 2015
(in Canadian dollars)

	Notes	2016 \$	2015 \$	
ACTIVITÉS OPÉRATIONNELLES				OPERATING ACTIVITIES
Résultat net		(353 418)	(340 909)	Net loss
Ajustements				Adjustments
Rémunération - paiements fondés sur des actions	11	-	17 829	Share-based payments
Amortissement des immobilisations corporelles	7	6 145	5 164	Amortization of property, plant and equipment
Impôts différés	13	-	(23 099)	Deferred income tax expense
Variation nette des éléments du fonds de roulement	14	4 133	(2 957)	Net change in operating working capital items
		<u>(343 140)</u>	<u>(343 972)</u>	
ACTIVITÉS D'INVESTISSEMENT				INVESTING ACTIVITIES
Acquisition de placements		(17 271)	-	Purchase of Investments
Cession de placements		-	340 794	Disposal of Investments
Acquisition d'immobilisations corporelles		(6 900)	(14 050)	Acquisition of property, plant and equipment
Crédits d'impôt relatif aux ressources et crédits d'impôt minier à recevoir		7 202	13 197	Tax credits related to resources and mining tax credits receivable
Acquisition d'actifs d'exploration et d'évaluation		-	(77 560)	Acquisition of exploration and evaluation assets
		<u>(16 969)</u>	<u>262 381</u>	
DIMINUTION DE LA TRÉSORERIE		(360 109)	(81 591)	CASH DECREASE
Trésorerie, au début		<u>487 302</u>	<u>568 893</u>	Cash, beginning of year
Trésorerie, à la fin		<u>127 193</u>	<u>487 302</u>	Cash, end of year
Informations additionnelles – Flux de trésorerie (note 14)				Additional information disclosures – Cash flows (Note 14)

AXE EXPLORATION INC.

NOTES COMPLÉMENTAIRES
aux 30 septembre 2016 et 2015
(en dollars canadiens)

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015
(in Canadian dollars)

1- NATURE DES ACTIVITÉS

Axe Exploration Inc (ci-après la «Société»), se spécialise dans l'exploration de gisements aurifères et de métaux précieux situés au Canada.

2- CONTINUITÉ DE L'EXPLOITATION

Les états financiers ont été établis conformément aux Normes internationales d'information financière (IFRS) incluant l'hypothèse de la continuité de l'exploitation, laquelle prévoit que la Société sera en mesure de réaliser ses actifs et d'acquitter ses dettes dans le cours normal de ses activités.

La Société est au stade de l'exploration et comme beaucoup de sociétés d'exploration minière, elle conclut des financements sur le marché des capitaux afin de poursuivre ses activités. La Société a encouru une perte de 353 418 \$ au cours de l'exercice (340 909 \$ en 2015) et a un déficit de 6 853 355 \$ au 30 septembre 2016 (6 499 937 \$ au 30 septembre 2015). La Société a un fonds de roulement de 1 347 531 \$ au 30 septembre 2016 (1 701 704 \$ au 30 septembre 2015). Du financement additionnel au-delà de ce fonds de roulement sera nécessaire pour mettre en valeur les actifs d'exploration de la Société.

Même si la Société a réussi à financer ses programmes d'exploration dans le passé, rien ne garantit qu'elle réussisse à obtenir d'autres financements dans l'avenir. L'incapacité à obtenir du financement additionnel en temps opportun pourrait amener la Société à perdre ses droits dans un ou tous ses actifs d'exploration. Ces incertitudes jettent un doute relativement à la capacité de la Société de poursuivre ses activités. Les états financiers n'ont pas subi les ajustements qui seraient nécessaires d'apporter aux valeurs comptables des actifs et des passifs et au classement utilisé dans l'état de la situation financière si l'hypothèse de la continuité de l'exploitation ne convenait pas.

1- NATURE OF OPERATIONS

Axe Exploration Inc. (the "Company"), specializes in exploration of gold deposits and precious metals located in Canada.

2- GOING CONCERN ASSUMPTION

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company is at the exploration stage and as many mining exploration companies, it raises funds on the equity market to conduct its activities. The Company has incurred a loss of \$353,418 during the year (\$340,909 in 2015) and has a deficit of \$6,853,355 at September 30, 2016 (\$6,499,937 at September 30, 2015). The Company has a working capital of \$1,347,531 at September 30, 2016 (\$1,701,704 at September 30, 2015). Further financing beyond this level of working capital will be required to develop the Company's mineral properties.

There is no assurance that additional funds can be raised when required to even if the Company has been successful in the past in doing so. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its interest in some or all of its properties and reduce or terminate its exploration activities. These uncertainties cast doubt regarding the Company's ability to continue as a going concern. These financial statements do not reflect any adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these financial statements, adjustments to the carrying values of assets and liabilities and statement of financial position classification, which could be material, may be necessary.

AXE EXPLORATION INC.

NOTES COMPLÉMENTAIRES
aux 30 septembre 2016 et 2015
(en dollars canadiens)

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015
(in Canadian dollars)

3- GÉNÉRALITÉS ET CONFORMITÉ AUX IFRS

Les états financiers de la Société ont été établis conformément aux IFRS.

La Société est constituée en vertu de la *Loi canadienne sur les sociétés par actions*. Le siège social, qui est aussi l'établissement principal, est situé au 255 Curé-Labelle, suite 204, Laval, Québec, Canada. Les actions de la Société sont cotées à la Bourse de croissance TSX.

4- PRINCIPALES MÉTHODES COMPTABLES
4.1 Généralités

Les principales méthodes comptables et bases d'évaluation ayant servi à la préparation des présents états financiers sont résumées ci-dessous.

4.2 Base d'évaluation

Les présents états financiers ont été préparés selon la méthode du coût historique.

4.3 Monnaie fonctionnelle et monnaie de présentation

Les états financiers sont présentés en devise canadienne qui est aussi la monnaie fonctionnelle.

4.4 Instruments financiers

Les actifs et les passifs financiers sont comptabilisés lorsque la Société devient une partie aux dispositions contractuelles de l'instrument financier.

Les actifs financiers sont décomptabilisés lorsque les droits contractuels sur les flux de trésorerie liés à l'actif financier arrivent à expiration, ou lorsque l'actif financier et tous les risques et avantages importants sont transférés.

Un passif financier est décomptabilisé en cas d'extinction, de résiliation, d'annulation ou d'expiration.

3- GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

The financial statements of the Company have been prepared in accordance with IFRS.

The Company is incorporated under the *Canada Business Corporations Act*. The address of the Company's registered office and its principal place of business is 255 Cure-Labelle, Suite 204, Laval, Quebec, Canada. The Company's shares are listed on the TSX Venture Exchange.

4- SUMMARY OF ACCOUNTING POLICIES
4.1 Overall considerations

The significant accounting policies and measurement bases that have been applied in the preparation of these financial statements are summarized below.

4.2 Basis of evaluation

These financial statements are prepared using the historical cost method.

4.3 Functional currency and presentation currency

The financial statements are presented in Canadian currency which is the functional currency.

4.4 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

AXE EXPLORATION INC.

NOTES COMPLÉMENTAIRES
aux 30 septembre 2016 et 2015
(en dollars canadiens)

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015
(in Canadian dollars)

4- PRINCIPALES MÉTHODES COMPTABLES (suite)
4.4 Instruments financiers (suite)

Les actifs et les passifs financiers sont initialement évalués à la juste valeur majorée des coûts de transaction.

Les actifs et les passifs financiers sont évalués ultérieurement comme il est indiqué ci-après.

Actifs financiers

Aux fins de l'évaluation ultérieure, les actifs financiers de la Société sont classés dans la catégorie prêts et créances au moment de la comptabilisation initiale.

La catégorie détermine la méthode d'évaluation ultérieure et la comptabilisation soit en résultat, soit en autres éléments du résultat global des produits et des charges qui en résulteront. Tous les produits et charges se rapportant aux actifs financiers comptabilisés en résultat net sont présentés dans les charges financières ou les revenus d'intérêts, le cas échéant.

Prêts et créances

Les prêts et créances sont des actifs financiers non dérivés à paiements fixes ou déterminables, qui ne sont pas cotés sur un marché actif. Après leur comptabilisation initiale, ils sont évalués au coût amorti en utilisant la méthode du taux d'intérêt effectif, moins une provision pour perte de valeur. L'actualisation est omise si son effet est non significatif. La trésorerie et les placements font partie de cette catégorie d'instruments financiers.

Dépréciation d'actifs financiers

Tous les actifs financiers font l'objet d'un test de dépréciation au moins à chaque date de clôture. Les actifs financiers sont dépréciés lorsqu'il existe des indications objectives qu'un actif financier ou un groupe d'actifs financiers a subi une perte de valeur.

Passifs financiers

Les passifs financiers de la Société comprennent les dettes fournisseurs et autres créditeurs.

Les passifs financiers sont évalués ultérieurement au coût amorti en utilisant la méthode du taux d'intérêt effectif.

Les charges d'intérêts, le cas échéant, sont présentées dans les charges financières.

4- SUMMARY OF ACCOUNTING POLICIES (continued)
4.4 Financial instruments (continued)

Financial assets and financial liabilities are measured initially at fair value plus transactions costs.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, the Company's financial assets are classified into the loans and receivables category upon initial recognition.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All income and expenses relating to financial assets that are recognized in profit or loss are presented within Finance costs or Interest Income, if any.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Cash and investments fall into this category of financial instruments.

Impairment of financial assets

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities

The Company's financial liabilities include trade and other payables.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss within Finance costs.

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4- PRINCIPALES MÉTHODES COMPTABLES (suite)
4.5 Résultat de base et dilué par action

Le résultat de base par action est calculé en divisant le résultat attribuable aux porteurs d'actions ordinaires de la Société par le nombre moyen pondéré d'actions ordinaires en circulation au cours de l'exercice. Le résultat dilué par action est calculé en ajustant le résultat attribuable aux porteurs d'actions ordinaires de la Société ainsi que le nombre moyen pondéré d'actions ordinaires en circulation, des effets de toutes les actions ordinaires potentielles dilutives, lesquelles englobent les options d'achat d'actions et les bons de souscription. Aux fins de ce calcul, on considère que les actions ordinaires potentielles dilutives ont été converties en actions ordinaires au début de l'exercice ou à la date d'émission des actions ordinaires potentielles si elle est ultérieure.

4.6 Contrats de location simple

Les contrats de location pour lesquels une portion importante des risques et des avantages est conservée par le bailleur sont traités comme des contrats de location simple. Les paiements au titre des contrats de location simple sont comptabilisés en charges sur une base linéaire pendant toute la durée du contrat de location. Les frais connexes, comme ceux se rapportant à la maintenance et à l'assurance, sont comptabilisés en charges au fur et à mesure qu'ils sont engagés.

4.7 Crédits d'impôt à recevoir

La Société a droit à des crédits d'impôt remboursables sur les frais d'exploration admissibles engagés et à des crédits de droits remboursables selon la Loi sur l'impôt minier. Ces crédits d'impôt sont comptabilisés en réduction des dépenses d'exploration engagées et en fonction des estimations de la direction. La Société comptabilise ces crédits d'impôt lorsqu'il existe une assurance raisonnable que les crédits seront recouverts et accordés et que la Société respectera les conditions connexes.

4.8 Actifs d'exploration et d'évaluation

Les actifs d'exploration et d'évaluation sont les coûts engagés dans la recherche initiale de ressources minérales avant que la faisabilité technique et la viabilité commerciale de l'extraction ne soient démontrables. Les coûts engagés avant l'acquisition des servitudes légales d'exploration et d'évaluation sont comptabilisés en résultat au moment où ils sont engagés.

4- SUMMARY OF ACCOUNTING POLICIES (continued)
4.5 Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to common equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to common equity holders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which include options and warrants. Dilutive potential common shares shall be deemed to have been converted into common shares at the beginning of the period or, if later, at the date of issue of the potential common shares.

4.6 Operating lease agreements

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are recognized as an expense on a straight-line basis over the lease term. Related expenses, such as maintenance and insurance expenses, are charged as incurred.

4.7 Tax credits receivable

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. These tax credits are recognized as a reduction of the exploration costs incurred based on estimates made by management. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

4.8 Exploration and evaluation assets

Exploration and evaluation assets are costs incurred in the course of initial search of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

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4- PRINCIPALES MÉTHODES COMPTABLES (suite)
4.8 Actifs d'exploration et d'évaluation (suite)

Lorsque les servitudes légales d'exploration et d'évaluation ont été obtenues, tous les coûts liés à l'acquisition des droits miniers et les dépenses liées à l'exploration et à l'évaluation des propriétés minières, diminués des crédits d'impôt liés à ces dépenses, sont comptabilisés en actifs d'exploration et d'évaluation. Les dépenses liées à l'exploration et à l'évaluation qui sont capitalisées incluent notamment les études topographiques, géologiques, géochimiques et géophysiques, les forages d'exploration, le creusement de tranchées, l'échantillonnage ainsi que les activités en liaison avec l'évaluation de la faisabilité technique et de la viabilité commerciale de l'extraction d'une ressource minérale.

Les différents coûts sont incorporés au coût de l'actif d'exploration et d'évaluation, propriété minière par propriété minière, jusqu'à ce que la faisabilité technique et la viabilité commerciale de l'extraction d'une ressource minérale soient démontrées. Ces actifs sont comptabilisés en tant qu'immobilisations incorporelles et sont présentés au coût moins le cumul des pertes de valeur. Aucune charge d'amortissement n'est comptabilisée pour ces actifs durant la phase d'exploration et d'évaluation.

S'il était établi que la viabilité d'une propriété minière n'est pas assurée ou si la propriété minière était abandonnée, le montant capitalisé serait réduit à sa valeur recouvrable (voir note 4.10), l'écart étant alors comptabilisé immédiatement en résultat net.

Si la faisabilité technique et la viabilité commerciale de l'extraction d'une ressource minérale peuvent être démontrées, les actifs d'exploration et d'évaluation liés à la propriété minière correspondante sont alors transférés dans les immobilisations corporelles dans la catégorie Actifs miniers en construction. Avant le transfert, les actifs d'exploration et d'évaluation doivent être soumis à un test de dépréciation (voir note 4.10), et toute perte de valeur doit être comptabilisée en résultat net avant le reclassement.

Jusqu'à maintenant, aucune faisabilité technique ni aucune viabilité commerciale de l'extraction d'une ressource minérale n'a été démontrée.

4- SUMMARY OF ACCOUNTING POLICIES (continued)
4.8 Exploration and evaluation assets (continued)

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights, expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are recognized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource.

The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (see Note 4.10); the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment (see Note 4.10) and any impairment loss is recognized in profit or loss before reclassification.

Until now, no technical feasibility and no commercial viability of extracting a mineral resource have been demonstrated.

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4- PRINCIPALES MÉTHODES COMPTABLES (suite)
4.8 Actifs d'exploration et d'évaluation (suite)

Bien que la Société ait pris des mesures conformes aux pratiques de l'industrie pour le stade d'exploration actuel de telles propriétés afin d'obtenir les titres de propriété des propriétés minières dans lesquelles elle détient un intérêt financier, ces procédures ne garantissent toutefois pas la validité du titre de propriété. Les titres de propriété des propriétés minières peuvent être assujettis à des ententes préalables non enregistrées et au non-respect de dispositions réglementaires.

4.9 Immobilisations corporelles

Les immobilisations corporelles sont comptabilisées au coût historique diminué du cumul des pertes de valeur et des amortissements.

Le coût historique tient compte de tous les coûts directement attribuables à l'acquisition. Les valeurs résiduelles, la méthode d'amortissement et la durée d'utilité des actifs sont revus chaque année et ajustés au besoin.

L'amortissement des immobilisations corporelles est calculé sur les composantes qui ont des durées d'utilité homogène en recourant à la méthode dégressive selon les taux indiqués ci-après :

Immeuble	5 %
Équipement d'exploration	20 %
Matériel informatique	55 %
Véhicule	30 %

La charge d'amortissement de chaque période est comptabilisée en résultat net, sauf pour certaines immobilisations corporelles liées aux activités d'exploration et d'évaluation dont la charge d'amortissement est incorporée dans la valeur comptable d'un actif d'exploration et d'évaluation lorsqu'elles sont utilisées dans le cadre de projets précis d'exploration et d'évaluation.

4.10 Dépréciation des actifs d'exploration et d'évaluation et des immobilisations corporelles

Aux fins d'évaluation de la dépréciation, les actifs sont regroupés aux niveaux les plus bas générant des entrées de trésorerie largement indépendantes (unités génératrices de trésorerie). Par conséquent, certains actifs sont soumis individuellement à un test de dépréciation tandis que d'autres sont testés au niveau d'une unité génératrice de trésorerie.

4- SUMMARY OF ACCOUNTING POLICIES (continued)
4.8 Exploration and evaluation assets (continued)

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the mining property titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements

4.9 Property, Plant and Equipment

Property, plant and equipment are accounted for at historical cost less any accumulated impairment losses and amortization.

The historical cost of property, plant and equipment comprises any acquisition costs directly attributable. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Amortization of property, plant and equipment is based on each part of a property, plant and equipment which has similar useful life using declining method at the following rates:

Building	5%
Exploration equipment	20%
Computer equipment	55%
Vehicle	30%

The amortization expense for each period is recognized in profit or loss except for certain items of property, plant and equipment related to exploration and evaluation activities where the amortization expense is included in the carrying amount of an exploration and evaluation asset when it relates to a specific exploration and evaluation project.

4.10 Impairment of exploration and evaluation assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

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4.10 Dépréciation des actifs d'exploration et d'évaluation et des immobilisations corporelles (suite)

Tous les actifs individuels ou unités génératrices de trésorerie sont soumis à un test de dépréciation lorsque des événements ou des changements de circonstances indiquent que leur valeur comptable pourrait ne pas être recouvrable.

Des tests de dépréciation des actifs d'exploration et d'évaluation sont effectués projet par projet, chaque projet représentant une seule unité génératrice de trésorerie. Un test de dépréciation est effectué lorsque les indicateurs de dépréciation l'indiquent, mais généralement lorsqu'une de ces circonstances se présente :

- Le droit d'exploration dans la zone spécifique expire ou expirera dans un proche avenir et il n'est pas prévu qu'il soit renouvelé ;
- Aucune dépense d'exploration et d'évaluation ultérieure dans la zone spécifique n'est prévue au budget ni planifiée ;
- Aucune découverte de ressources n'est commercialement viable et la Société a décidé de cesser l'exploration dans la zone spécifique ;
- Un travail suffisant a été réalisé afin d'indiquer que la valeur comptable de la dépense comptabilisée en actif ne sera pas entièrement récupérée.

De plus, si la faisabilité technique et la viabilité commerciale de l'extraction d'une ressource minérale peuvent être démontrées, les actifs d'exploration et d'évaluation liés à la propriété minière correspondante doivent être soumis à un test de dépréciation avant d'être transférés dans les immobilisations corporelles.

Une perte de valeur égale au montant par lequel la valeur comptable d'un actif ou d'une unité génératrice de trésorerie excède sa valeur recouvrable est comptabilisée en résultat net. La valeur recouvrable d'un actif ou d'une unité génératrice de trésorerie est la plus élevée de sa juste valeur moins les coûts de sa vente, et de sa valeur d'utilité.

4- SUMMARY OF ACCOUNTING POLICIES (continued)
4.10 Impairment of exploration and evaluation assets and property, plant and equipment (continued)

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- the right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- no further exploration or evaluation expenditures in the area are planned or budgeted;
- no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property, plant and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

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4.10 Dépréciation des actifs d'exploration et d'évaluation et des immobilisations corporelles (suite)

Une perte de valeur peut être reprise si la valeur recouvrable d'un actif ou d'une unité génératrice de trésorerie excède sa valeur comptable.

4.11 Provisions et passifs éventuels

Les provisions sont comptabilisées lorsque les obligations juridiques ou implicites actuelles, résultant d'un événement passé, se traduiront probablement par une sortie de ressources représentatives d'avantages économiques de la Société et que les montants peuvent être estimés de manière fiable. L'échéance ou le montant de la sortie peuvent être incertains.

L'évaluation des provisions correspond aux dépenses estimées nécessaires à l'extinction de l'obligation actuelle, en fonction des éléments probants les plus fiables disponibles à la date de présentation de l'information financière, incluant les risques et les incertitudes liés à l'obligation actuelle. Les provisions sont actualisées lorsque la valeur temps de l'argent est significative.

Les activités de la Société sont régies par des lois et règlements gouvernementaux concernant la protection de l'environnement. Les conséquences environnementales sont difficilement déterminables, qu'il s'agisse des montants, de l'échéance ou de l'impact.

À la date de présentation de l'information financière, la direction estime que la Société exerce généralement ses activités en conformité avec les lois et règlements présentement en vigueur. Les coûts actuellement engagés pour la remise en état des sites sont présentement négligeables. Lorsque la faisabilité technique et la viabilité commerciale de l'extraction d'une ressource minérale seront démontrées, une provision pour restauration sera comptabilisée au coût de la propriété minière lorsqu'elle aura une obligation actuelle résultant d'un événement passé, qu'il sera probable qu'une sortie de ressources représentatives d'avantages économiques sera nécessaire pour éteindre l'obligation et que le montant de l'obligation pourra être estimé de manière fiable.

Lorsqu'une sortie possible de ressources représentatives d'avantages économiques résultant d'une obligation actuelle est considérée comme étant improbable ou de probabilité faible, aucun passif n'est comptabilisé.

4- SUMMARY OF ACCOUNTING POLICIES (continued)
4.10 Impairment of exploration and evaluation assets and property, plant and equipment (continued)

An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

4.11 Provisions and contingent liabilities

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to determine in terms of amounts, timetable and impact.

As of the reporting date, management believes that the Company's operations are in material compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.

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4- PRINCIPALES MÉTHODES COMPTABLES (suite)
4.11 Provisions et passifs éventuels (suite)

Lorsqu'une sortie possible de ressources représentatives d'avantages économiques résultant d'une obligation actuelle est considérée comme étant improbable ou de probabilité faible, aucun passif n'est comptabilisé.

Les provisions sont revues à chaque date de présentation de l'information financière et ajustées pour refléter les meilleures estimations actuelles à cette date. Aucune provision n'est enregistrée aux livres pour les périodes de présentation de l'information financière.

4.12 Impôt sur le résultat

La charge d'impôt comptabilisée en résultat correspond à la somme de l'impôt différé et de l'impôt exigible qui ne sont pas comptabilisés directement en capitaux propres.

Les actifs ou les passifs d'impôt exigible comprennent les montants à payer aux administrations fiscales ou à recouvrer auprès de ces administrations fiscales pour la période en cours et la période de présentation de l'information financière antérieure et qui n'ont pas été réglés à la date de clôture. L'impôt exigible est calculé sur le bénéfice imposable qui diffère du résultat dans les états financiers. Le calcul de l'impôt exigible est fondé sur les taux d'imposition et les réglementations fiscales qui ont été adoptés ou quasi adoptés à la fin de la période de présentation de l'information financière.

Toutefois, puisque la Société est en phase d'exploration et qu'elle n'a pas de bénéfice imposable, la charge d'impôt comptabilisée en résultat ne correspond présentement qu'à de l'impôt différé.

L'impôt différé est calculé selon la méthode du passif fiscal sur les différences temporaires entre la valeur comptable des actifs et des passifs et leur base fiscale. Toutefois, l'impôt différé n'est pas comptabilisé au moment de la comptabilisation initiale d'un goodwill ou au moment de la comptabilisation initiale d'un actif ou d'un passif, à moins que la transaction y donnant lieu ne soit un regroupement d'entreprises ou qu'elle ait une incidence sur le bénéfice imposable ou comptable.

4- SUMMARY OF ACCOUNTING POLICIES (continued)
4.11 Provisions and contingent liabilities (continued)

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. No provision is recorded in the books for periods of financial reporting.

4.12 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

However, since the Company is in exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred tax.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

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4- PRINCIPALES MÉTHODES COMPTABLES (suite)
4.12 Impôt sur le résultat (suite)

Les actifs ou les passifs d'impôt différé sont calculés, sans actualisation, selon les taux d'imposition dont l'application est attendue au cours de leur période de réalisation respective lorsque ces taux sont adoptés ou quasi adoptés avant la fin de la période de présentation de l'information financière.

Les actifs d'impôt différé sont comptabilisés dans la mesure où il est probable que la perte fiscale ou la différence temporaire déductible sous-jacente permettra de compenser un bénéfice imposable futur. L'évaluation repose sur la prévision des résultats opérationnels futurs de la Société, ajustés pour tenir compte des produits et des charges non imposables importants et de limites particulières sur l'utilisation de toute perte fiscale ou tout crédit d'impôt inutilisés. Les passifs d'impôt différé sont toujours comptabilisés en entier.

Les actifs ou les passifs d'impôt différé sont compensés uniquement lorsque la Société a le droit et l'intention de compenser les actifs ou les passifs d'impôt exigible découlant des mêmes administrations fiscales.

Les variations des actifs ou des passifs d'impôt différé sont comptabilisées en résultat net à titre d'impôt différé, sauf si elles concernent des éléments qui ont été comptabilisés directement en capitaux propres, auquel cas l'impôt différé correspondant est également comptabilisé en capitaux propres.

4.13 Capitaux propres

Le capital-actions représente le montant reçu à l'émission des actions. Si les actions sont émises à la suite d'exercice d'options sur actions, d'options sur les options aux courtiers ou de bons de souscription, ce poste comprend également la charge de rémunération antérieurement comptabilisée au poste surplus d'apport ou bons de souscription. De plus, si les actions sont émises dans le cadre d'une acquisition de propriété ou tout autre actif non monétaire, les actions sont mesurées à la juste valeur en fonction du cours de la Bourse le jour où l'entente est conclue.

4- SUMMARY OF ACCOUNTING POLICIES (continued)
4.12 Income Taxes (continued)

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax expense in profit or loss, except where they relate to items that are recognized directly in equity, in which case the related deferred tax is also recognized in equity.

4.13 Equity

Share capital represents the amount received on the issue of shares. If shares are issued when stock options, brokers options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded as contributed surplus or warrants. In addition, if the shares are issued in an acquisition of property or other assets that are not monetary, shares are measured at fair value based on stock price on the day the agreement is signed.

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4- PRINCIPALES MÉTHODES COMPTABLES (suite)
4.13 Capitaux propres (suite)
Émission d'unités

Les produits des émissions d'unités sont répartis entre les actions et les bons de souscription émis au moyen de la méthode résiduelle. Les produits sont d'abord imputés aux actions en fonction du cours de la Bourse au moment de l'émission et le montant résiduel est attribué aux bons de souscription.

Placements accreditifs

L'émission d'unités accreditives constitue en substance une émission d'actions ordinaires, de bons de souscription et la vente d'un droit à des déductions fiscales au profit des investisseurs. Au moment de l'émission des unités accreditives, la vente du droit aux déductions fiscales est différée et comptabilisée dans les autres passifs à l'état de la situation financière. Les produits des émissions des unités accreditives sont répartis entre les actions, les bons de souscription et les autres passifs émis au moyen de la méthode résiduelle. Les produits sont d'abord imputés aux actions en fonction du cours de la Bourse à la date de l'émission, puis aux bons de souscription en fonction de la juste valeur de ceux-ci à la date de l'émission, et le montant résiduel est attribué aux autres passifs. La juste valeur des bons de souscription est déterminée à l'aide du modèle d'évaluation Black-Scholes. Lorsque les dépenses admissibles ont été engagées et que la Société a l'intention ferme de renoncer à son droit aux déductions fiscales au profit des investisseurs, le montant comptabilisé en autres passifs est renversé et comptabilisé en résultat net en déduction de la charge d'impôt différé et un passif d'impôt différé est comptabilisé pour la différence temporelle imposable découlant du fait que la valeur comptable des dépenses admissibles inscrites à l'actif dans l'état de la situation financière diffère de leur base fiscale.

Autres éléments des capitaux propres

Le surplus d'apport inclut les charges de rémunération liées aux options sur actions et aux options aux courtiers.

Le déficit comprend l'ensemble des pertes de l'exercice en cours et des exercices antérieurs moins les frais d'émission, déduction faite de tout avantage d'impôt sur le résultat sous-jacent à ces frais d'émission.

4- SUMMARY OF ACCOUNTING POLICIES (continued)
4.13 Equity (continued)
Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Flow-through placements

Issuance of flow-through shares represents in substance an issue of common shares and the sale of the right to tax deductions to the investors. When the flow-through shares are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the statement of financial position. The proceeds received from flow-through placements are allocated between shares, warrants and other liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance, then to warrants according to their fair value at the date of issuance and the residual proceeds are allocated to other liability. The fair value of the warrants is determined using the Black-Scholes valuation model. The liability component recorded initially on the issuance of shares is reversed on renouncement of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income tax expense. A deferred tax liability is also recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset and its tax basis.

Other elements of equity

Contributed surplus include share-based payment charges relating to stock options and brokers options.

Deficit includes all current and prior periods losses less issuance costs, net of any underlying income tax benefit from these issuance costs.

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4.13 Capitaux propres (suite)

Le poste bons de souscription inclut les charges liées aux bons de souscription. Lorsque ces bons de souscription sont expirés, les charges correspondantes sont transférées dans le surplus d'apport.

4.14 Paiements fondés sur des actions

La Société gère un régime de paiements fondés sur des actions et réglés en instruments de capitaux propres à l'intention des administrateurs, employés et consultants qui y sont admissibles. Le régime de la Société ne comporte pas d'option de règlement en espèces.

Tous les biens et les services reçus en contrepartie de l'octroi d'un paiement fondé sur des actions sont évalués à leur juste valeur, sauf si cette juste valeur ne peut être estimée de façon fiable. Si la Société ne peut estimer de façon fiable la juste valeur des biens ou des services reçus, elle doit en évaluer la valeur indirectement par référence à la juste valeur des instruments de capitaux propres attribués. Pour les transactions effectuées avec des membres du personnel et des tiers fournissant des services similaires, la Société évalue la juste valeur des services reçus par référence à la juste valeur des instruments des capitaux propres attribués.

Les paiements fondés sur des actions (à l'exception des options aux courtiers) sont ultimement comptabilisés en résultat net à la dépense ou capitalisés comme actifs d'exploration et d'évaluation selon la nature du paiement et la contrepartie est portée au crédit du surplus d'apport dans les capitaux propres. Les paiements fondés sur des actions à des courtiers dans le cas d'un financement en actions sont comptabilisés comme frais d'émission d'instruments de capitaux propres et la contrepartie est comptabilisée au crédit du surplus d'apport dans les capitaux propres.

4- SUMMARY OF ACCOUNTING POLICIES (continued)
4.13 Equity (continued)

Warrants include charges relating to warrants. When these warrants are expired, the relating charges are transferred to contributed surplus.

4.14 Equity-settled share-based payments

The Company operates an equity-settled share-based payment plan for its eligible directors, employees and consultants. The Company's plan does not feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services received by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments (except brokers options) are ultimately recognized as an expense in the profit or loss or capitalized as exploration and evaluation assets, depending on the nature of the payment with a corresponding credit to contributed surplus, in equity. Equity-settled share-based payments to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to contributed surplus, in equity.

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4- PRINCIPALES MÉTHODES COMPTABLES (suite)
4.14 Paiements fondés sur des actions (suite)

Dans les cas où des périodes ou des conditions d'acquisition de droits s'appliquent, la charge est répartie sur la période d'acquisition en fonction de la meilleure estimation disponible du nombre d'options sur actions dont l'acquisition est attendue. Les conditions d'acquisition non liées au marché font partie des hypothèses portant sur le nombre d'options qui, selon les attentes, deviendront exerçables. Les estimations sont ensuite révisées lorsqu'il y a des indications à l'effet que le nombre d'options sur actions dont l'acquisition est attendue diffère des estimations précédentes. Tout rajustement cumulatif avant l'acquisition des droits est comptabilisé dans l'exercice en cours.

Aucun rajustement n'est apporté aux charges comptabilisées dans des exercices antérieurs si le nombre d'options sur actions qui ont finalement été acquises diffère de celui qui avait été prévu au moment de l'acquisition.

4.15 Information sectorielle

La Société présente et divulgue l'information sectorielle selon les informations examinées régulièrement par les principaux décideurs opérationnels, c'est-à-dire le président et le conseil d'administration.

La Société a déterminé qu'il n'y avait qu'un seul secteur opérationnel, soit le secteur d'exploration et d'évaluation des ressources minérales.

4.16 Normes, modifications et interprétations de normes publiées qui ne sont pas encore en vigueur et qui n'ont pas été adoptées de façon anticipée par la Société

À la date d'autorisation de ces états financiers, de nouvelles normes et interprétations de normes existantes et de nouvelles modifications ont été publiées, mais ne sont pas encore en vigueur, et la Société ne les a pas adoptées de façon anticipée.

4- SUMMARY OF ACCOUNTING POLICIES (continued)
4.14 Equity-settled share-based payments (continued)

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period.

No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

4.15 Segmental reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the Chairman and the Board of Directors.

The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

4.16 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Company.

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4- PRINCIPALES MÉTHODES COMPTABLES (suite)

4.16 Normes, modifications et interprétations de normes publiées qui ne sont pas encore en vigueur et qui n'ont pas été adoptées de façon anticipée par la Société (suite)

La direction prévoit que l'ensemble des prises de position sera adoptée dans les méthodes comptables de la Société au cours du premier exercice débutant après la date d'entrée en vigueur de chaque prise de position. L'information sur les nouvelles normes et interprétations ainsi que les nouvelles modifications aux normes, qui sont susceptibles d'être pertinentes pour les états financiers de la Société, est fournie ci-dessous. Certaines autres nouvelles normes et interprétations ont été publiées, mais la Société ne s'attend pas à ce qu'elles aient une incidence sur ses états financiers.

IFRS 9 – Instruments financiers (IFRS 9)

L'International Accounting Standards Board (« IASB ») a publié IFRS 9 Instruments financiers (2014), qui représente l'achèvement de son projet de remplacement d'IAS 39 Instruments financiers : Comptabilisation et évaluation. La nouvelle norme présente des changements importants apportés aux directives d'IAS 39 sur le classement et l'évaluation des actifs financiers et instaure un nouveau modèle pour les pertes de crédit attendues pour la dépréciation des actifs financiers. IFRS 9 fournit également de nouvelles directives sur l'application de la comptabilité de couverture. Cette norme s'applique aux exercices ouverts à compter du 1er janvier 2018, l'adoption anticipée étant permise. La Société n'a pas encore déterminé l'incidence de l'adoption de cette norme sur ses états financiers.

4- SUMMARY OF ACCOUNTING POLICIES (continued)

4.16 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company (continued)

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of each pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have an impact on the Company's financial statements.

IFRS 9 – Financial Instruments (IFRS 9)

The International Accounting Standards Board ("IASB") recently released IFRS 9 "Financial Instruments" (2014), representing the completion of its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Corporation has yet to assess the impact of this new standard on its financial statements.

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5- JUGEMENTS, ESTIMATIONS ET HYPOTHÈSES

Lorsqu'elle prépare les états financiers, la direction pose un certain nombre de jugements, d'estimations et d'hypothèses quant à la comptabilisation et à l'évaluation des actifs, des passifs, des produits et des charges.

5.1 Jugements posés par la direction

Les paragraphes qui suivent traitent des jugements importants que doit poser la direction dans le cadre de l'application des méthodes comptables de la Société, qui ont l'incidence la plus significative sur les états financiers.

Comptabilisation des actifs d'impôt différé et évaluation de la charge d'impôt sur le résultat

La direction évalue régulièrement les probabilités que ses actifs d'impôt différé ne se réalisent pas. Dans le cadre de cette évaluation, la direction doit déterminer s'il est probable que la société génère ultérieurement un bénéfice imposable suffisant auquel ces pertes pourront être imputées pendant la période de report. De par sa nature, cette évaluation requiert une grande part de jugement. À ce jour, la direction n'a comptabilisé aucun actif d'impôt différé en excédent des différences temporaires imposables existantes, qui sont censées s'inverser durant la période de report (se reporter à la note 4.12).

Continuité d'exploitation

L'évaluation de la capacité de la Société de poursuivre sur une base de continuité d'exploitation, d'obtenir suffisamment de fonds pour couvrir ses dépenses d'opérations en cours, de remplir ses obligations pour l'année à venir, et d'obtenir du financement pour les programmes d'exploration et d'évaluation prévus, implique une grande part de jugement basé sur l'expérience passée et sur d'autres facteurs, incluant la probabilité d'événements futurs qui sont considérés comme raisonnables en tenant compte des circonstances. Se reporter à la note 2 pour de plus amples informations.

5- CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

5.1 Judgments made by Management

The following paragraphs discuss significant judgments to be put under the direction of applying the accounting policies of the Company, which have the most significant impact on the financial statements.

Recognition of deferred tax assets and valuation of income tax on earnings

Management regularly assesses the likelihood that its deferred tax assets will not be realized. As part of this evaluation, management must determine if it is probable that the Company generates sufficient future taxable income to which these losses can be offset during the deferral period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred assets in excess of existing taxable temporary differences, which are expected to reverse during the deferral period (see Note 4.12).

Going concern

The evaluation of the ability of the Company to continue on a going concern, to obtain sufficient funds to cover its operating expenses in progress, to meet its obligations for the coming year, and obtain financing for exploration and evaluation programs provided, involves significant judgment based on past experience and other factors, including expectations of future events that are believed to be reasonable taking into account the circumstances. See Note 2 for more information.

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5- JUGEMENTS, ESTIMATIONS ET HYPOTHÈSES (suite)
5.2 Sources d'incertitude relative aux estimations

L'information sur les estimations et les hypothèses qui ont la plus grande incidence sur la comptabilisation et l'évaluation des actifs, des passifs, des produits et des charges est présentée ci-après. Les résultats réels peuvent différer significativement.

Dépréciation des actifs d'exploration et d'évaluation

L'évaluation des faits et circonstances démontrant l'existence d'un quelconque indice qu'un actif a pu se déprécier ou reprendre de la valeur est un processus subjectif qui implique du jugement et souvent un certain nombre d'estimations et d'hypothèses (se reporter à la note 4.10).

S'il existe un indice qu'un actif a pu se déprécier ou reprendre de la valeur, la valeur recouvrable de l'actif pris individuellement ou de l'unité génératrice de trésorerie doit être estimée.

En évaluant la dépréciation, la Société doit procéder à certaines estimations et hypothèses concernant les circonstances futures, en particulier sur la faisabilité technique et la démonstrabilité de la viabilité commerciale de l'extraction, la probabilité que les dépenses seront récupérées par l'exploitation future de la propriété ou la cession de la propriété lorsque les activités n'ont pas atteint un stade suffisant pour permettre l'évaluation de l'existence de réserves, la capacité de la Société d'obtenir le financement nécessaire afin de compléter l'exploration et le développement, et le renouvellement des permis. Les estimations et hypothèses peuvent changer si de nouvelles informations deviennent disponibles. Si, après la capitalisation des dépenses d'exploration et d'évaluation, des informations suggèrent que le recouvrement des dépenses est improbable, les montants capitalisés sont radiés dans l'exercice où l'information devient disponible.

Aucune perte ou reprise de perte de valeur n'a été comptabilisée pour les périodes considérées.

La propriété n'a pas fait l'objet d'un test de dépréciation puisque la Société a la capacité de conserver la propriété puisqu'elle dispose de ressources financières suffisantes pour respecter ses obligations à court terme et des dépenses sont programmées au cours des prochains exercices. Les droits de prospecter pour cette propriété n'expireront pas dans un proche avenir et des travaux ont été réalisés sur cette propriété au cours des trois derniers exercices.

5- CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (continued)
5.2 Sources of estimation uncertainty

Information on estimates and assumptions that have the greatest impact on the recognition and measurement of assets, liabilities, income and expenses are discussed below. Actual result may differ materially.

Impairment of exploration and evaluation assets

The assessment of the facts and circumstances showing the existence of any indication that an asset may be impaired or resume the value is a subjective process that involves judgment and often a number of estimates and assumptions (see Note 4.10).

If there is an indication that an asset may be impaired or regain value, the recoverable amount of an individual asset or cash-generating unit must be estimated.

In assessing impairment, the Company must make certain estimates and assumptions regarding future circumstances, particularly on the technical feasibility and the probability of the commercial viability of extracting, the probability that the expenditure will be recovered by future exploitation of ownership or disposition of the property where the activities have not reached a sufficient stage to allow the assessment of the existence of reserves, the ability of the Company to obtain necessary financing to complete the exploration and development and renewal of licenses. The estimates and assumptions may change as new information becomes available. If, after the capitalization of exploration and evaluation expenditures, information suggests that cost recovery is unlikely, the capitalized amounts are written off in the year in which the information becomes available.

No impairment or reversal of impairment loss was recorded for the periods.

No impairment test was conducted on the property. The Company has sufficient funds to respect its short-term obligations and some expenses are planned during the next exercises. The claims will not expire in the near future and work was performed during the last three years.

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5- JUGEMENTS, ESTIMATIONS ET HYPOTHÈSES (suite)
Dépréciation des immobilisations corporelles

L'évaluation des faits et circonstances démontrant l'existence d'un quelconque indice qu'un actif a pu se déprécier ou reprendre de la valeur est un processus subjectif qui implique du jugement et souvent un certain nombre d'estimations et d'hypothèses.

En évaluant la dépréciation, la direction estime la valeur recouvrable de chaque actif ou unité génératrice de trésorerie en s'appuyant sur les flux de trésorerie futurs et utilise un taux d'intérêt pour les actualiser. L'incertitude relative aux estimations est liée aux hypothèses relativement aux résultats opérationnels futurs ainsi qu'à la détermination d'un taux d'actualisation convenable.

Paiements fondés sur des actions

Pour estimer les charges liées aux paiements fondés sur des actions, il faut sélectionner un modèle d'évaluation approprié et obtenir les données qui sont nécessaires pour le modèle d'évaluation choisi. La Société a estimé la volatilité de ses propres actions ainsi que la durée de vie probable et la période d'exercice des options octroyées. Le modèle utilisé par la Société est le modèle de Black-Scholes (se reporter à la note 11).

6- PLACEMENTS
Placements

Les placements sont composés des montants suivants :

	Taux d'intérêt / Interest Rate	Date d'échéance / Expiry date	30 septembre 2016 / September 30, 2016	30 septembre 2015 / September 30, 2015
			\$	\$
Dépôt à terme / Term deposit	1,35 %	14 décembre 2016 / December 14, 2016	1 233 535	-
Dépôt à terme / Term deposit	1,70 %	14 décembre 2015 / December 14, 2015	-	1 216 264
			1 233 535	1 216 264

5- CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (continued)
Impairment of property, plant and equipment

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and assumptions in many cases.

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on future cash flows and uses an interest rate for the update. The estimation uncertainty is related to assumptions regarding future operating results as well as the determination of an appropriate discount rate.

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options and warrants granted and the time of exercise of those share options. The model used by the Company is the Black-Scholes valuation model (see Note 11).

6- INVESTMENTS
Investments

Investments are comprised of the following amounts :

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	7- IMMOBILISATIONS CORPORELLES		7- PROPERTY, PLANT AND EQUIPMENT			
	Terrains/ Lands	Immeuble / Building	Équipement d'exploration / Exploration equipment	Matériel informatique / Computer equipment	Véhicule / Vehicle	Total
	\$	\$	\$	\$	\$	\$
Valeur comptable brute / Gross carrying amount						
Solde au 30 septembre 2014 / Balance at September 30, 2014	45 563	52 997	15 957	1 650	-	116 167
Acquisition / Additions	-	-	12 000	2 050	-	14 050
Solde au 30 septembre 2015 / Balance at September 30, 2015	45 563	52 997	27 957	3 700	-	130 217
Acquisition / Additions	-	-	-	1 400	5 500	6 900
Solde au 30 septembre 2016 / Balance at September 30, 2016	45 563	52 997	27 957	5 100	5 500	137 117
Cumul des amortissements / Accumulated Amortization						
Solde au 30 septembre 2014 / Balance at September 30, 2014	-	6 032	11 578	1 650	-	19 260
Amortissement / Amortization	-	2 348	1 876	940	-	5 164
Solde au 30 septembre 2015 / Balance at September 30, 2015	-	8 380	13 454	2 590	-	24 424
Amortissement / Amortization	-	2 231	2 900	739	275	6 145
Solde au 30 septembre 2016 / Balance at September 30, 2016	-	10 611	16 354	3 329	275	30 569
Valeur nette comptable / Carrying amount						
Solde au 30 Septembre 2015 / Balance at September 30, 2015	45 563	44 617	14 503	1 110	-	105 793
Solde au 30 septembre 2016 / Balance at September 30, 2016	45 563	42 386	11 603	1 771	5 225	106 548

Toutes les charges d'amortissement sont présentées dans le poste Amortissement des immobilisations corporelles.

All depreciation charges are shown in the position Amortization of property, plant and equipment.

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8- ACTIFS D'EXPLORATION ET D'ÉVALUATION

8- EXPLORATION AND EVALUATION ASSETS

	Solde au 30 septembre 2014 / Balance as at September 30, 2014	Entrées Additions	Dépréciation Impairment	Crédits d'impôts et de droits remboursables / Tax credits and credit on duties	Solde au 30 septembre 2015 / Balance as at September 30, 2015	Entrées Additions	Dépréciation Impairment	Crédits d'impôts et de droits remboursables / Tax credits and credit on duties	Solde au 30 septembre 2016 / Balance as at September 30, 2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gold Peak									
Droits miniers / Mining rights	56 000	-	-	-	56 000	-	-	-	56 000
Dépenses d'exploration et d'évaluation / Exploration and evaluation expenses	326 137	77 560	-	(5 158)	398 539	-	-	-	398 539
	<u>382 137</u>	<u>77 560</u>	<u>-</u>	<u>(5 158)</u>	<u>454 539</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>454 539</u>

Toutes les pertes de valeur (ou les reprises, le cas échéant) sont présentées en résultat net dans le poste Dépréciation d'actifs d'exploration et d'évaluation.

All impairment charges (or reversals, if any) are included in write-down of exploration and evaluation assets in profit or loss.

Commandant

Le projet Commandant est localisé dans la partie Sud-Ouest du Québec à 50 km au sud de Val-d'Or. En vertu d'une convention conclue le 6 avril 2011, la Société a acquis la propriété composée de 9 titres miniers et est détenue à 100 % par la Société. La propriété est soumise à une redevance de 2 % (NSR) advenant la mise en production commerciale d'un gisement dont 1 % est rachetable au prix de 1 500 000 \$.

En raison du contexte économique mondial, la Société a dévalué en 2014 la propriété et les dépenses d'exploration et d'évaluation reportées.

Gold Peak

Cette propriété, située à l'est du Gîte Fayolle sur la Faille Porcupine Destor, a été acquise en août 2010. Le projet comprend 43 titres miniers et est détenu à 100% par la Société. La propriété est soumise à une redevance de 2 % (NSR) advenant la mise en production commerciale d'un gisement dont 1 % est rachetable au prix de 1 500 000 \$.

Commandant

The Commandant project is located in the Southwestern part of Quebec, 50 km south of Val-d'Or. Pursuant to an agreement signed on April 6, 2011, the Company acquired the property comprised of 9 mining claims and is 100% owned by the Company. The property is subject to a 2% NSR royalty upon commercial production of a deposit, 1% of which may be bought back for \$1,500,000.

Due to the global world economic context, the Company has devaluated in 2014 the property and the exploration and evaluation expenses.

Gold Peak

The property, located East of the Fayolle Deposit on the Destor Porcupine Fault, was acquired in August 2010. The project comprises 43 mining claims and is 100% owned by the Company. The property is subject to a 2% NSR royalty upon commercial production of a deposit, 1% of which may be bought back for \$1,500,000.

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8- ACTIFS D'EXPLORATION ET D'ÉVALUATION (suite)
Destorbelle

La Société détient une participation indivise de 50 % dans cette propriété.

La propriété est soumise à une redevance de 2 % (NSR) advenant la mise en production commerciale d'un gisement dont 1 % est rachetable au prix de 1 000 000 \$.

Comme la propriété est détenue à 50 % par Axe Exploration Inc. et à 50 % par Exploration Typhon Inc. et considérant que Exploration Typhon Inc. souhaitait concentrer ses activités sur le projet Fayolle, il a été entendu qu'aucun travaux ne seraient faits sur cette propriété. La Société a donc dévalué en 2014 les dépenses d'exploration et d'évaluation.

Unique

La Société a acquis la propriété par désignation sur carte. La propriété est composée de 12 claims.

Trésor

La Société a acquis la propriété par désignation sur carte. La propriété est composée de 20 claims.

9- FACILITÉ DE CRÉDIT

La Société dispose d'une ligne de crédit par carte de crédit pour un montant maximum de 25 000 \$, portant intérêt au taux de 19,99 %. Ce crédit demeurera en vigueur tant et aussi longtemps que la Société respectera ses engagements. Aux 30 septembre 2016 et 2015, la Société dispose d'un montant inutilisé de 25 000 \$.

10- CAPITAUX PROPRES
10.1 Capital-actions

Le capital-actions de la Société comprend seulement des actions ordinaires entièrement libérées.

Capital action autorisé

Nombre illimité d'actions sans valeur nominale. Toutes les actions sont admissibles, chacune de la même façon, au versement de dividendes et au remboursement du capital et donnent droit à un vote à l'assemblée des actionnaires de la Société.

8- EXPLORATION AND EVALUATION ASSETS (continued)
Destorbelle

The Company holds a 50% undivided interest in this property.

The property is subject to a 2% NSR royalty upon commercial production of a deposit, 1% of which may be bought back for \$1,000,000.

As the property is owned at 50% by Axe Exploration Inc. and at 50% by Typhoon Exploration Inc. and since Typhoon Exploration Inc. wanted to concentrate its activities on its Fayolle project, it was agreed that no work would be undertaken on this property. Therefore the Company has devaluated in 2014 the exploration and evaluation expenses.

Unique

The Company acquired the property by map designation. The property is composed of 12 claims.

Tresor

The Company acquired the property by map designation. The property is composed of 20 claims.

9- CREDIT FACILITY

The Company has a credit line by credit card for a maximum amount of \$25,000. The credit line bears interest at 19.99%. This credit is available as long as the Company respects its commitments. As at September 30, 2016 and 2015, the unused amount is \$25,000.

10- SHAREHOLDER'S EQUITY
10.1 Share capital

The share capital of the Company consists only of fully paid common shares.

Authorized share capital

Unlimited number of shares without par value. All shares are equally eligible to receive dividends and the repayment of capital, and represent one vote each at the shareholders' meeting of the Company.

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10- CAPITAUX PROPRES (suite)

10- SHAREHOLDER'S EQUITY (continued)

10.1 Capital-actions (suite)

10.1 Share capital (continued)

Les mouvements dans le capital-actions de la Société se détaillent comme suit :
Changes in Company's share capital were as follows:

	<u>2016</u>	<u>2015</u>	
	Quantité / Number	Quantité / Number	
Solde au début et à la fin	<u>55 557 445</u>	<u>55 557 445</u>	Balance, beginning and end of year

10.2 Bons de souscription

10.2 Warrants

	<u>2016</u>		<u>2015</u>		
	Quantité Number	Prix de souscription moyen pondéré Weighted average exercise price	Quantité Number	Prix de souscription moyen pondéré Weighted average exercise price	
		\$		\$	
Solde au début	2 320 000	0,05	2 320 000	0,05	Balance, beginning of year
Expirés	<u>(2 320 000)</u>	0,05	-	-	Expired
Solde à la fin	<u>-</u>	<u>-</u>	<u>2 320 000</u>	<u>0,05</u>	Balance, end of year

Les tableaux ci-après résument l'information relative aux bons de souscription en circulation.

The following tables summarize the information relating to the warrants outstanding.

**Bons de souscription en circulation
au 30 septembre 2015 /
Warrants Outstanding
as at September 30, 2015**

**Prix
Price
\$**

Date d'expiration / Expiry Date

2 320 000

0,05\$

Décembre 2015/ December, 2015

11- OPTIONS D'ACHAT D'ACTIONS

11- SHARE PURCHASE OPTIONS

La Société a instauré un régime d'options d'achat d'actions (le «régime») en vertu duquel des options peuvent être accordées à des administrateurs, employés, consultants ainsi qu'à des fournisseurs de services de la Société.

The Company has established a stock option plan (the "plan") under which options to purchase shares may be granted to certain directors, employees and consultants as well as suppliers of the Company.

Le régime prévoit que le nombre maximal d'actions de la Société pouvant être réservé à des fins d'émission ne peut excéder 9 249 633 actions et que le nombre maximal d'actions réservées à l'attribution des options à un seul bénéficiaire ne peut dépasser 5 % (2 % pour les fournisseurs de services et les responsables des relations aux investisseurs) des actions ordinaires en circulation à la date d'attribution.

The plan provides that the maximum number of shares that may be reserved for issuance under the plan shall not exceed 9,249,633 shares and that the maximum number of shares which may be reserved for issuance to any optionee pursuant to it may not exceed 5% (2% for suppliers and relation investors representative) of the shares outstanding at the time of grant.

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11- OPTIONS D'ACHAT D' ACTIONS (suite)

Les conditions d'acquisition des options d'achat d'actions sont sans restriction. Par contre, les droits aux options pour les responsables des relations aux investisseurs deviennent acquis sur une période de 12 mois, soit 25 % à chaque trimestre. Le prix de levée des options est fixé au moment de l'octroi mais ne peut être inférieur au cours de clôture. La durée maximum des options est de 10 ans.

Les mouvements dans les options d'achat d'actions de la Société se détaillent comme suit :

	<u>2016</u>		<u>2015</u>		
	Quantité Number	Prix de levée moyen pondéré Weighted average exercise price	Quantité Number	Prix de levée moyen pondéré Weighted average exercise price	
		\$		\$	
Solde au début	4 495 000	0,08	3 395 000	0,09	Balance, beginning of year
Octroyées	-	-	1 250 000	0,05	Granted
Expirées	(65 000)	0,05	(150 000)	0,10	Expired
Solde à la fin	<u>4 430 000</u>	0,08	<u>4 495 000</u>	0,08	Balance, end of year
Options exerçables à la fin de l'exercice	<u>4 430 000</u>	0,08	<u>4 495 000</u>	0,08	Options exercisable at the end of the year

La juste valeur de chaque option octroyée a été estimée à la date d'octroi en utilisant le modèle d'évaluation d'options Black-Scholes en fonction des données moyennes pondérées suivantes pour les attributions octroyées au cours de l'exercice :

The fair value of each option granted was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions for the awards granted during the year:

	<u>2016</u>	<u>2015</u>	
Dividende prévu	-	0%	Expected dividend paid
Prix moyen de l'action à la date d'octroi	-	0,015 \$	Average share price on grant date
Volatilité moyenne prévue	-	138 %	Expected weighted volatility
Taux d'intérêt moyen sans risque	-	1,10 %	Risk-free interest average rate
Durée moyenne prévue	-	10 ans/years	Expected average life
Prix d'exercice moyen à la date d'octroi	-	0.05\$	Average exercise price at grant date

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11- OPTIONS D'ACHAT D' ACTIONS (suite)

La volatilité prévue sous-jacente a été déterminée en 2015 par rapport aux données historiques des actions de la Société sur une période de 1 an. Aucune caractéristique particulière inhérente aux options attribuées n'a été prise en compte dans l'évaluation de la juste valeur.

La juste valeur moyenne pondérée des options octroyées en 2015 est de 0,014\$.

En 2016, il n'y a pas eu de rémunération à base d'actions à des administrateurs, employés et consultants (en 2015 le coût a été de 17 829 \$). Ce coût a été comptabilisé au résultat opérationnel avec un crédit équivalent au surplus d'apport.

Les tableaux ci-après résument l'information relative aux options d'achat d'actions octroyées en vertu du régime

Options en circulation
au 30 septembre 2016
Options Outstanding
as at September 30, 2016

780 000
1 200 000
1 250 000
1 200 000
4 430 000

Date d'échéance/Expiry date

6 avril 2021 / April 6, 2021
28 mars 2023/ March 28, 2023
22 janvier 2024/ January 22, 2024
26 mars 2025/ March 26,2025

Prix de levée
Exercise price
\$

0,145
0,10
0,05
0,05

Options en circulation
au 30 Septembre 2015
Options Outstanding
as at September 30, 2015

780 000
1 200 000
1 265 000
1 250 000
4 495 000

Date d'échéance/Expiry date

6 avril 2021 / April 6, 2021
28 mars 2023/ March 28, 2023
22 janvier 2024/ January 22, 2024
26 mars 2025/ March 26,2025

Prix de levée
Exercise price
\$

0,145
0,10
0,05
0,05

11- SHARE PURCHASE OPTIONS (continued)

The underlying expected volatility was determined in 2015 by reference to historical data of the shares of the Company over 1 year. No special features inherent to the options granted were incorporated into measurement of fair value.

The weighted average fair value of stock options granted in 2015 is \$0.014.

During the 2015 financial year, stock-based compensation expenses to directors, employees and consultants were in the amount of \$17,829. These expenses have been accounted to operating loss with a corresponding credit to contributed surplus.

The following tables summarize the information relating to the share purchase options granted under the plan.

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12- RÉSULTAT PAR ACTION

Le calcul du résultat de base par action est effectué à partir du résultat de l'exercice divisé par le nombre moyen pondéré d'actions ordinaires en circulation au cours de l'exercice. En calculant le résultat dilué par action, les actions ordinaires potentielles dilutives, telles que les options, les options aux courtiers et les bons de souscription, n'ont pas été prises en considération car leur conversion aurait pour effet de diminuer la perte par action et aurait donc un effet antidilutif. Les informations sur les options et les bons de souscription en circulation ayant un effet potentiellement dilutif sur le résultat par action futur sont présentées aux notes 10 et 11.

Le résultat de base et dilué par action a été calculé à partir du résultat net comme numérateur, c'est-à-dire qu'aucun ajustement au résultat net n'a été nécessaire en 2016 et 2015.

	2016	2015	
Résultat net	(353 418 \$)	(340 909 \$)	Net loss
Nombre moyen pondéré d'actions ordinaires	55 557 445	55 557 445	Weighted average number of shares outstanding
Résultat de base et dilué par action ordinaire	(0,006 \$)	(0,006 \$)	Basic and diluted loss per share

Il n'y a pas eu d'autres transactions concernant des actions ordinaires entre la date de clôture et la date de l'autorisation de publication de ces états financiers.

12- LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, dilutive potential common shares such as share options, options to brokers and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 10 and 11.

Both the basic and diluted loss per share have been calculated using the net loss as the numerator, i.e. no adjustment to the net loss was necessary in 2016 and 2015.

There have been no other transactions involving common shares between the reporting date and the date of authorization of these financial statements.

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13- IMPÔTS SUR LE RÉSULTAT

Le taux d'imposition effectif de la Société est différent du taux d'imposition combiné fédéral et provincial de l'impôt sur le revenu au Canada. Cette différence résulte des éléments suivants :

13- INCOME TAXES

The effective income tax rate of the Company differs from the combined federal and provincial income tax rate in Canada. This difference results from the following items:

	<u>2016</u>	<u>2015</u>	
	\$	\$	
Perte avant impôts sur le résultat	(353 418)	(364 008)	Loss before taxes
Impôts sur le résultat selon le taux d'imposition combiné fédéral et provincial au Canada, 26,9% en 2016 et en 2015	(95 069)	(97 918)	Tax expense at combined statutory rate of 26.9% in 2016 and 2015
Augmentation (diminution) des impôts sur le résultat résultant des éléments suivants :			Increase (decrease) in taxes resulting from:
Variation des différences temporaires non constatées	90 788	74 057	Variation of unrecorded temporary differences
Effet fiscal de l'émission d'actions accréditives	-	14 499	Tax effect of the issuance of flow-through shares
Renversement des autres passifs relatifs aux actions accréditives	-	(23 099)	Reversal of other liabilities related to flow-through shares
Rémunération fondée sur des actions	-	4 796	Share-based payments
Éléments non déductibles et autres	4 281	4 568	Non deductible items and others
	<u>-</u>	<u>(23 099)</u>	
Composition des impôts différés à l'état du résultat global	<u>2016</u>	<u>2015</u>	Composition of deferred income taxes in the statement of comprehensive income
	\$	\$	
Naissance et renversement de différences temporaires	(90 788)	(88 556)	Inception and reversal of temporary differences
Effet fiscal de l'émission d'actions accréditives	-	14 499	Tax effect of the issuance of flow-through shares
Renversement des autres passifs relatifs aux actions accréditives	-	(23 099)	Reversal of other liabilities related to flow-through shares
Variation de l'effet fiscal des différences temporelles non constatées	90 788	74 057	Variation of tax effect from unrecorded temporary differences
	<u>-</u>	<u>(23 099)</u>	

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13- IMPÔTS SUR LE RÉSULTAT (suite)

13- INCOME TAXES (continued)

Mouvements des impôts différés de 2016

Changes in deferred taxes in 2016

	Solde au 30 septembre 2015 / Balance at September 30, 2015	Comptabilisé en résultat net / Recognized in net income	Solde au 30 septembre 2016 / Balance at September 30, 2016	
	\$	\$	\$	
Actifs d'exploration et d'évaluation	-	-	-	Exploration and evaluation assets
Pertes autres qu'en capital	-	-	-	Non-capital tax losses
Renversement des autres passifs relatifs aux actions accréditées	-	-	-	Reversal of other liabilities related to flow-through shares
Variation des impôts différés selon l'état du résultat global	-	-	-	Variation of future income taxes in the statement of comprehensive income

Au 30 septembre 2016, la Société dispose des différences temporaires suivantes pour lesquelles aucun actif d'impôts différés n'a été constaté :

As at September 30, 2016, deductible timing differences for which the Company has not recognized a deferred tax asset are as follows :

	Fédéral / Federal	Provincial	
	\$	\$	
Actifs d'exploration et d'évaluation	208 495	212 837	Exploration and evaluation assets
Immobilisations corporelles	58 569	58 569	Property, plant and equipment
Frais d'émission d'actions	2 197	382	Shares issuance costs
Pertes autres qu'en capital	3 695 266	3 369 226	Non-capital tax losses
Autres	3 561	8 836	Others
	<u>3 968 088</u>	<u>3 649 850</u>	

Au 30 septembre 2016, les pertes autres qu'en capital sur lesquelles aucun actif d'impôts différés n'a été constaté expirent de la façon suivante :

As at September 30, 2016, non-capital tax losses for which no deferred tax asset has been recorded expire as follows:

	Fédéral / Federal	Provincial
	\$	\$
2028	108 974	107 944
2029	182 620	178 575
2030	291 702	284 295
2031	846 635	654 529
2032	458 066	401 309
2033	532 441	512 440
2034	513 224	498 034
2035	421 314	405 940
2036	340 290	326 160
	<u>3 695 266</u>	<u>3 369 226</u>

La Société dispose de crédits d'impôts à l'investissement de 2 851 \$ (2 857 \$ en 2015) qui ne sont pas constatés. Ces crédits peuvent être utilisés afin de réduire les impôts à payer fédéral et expirent à différentes dates entre 2029 et 2034.

The Company has investment tax credits of \$2,851 (\$2,857 in 2015) that are not recorded. These credits are available to reduce federal income taxes for the future years. These investment tax credits mature between 2029 and 2034.

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13- IMPÔTS SUR LE RÉSULTAT (suite)**13- INCOME TAXES (continued)****Mouvements des impôts différés de 2015**

	Solde au 30 septembre 2014 / Balance at September 30, 2014	Comptabilisé en résultat net / Recognized in net income
	\$	\$
Actifs d'exploration et d'évaluation	-	-
Pertes autres qu'en capital	-	-
	-	-
Renversment des autres passifs relatifs aux actions accréditatives		23 099
Variation des impôts différés selon l'état du résultat global		23 099

Changes in deferred taxes in 2015

	Solde au 30 septembre 2015 / Balance at September 30, 2015	
	\$	
	-	Exploration and evaluation assets
	-	Non-capital tax losses
	-	
		Reversal of other liabilities related to flow-through shares
		Variation of future income taxes in the statement of comprehensive income

Au 30 septembre 2015, la Société dispose des différences temporaires suivantes pour lesquelles aucun actif d'impôt différé n'a été constaté :

As at September 30, 2015, deductible timing differences for which the Company has not recognized a deferred tax asset are as follows :

	Fédéral / Federal	Provincial	
	\$	\$	
Actif d'exploration et d'évaluation	208 495	212 837	Exploration and evaluation assets
Immobilisations corporelles	52 424	52 424	Property, plant and equipment
Frais d'émission d'actions	6 285	1 013	Shares issuance costs
Pertes autres qu'en capital	3 354 976	3 043 066	Non-capital tax losses
Autres	3 786	8 836	Others
	<u>3 625 966</u>	<u>3 318 176</u>	

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14- INFORMATIONS ADITIONNELLES AUX FLUX DE TRÉSORERIE

Variation nette des éléments hors caisse du fonds de roulement

	2016
	\$
Taxes de vente à recevoir	(1 943)
Frais payés d'avance	(1 742)
Dettes fournisseurs et autres créditeurs	7 818
	4 133

Le montant d'intérêts reçus relié aux activités opérationnelles est de 17 277 \$ (23 026 \$ en 2015).

14- ADDITIONAL INFORMATION RELATED TO CASH FLOWS

Net change in non-cash operating working capital items

	2015
	\$
Sales tax receivable	7 253
Prepaid expenses	1 882
Trade and other payables	(12 092)
	(2 957)

The amount of interest received related to operating activities is of \$17,277 (\$23,026 in 2015).

15- OPÉRATIONS ENTRE PARTIES LIÉES

Les parties liées de la Société comprennent les principaux dirigeants et les sociétés des principaux dirigeants comme il est expliqué ci-dessous.

Sauf indication contraire, aucune des transactions ne comporte de caractéristique ni condition spéciales, et aucune garantie n'a été donnée ou reçue. Les soldes sont généralement réglés en trésorerie.

15.1 Transactions avec des sociétés liées

La Société a confié, en vertu d'un contrat de gestion en date du 17 octobre 2007 et amendé en juin 2014, la supervision de ses travaux d'exploration à la société Ressources Lutsvisky Inc., une société privée détenue en propriété exclusive par le président et chef de la direction de la Société.

En vertu du contrat de gestion, Ressources Lutsvisky Inc. recevra de la Société une indemnité maximale de quinze pour cent (15 %) des frais encourus en sous-traitance durant la réalisation des programmes d'exploration. La Société pourra, unilatéralement, résilier le contrat de gestion. La Société sera alors tenue de payer à Ressources Lutsvisky Inc. à la date de résiliation un montant égal à 15 % du montant du programme de l'année en cours et une pénalité de 5 % par année, se terminant le 31 décembre de la troisième année après la date de résiliation du contrat de gestion, le tout sous réserve d'un montant global maximal de 211 300\$.

15- RELATED PARTY TRANSACTIONS

The Company's related parties include key management and their Companies as described below.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

15.1 Transactions with related companies

Pursuant to a management contract dated October 17, 2007 and amended in June 2014, the Company entrusted the supervision of its exploration works to Ressources Lutsvisky Inc., a private Company wholly-owned by the President and CEO of the Company.

Under the management contract, Ressources Lutsvisky Inc. shall receive from the Company a maximum indemnity of fifteen percent (15%) of the subcontracting costs incurred during the completion of the exploration programs. The Company may, at its discretion, terminate the management contract. The Company will thus be liable to pay to Ressources Lutsvisky Inc. on the date of termination an amount equal to 15% of the amount of the program for the ongoing year and a penalty of 5% per year, ending on December 31 of the third year following the termination date of the management contract, all subject to a maximum aggregate amount of \$ 211,300.

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15- OPÉRATIONS ENTRE PARTIES LIÉES (suite)

15.1 Transactions avec des sociétés liées (suite)

Pour l'exercice terminé le 30 septembre 2016, le taux des frais de gestion est égal à 15 % (15% en 2015).

Le tableau suivant présente les opérations conclues avec Lutsvisky au cours de l'exercice.

	<u>2016</u>
	\$
Dépenses d'exploration et d'évaluation	-
Frais généraux d'administration	6 591
Honoraires des consultants	156 096

Aux 30 septembre 2016 et 2015, les dettes fournisseurs et autres créditeurs incluent une somme à payer à Lutsvisky, respectivement de 15 514 \$ et 15 603 \$.

Au cours de l'exercice, la Société a encouru des frais de location auprès de la Société Exploration Typhon Inc., une société publique dirigée par le président et chef de la direction de la Société. Elle a également fait l'acquisition d'immobilisations corporelles auprès de Ressources Lutsvisky.

Au cours de l'exercice précédent, la Société avait fait de la location d'équipement auprès d'Exploration Typhon qui était comptabilisée dans les dépenses d'exploration et d'évaluation.

Le tableau suivant présente les opérations conclues avec Exploration Typhon Inc. au cours de l'exercice :

	<u>2016</u>
	\$
Dépenses d'exploration et d'évaluation	-
Location d'un véhicule	2 738
Acquisition d'immobilisations corporelles ^(a)	5 500

^(a) Cette opération est évaluée à la valeur d'échange convenue entre les parties.

Au 30 septembre 2016, les dettes fournisseurs et autres créditeurs incluent une somme à payer à Exploration Typhon de 3 425 \$. Il n'y avait pas de somme due en 2015.

15- RELATED PARTY TRANSACTIONS (continued)

15.1 Transactions with related companies (continued)

For the year ended on September 30, 2016, the rate of management fees is 15% (15% in 2015).

The table below presents related party transactions concluded with Lutsvisky during the year.

	<u>2015</u>	
	\$	
32 461		Exploration and evaluation expenses
3 250		General administrative expenses
155 823		Consultants fees

As at September 30, 2016 and 2015, trade and other payables include amounts payable to Lutsvisky, respectively of \$15,514 and \$15,603.

During the year, the Company incurred rent expenses from the company Typhoon Exploration Inc., a listed company headed by the president and CEO of the Company. The Company has also acquired property, plant and equipment from Ressources Lutsvisky.

During the previous year, the Company has made rental of equipment from Typhoon Exploration Inc. which was recognized in exploration and evaluation expenses.

The following table presents transactions with Typhoon Exploration Inc. during the year:

	<u>2015</u>	
	\$	
13 302		Exploration and evaluation expenses
-		Car rental
-		Acquisition of property, plant and equipment ^(a)

^(a) The transaction is valued at the exchange value agreed between the parties.

As at September 30, 2016, trade and other payables include amounts payable to Typhoon Exploration Inc. of \$3,425. There was no sum due in 2015.

AXE EXPLORATION INC.

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15- OPÉRATIONS ENTRE PARTIES LIÉES (suite)
15.2 Transactions avec les principaux dirigeants

Les principaux dirigeants de la Société sont les membres du conseil d'administration ainsi que le président. La rémunération des principaux dirigeants comprend les charges suivantes :

	<u>2015</u>
Avantages à court terme du personnel	
Salaires	26 391
Paiements fondés sur des actions	-
Total de la rémunération	<u>26 391</u>

16- RISQUES DÉCOULANT DES INSTRUMENTS FINANCIERS

La Société est exposée à différents risques relativement aux instruments financiers. Les principaux types de risques auxquels la Société est exposée sont le risque de crédit et le risque de liquidité.

Le risque de marché est le risque que la juste valeur ou les flux de trésorerie futurs d'un instrument financier fluctuent en raison des variations des prix du marché. La Société est exposée au risque de taux d'intérêt. Les objectifs poursuivis par la Société visent à s'assurer des entrées de trésorerie à court et à moyen terme tout en réduisant l'exposition aux marchés des capitaux. La Société ne négocie pas d'actifs financiers à des fins spéculatives.

Aucun changement n'a été effectué en matière d'objectifs, de politiques ou de procédures liés à la gestion des risques découlant des instruments financiers au cours des périodes de présentation de l'information financière considérées.

Les principaux risques financiers auxquels la Société est exposée sont décrits ci-après.

16.1 Risque de crédit

Le risque de crédit est le risque qu'une autre partie à un instrument financier manque à une de ses obligations et, de ce fait, amène la Société à subir une perte financière.

15- RELATED PARTY TRANSACTIONS (continued)
15.2 Transactions with key management personnel

The Company key management personnel are members of the Board of Directors, as well as the president. Key management personnel remuneration includes the following expenses:

	<u>2015</u>	
		Short-term employee benefits
	25 930	Salaries
	13 350	Share-based payments
Total remuneration	<u>32 280</u>	

16- FINANCIAL INSTRUMENT RISKS

The Company is exposed to various risks in relation to financial instruments. The main types of risks the Company is exposed to are credit risk and liquidity risk.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to interest rate risk. The Company focuses on actively securing short to medium-term cash flows by minimizing the exposure to financial markets. The Company does not actively engage in the trading of financial instruments for speculative purposes.

No changes were made in the objectives, policies and processes related to financial instruments risk management during the reporting periods.

The most significant financial risks to which the Company is exposed to are described below.

16.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

AXE EXPLORATION INC.

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16- RISQUES DÉCOULANT DES INSTRUMENTS FINANCIERS (suite) **16- FINANCIAL INSTRUMENT RISKS (continued)**
16.1 Risque de crédit (suite)

L'exposition maximale de la Société au risque de crédit est limitée à la valeur comptable des actifs financiers suivants à la date de présentation de l'information financière :

	30 septembre / September 30		
	2016	2015	
	\$	\$	
Trésorerie	127 193	487 302	Cash
Placements	1 233 535	1 216 264	Investments
Valeur comptable	<u>1 360 728</u>	<u>1 703 566</u>	Carrying amounts

La direction de la Société estime que la qualité du crédit de tous les actifs financiers décrits ci-dessus, à chaque date de présentation de l'information financière, est bonne.

Aucun actif financier de la Société n'est garanti par un instrument de garantie ou par une autre forme de rehaussement de crédit.

16.2 Risque de liquidité

Le risque de liquidité est le risque que la Société éprouve des difficultés à honorer des engagements liés à des passifs financiers, qui sont à régler par la remise de trésorerie ou d'un autre actif financier.

La gestion du risque de liquidité vise à maintenir un montant suffisant de trésorerie et à s'assurer que la Société dispose de sources de financement sous la forme de financements privés suffisants. La Société établit des prévisions budgétaires et de trésorerie afin de s'assurer qu'elle dispose des fonds nécessaires pour rencontrer ses obligations. L'obtention de nouveaux fonds permet à la Société de poursuivre ses activités et malgré le fait qu'elle ait réussi dans le passé, il n'y a aucune garantie de réussite pour l'avenir. À la fin du mois de septembre 2016, la Société a suffisamment de liquidités pour prendre en charge ses passifs financiers et ses passifs financiers futurs provenant de ses engagements.

Les dettes fournisseurs et autres créateurs ont des échéances contractuelles de moins de trois mois.

16.1 Credit risk (continued)

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

The Company's management considers that all the above financial assets for each of the reporting dates under review are of good credit quality.

None of the Company's financial assets are secured by collateral or other credit enhancements.

16.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private placements for a sufficient amount. The Company establishes budget and cash estimates to ensure it has the necessary funds to fulfill its obligations. Obtaining additional funds makes it possible to the Company to continue its operations, and while it has been successful in the past, there is no guarantee for the future. At the end of September 2016, the Company had enough funds available to meet its financial liabilities and future financial liabilities from its commitments.

Trade accounts and other liabilities have contractual maturities of less than three months.

AXE EXPLORATION INC.

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17- POLITIQUES ET PROCÉDÉS DE GESTION DU CAPITAL

Les objectifs de la Société en ce qui a trait à la gestion du capital sont les suivants :

- Assurer la capacité de la Société de poursuivre ses activités;
- Augmenter la valeur des actifs de la Société;
- Assurer un rendement aux actionnaires de la Société.

Ces objectifs seront atteints par l'établissement de projets d'exploration adéquats, la mise en valeur de ces projets et ultimement la mise en production ou la vente des propriétés et l'obtention de liquidités, avec des partenaires ou seul.

La Société gère son capital sur la base de la valeur comptable des capitaux propres. Le capital pour l'exercice financier en cours est présenté à l'état des variations des capitaux propres.

La Société n'est soumise à aucune exigence en matière de capital imposée de l'extérieur, sauf lorsqu'elle conclut un placement accréditif pour lequel le montant doit être utilisé à des fins d'exploration.

La Société finance ses activités d'exploration et d'évaluation principalement en recherchant des capitaux supplémentaires au moyen soit de placements privés, soit de placements publics.

Lorsque les conditions de financement ne sont pas optimales, la Société peut signer des conventions d'options ou autres ententes pour être en mesure de continuer ses activités d'exploration et d'évaluation ou peut ralentir ses activités jusqu'à ce que les conditions de financement s'améliorent.

Aucun changement n'a été effectué en matière d'objectifs, de procédures ou de processus de gestion de capital durant les périodes de présentation de l'information financière.

17- POLICIES AND PROCESSES FOR MANAGING CAPITAL

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to shareholders of the Company.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods under review is summarized in the statement of changes in equity.

The Company is not exposed to any externally imposed capital requirements except when the Company issues flow-through shares for which an amount should be used for exploration work.

The Company finances its exploration and evaluation activities mainly seeking additional capital either by private financing or public financing.

When financing conditions are not optimal, the Company may enter into option agreements or other agreements to be able to continue its exploration and evaluation activities or can slow until financing conditions improve.

No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

AXE EXPLORATION INC.

NOTES COMPLÉMENTAIRES
aux 30 septembre 2016 et 2015
(en dollars canadiens)

NOTES TO FINANCIAL STATEMENTS
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(in Canadian dollars)

18- ÉVENTUALITÉS

La Société est financée en partie par l'émission d'actions accréditatives et, en vertu de règles fiscales relatives à ce type de financement, la Société s'est engagée à réaliser des travaux d'exploration minière.

Ces règles fiscales fixent également des échéances pour la réalisation des travaux d'exploration qui doivent être entrepris au plus tard à la première des dates suivantes :

- Deux ans suivant les placements accréditifs;
- Un an après que la Société a renoncé aux déductions fiscales relatives aux travaux d'exploration.

Cependant, il n'existe aucune garantie à l'effet que ces dépenses d'exploration seront admissibles à titre de frais d'exploration au Canada, même si la Société s'est engagée à prendre toutes les mesures nécessaires à cet égard. Le refus de certaines dépenses par l'administration fiscale pourrait avoir un impact fiscal négatif pour les investisseurs.

19- ÉVÈNEMENTS SUBSÉQUENTS

Un placement privé accréditif au montant de 90 000 \$ a été clôturé le 29 décembre 2016. Suite à la réalisation de ce placement, la Société réalisera des travaux d'exploration sur ses propriétés dans la région de Rouyn-Noranda.

La propriété Trésor a été abandonnée le 22 décembre 2016.

18- CONTINGENCIES

The Company is partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work.

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the earlier of the following dates:

- Two years following the flow-through placements; and
- One year after the Company has renounced the tax deductions relating to the exploration work.

However, there is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

19- SUBSEQUENT EVENTS

A flow through private placement for gross proceeds of \$90,000 was closed on December 29, 2016. Following the completion of this placement the Company will realize exploration works on its properties in the Rouyn-Noranda region.

The Tresor property was abandoned on December 22, 2016.

APPENDIX C
AUDITED FINANCIAL STATEMENTS AND
MANAGEMENT DISCUSSION AND ANALYSIS
OF TERRANUEVA PHARMA CORPORATION

Terranueva Pharma Corporation

Financial Statements

September 30, 2018

(expressed in Canadian dollars)



January 24, 2019

Independent Auditor's Report

To the Shareholders of Terranueva Pharma Corporation

We have audited the accompanying financial statements of Terranueva Pharma Corporation, which comprise the statement of financial position as at September 30, 2018 and the statements of changes in deficiency, loss and comprehensive loss and cash flows for the 10-month period then ended, and the related notes, which comprise 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.

Auditor's responsibility

Our responsibility is to express an opinion on these 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.

*PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502*



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 financial statements present fairly, in all material respects, the financial position of Terranueva Pharma Corporation as at September 30, 2018 and its financial performance and its cash flows for the 10-month period then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2 in the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Terranueva Pharma Corporation's ability to continue as a going concern.

PricewaterhouseCoopers LLP¹

¹ CPA auditor, CA, public accountancy permit No. A110416

Terranueva Pharma Corporation

Statement of Financial Position

As at September 30, 2018

(expressed in Canadian dollars)

	Note	\$
Assets		
Current assets		
Cash	4	1,002,942
Advances, no interest or maturity		500,000
Prepaid expenses		3,780
Sales taxes recoverable		<u>66,310</u>
		<u>1,573,032</u>
Non-current assets		
Construction in progress	5	215,444
Rights of use	6	<u>2,892,098</u>
		<u>3,107,542</u>
		<u>4,680,574</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities		170,299
Lease obligation	6	22,081
Convertible debentures	7	<u>1,005,302</u>
		<u>1,197,682</u>
Non-current liabilities		
Lease obligation	6	2,938,222
Convertible debentures	7	<u>953,015</u>
		<u>3,891,237</u>
Shareholders' Deficiency		
Share capital	8	9
Conversion options		150,865
Deficit		<u>(559,219)</u>
		<u>(408,345)</u>
		<u>4,680,574</u>
Going concern	2	

Approved by the Board of Directors

(Signed) Pierre Ayotte _____ Director (Signed) Marc-André Aubé _____ Director

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

Terranueva Pharma Corporation
Statement of Changes in Deficiency
For the 10-month period ended September 30, 2018

(expressed in Canadian dollars)

	Common shares \$	Conversion options \$	Deficit \$	Total \$
Loss and comprehensive loss for the period	-	-	(559,219)	(559,219)
Share issuance	9	-	-	9
Equity component of convertible debentures, net of future income taxes of \$54,300	-	150,865	-	150,865
Shareholders' equity (deficiency) as at September 30, 2018	9	150,865	(559,219)	(408,435)

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

Terranueva Pharma Corporation
Statement of Loss and Comprehensive Loss
For the 10-month period ended September 30, 2018

(expressed in Canadian dollars)

	Note	\$
Expenses		
Professional fees		283,680
Marketing and promotion		2,759
Amortization of rights of use		25,212
General and administrative expenses		123,309
Financing cost	11	<u>178,559</u>
Loss before deferred tax		(613,519)
Deferred tax		<u>54,300</u>
Loss and comprehensive loss for the period		<u>(559,219)</u>
Loss per share, basic and diluted	12	<u>(6.09)</u>

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

Terranueva Pharma Corporation
Statement of Cash Flows
For the 10-month period ended September 30, 2018

(expressed in Canadian dollars)

	Note	\$
Cash flows provided by (used in)		
Operating activities		
Loss and comprehensive loss for the period		(559,219)
Adjustments for		
Interest on lease obligation and convertible debentures		116,727
Deferred tax		(54,300)
Amortization of rights of use		<u>25,212</u>
		(471,580)
Change in non-cash working capital items	10	<u>100,209</u>
		<u>(371,371)</u>
Investing activities		
Increase in advances		(500,000)
Increase in construction in progress		<u>(215,444)</u>
		<u>(715,444)</u>
Financing activities		
Share issuance		9
Convertible debenture issuance		<u>2,089,748</u>
		<u>2,089,757</u>
Net change in cash during the period and cash – End of period		<u><u>1,002,942</u></u>

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

Terranueva Pharma Corporation

Notes to Financial Statements

September 30, 2018

(expressed in Canadian dollars)

1 Description of operations

Terranueva Pharma Corporation (the “Corporation”) was incorporated under the Canada Business Corporations Act on November 28, 2017. Its head office is located at 3030 Le Carrefour Blvd., Suite 1002, Laval, Quebec, Canada. The Corporation aims to become a producer of cannabis for medical and recreational purposes.

2 Basis of presentation and going concern

These financial statements have been prepared on a going concern basis.

Although the Corporation has started to invest resources to develop a medicinal and recreational cannabis company, there is no assurance that a Licence to Produce will be granted to the Corporation, nor is there a time frame for when such a licence will be granted.

To date, the Corporation has not generated any income, accumulating a deficit of \$559,219, and is considered to be in start-up phase. The Corporation’s ability to continue as a going concern depends on whether it can realize its assets and obtain new funds. Even though it has managed in the past to obtain the necessary funds by issuing debentures, and expects to use capital funding in the future (note 17(a)), there is no assurance it will be successful in the future. The application of International Financial Reporting Standards (IFRS) on a going concern basis may be inappropriate, as there is significant doubt about the validity of the assumption.

These financial statements do not take into account the adjustments that should be made to the carrying amount of the assets and liabilities, the amounts reported as revenues and expenses, and the classification of the items on the statement of financial position if the going concern basis was not valid, and such adjustments could be significant. Management did not take these adjustments into account, as it believes in the validity of the going concern assumption.

The Corporation uses judgments and estimates involving critical accounting policies. It also requires management to exercise judgment in applying the accounting policies used by the Corporation, as set out in note 3.

The significant accounting policies used to prepare these financial statements are summarized in note 3.

The publication of the Corporation’s financial statements was approved and authorized by the Board of Directors on January 24, 2019.

Terranueva Pharma Corporation

Notes to Financial Statements

September 30, 2018

(expressed in Canadian dollars)

3 Significant accounting policies

Statement of compliance

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

Cash

Cash is composed of cash on hand and cash held in trust.

Financial instruments

The Corporation has early adopted IFRS 9, Financial Instruments.

The financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive the cash flows have expired or were transferred and when the Corporation has transferred substantially all the risks and rewards of ownership of the transferred asset.

Financial assets and financial liabilities are offset and the net balance is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and an intention either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

All financial instruments must be initially recognized at fair value, which is based on market prices unless the financial instruments have not been traded in an active market. In such case, fair value is determined using valuation techniques like the Black-Scholes pricing model or other valuation techniques.

Measurement after initial recognition depends on the classification of the financial instrument. The Corporation has classified its financial instruments in the following categories, depending on the purposes for which the instruments were acquired and on their characteristics.

i) Financial assets

Debt securities

Debt security investments are subsequently measured at amortized cost when the asset is held within a business model whose objective is to hold these assets in order to collect contractual cash flows and when the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Terranueva Pharma Corporation

Notes to Financial Statements

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(expressed in Canadian dollars)

Investments in debt securities are subsequently measured at fair value when they do not qualify for measurement at amortized cost. Financial instruments subsequently measured at fair value may be recognized at fair value with changes in fair value recognized in profit or loss, unless they are held within a business model whose objective is to hold these assets in order to collect contractual cash flows or to sell the assets and when the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, in which case unrealized gains and losses are initially recognized in other comprehensive income and subsequently reclassified in profit or loss through the amortization of premiums and discounts, impairment losses or reversal of any previously recognized impairment.

ii) Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.

The Corporation has classified its financial instruments as follows:

Category	Financial instruments
Financial assets at amortized cost	Cash
Financial liabilities at amortized cost	Accounts payable and accrued liabilities
	Convertible debentures

Construction in progress

Construction in progress is not depreciated during the construction period. It will be depreciated when the asset becomes available for its intended use.

Leases

The Corporation has decided to early adopt IFRS 16, Leases.

Leases are classified as right-of-use assets and lease obligations and are recognized when the underlying asset is made available to the Corporation. The rights of use are amortized to the earlier of the end of the useful life of the right-of-use asset or the lease term unless the Corporation is expected to become the owner of the assets, in which case only the useful life of the asset is taken into account. Each lease payment is apportioned between the lease obligation and the financing cost. The financing cost is recorded as an expense during the lease term so as to produce a constant periodic interest expense on the remaining balance of the lease obligation in each period.

Terranueva Pharma Corporation

Notes to Financial Statements

September 30, 2018

(expressed in Canadian dollars)

Lease assets and liabilities are measured initially on a discounted basis. The lease obligation includes the present value of the following payments:

- fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected by the Corporation to be payable under residual value guarantees;
- the exercise price of the purchase option if the Corporation is reasonably certain that it will need to pay it; and
- payments of penalties for terminating the lease, if the lease term reflects the Corporation exercising an option to terminate the lease.

Lease payments are discounted at the lease implied interest rate, if that rate can be determined, or at the Corporation's incremental borrowing rate.

The right-of-use assets are measured at cost and comprise:

- the initial amount of the lease obligation;
- any lease payments made at or before the commencement date of the lease, less any lease incentives;
- any initial direct costs incurred by the lessee; and
- an estimate of costs for dismantling the asset and restoring the site.

Payments associated with short-term leases or leases of low-value assets are recognized as an expense on a straight-line basis. A short-term lease is a lease with a term of less than 12 months. Low-value assets include computer equipment and small furniture items.

Critical judgment in determining the term of the lease

In order to determine the lease term, management considers all facts and circumstances that create an economic incentive to exercise an option to extend the lease, an option to terminate the lease or an option to purchase. Such options are taken into account if it is reasonably certain that they will be exercised. As described in note 6, the Corporation expects to exercise the option to purchase on the property leased in April 2020.

A reassessment will be made upon the occurrence of significant events or changes in circumstances that would affect this assessment and are within the Corporation's control.

Terranueva Pharma Corporation

Notes to Financial Statements

September 30, 2018

(expressed in Canadian dollars)

Income taxes

Tax expense comprises current tax and deferred tax. Taxes are recognized in the statement of loss unless they relate to items reported in other comprehensive loss or directly in deficiency.

Current tax

The current tax assets or liabilities include the amounts expected to be paid to or recovered from the taxation authorities for the current and prior periods, and which have not been settled at the end of the reporting period. The current tax expense is based on income for the period after adjustments for non-taxable or non-deductible items. Current tax is calculated using the tax rates and tax laws enacted or substantially enacted by the end of the reporting period. Management assesses on a regular basis the positions taken in tax returns regarding cases in which the applicable tax law is subject to interpretation.

Deferred tax

Deferred tax is accounted for using the liability method, applicable to temporary differences between the tax bases of the assets and liabilities and their reported carrying value in the statement of financial position. Deferred tax assets and liabilities are calculated without discounting, using tax rates expected to be applied during the period in which they are realized if such rates have been enacted or substantially enacted by the end of the reporting period.

Deferred tax liabilities

In general, deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets

Deferred tax assets are accounted for to the extent that it is probable that they will allow a future taxable profit to be offset. They are examined at the end of the reporting period and reduced if it is not certain that the taxable profit will be sufficient to recover all or part of the deferred tax assets; in such cases the assets must be reduced.

Deferred tax assets and liabilities are not recognized for temporary differences arising at the initial recognition of assets and liabilities acquired in a context other than a business combination.

Deferred tax assets and liabilities are offset only if the Corporation has a right and intends to offset the current tax assets and liabilities arising from the same taxation authorities.

Changes in deferred tax assets and liabilities are accounted for as a tax expense or income, unless they relate to items recognized in other comprehensive loss or directly in deficiency, in which case the corresponding deferred taxes are also recognized in other comprehensive loss or in deficiency, respectively.

Terranueva Pharma Corporation

Notes to Financial Statements

September 30, 2018

(expressed in Canadian dollars)

Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Corporation has a legal or constructive present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is equivalent to the best estimate of the expenditure required to settle the present obligation at the end of each reporting period, taking into account the obligation's risks and uncertainties, its carrying amount and the present value of its cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Earnings per share

The calculation of earnings per share (EPS) is based on the weighted average number of shares outstanding for each period. The basic EPS is calculated by dividing profit or loss attributable to common equity holders of the Corporation by the weighted average number of common shares outstanding during the period.

The computation of diluted EPS assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the earnings per share. The if-converted method is used to determine the dilutive effect of convertible debentures. When the Corporation reports a loss, the diluted loss per share is equal to the basic loss per share due to the anti-dilutive effect of the convertible debentures.

4 Treasury

	\$
Cash on hand	15,120
Cash held in trust	987,822
	<hr/>
	1,002,942
	<hr/>

5 Construction in progress

Construction in progress comprises engineering and architecture expenses incurred in relation to leasehold improvements and equipment.

Terranueva Pharma Corporation

Notes to Financial Statements

September 30, 2018

(expressed in Canadian dollars)

6 Rights of use and lease obligation

- i) Amounts recognized on the statement of financial position

The statement of financial position presents the following amounts relative to leases:

	\$
Rights of use	
Land	799,486
Building	<u>2,092,612</u>
	<u>2,892,098</u>
Lease obligation	
Current liabilities	22,081
Non-current liabilities	<u>2,938,222</u>
	<u>2,960,303</u>

- ii) Amounts recognized on the statement of loss and comprehensive loss

The statement of loss and comprehensive loss presents the following amounts relative to leases:

	\$
Amortization expense for rights to use building	<u>25,212</u>
Interest expense for lease obligation	<u>99,992</u>

- iii) Operations and recognition of leases

The rights of use reflect rights to use land and a building held under a lease for a 10-year term under which the Corporation has purchase options that may be exercised at any time since the signing of the lease, options that the Corporation intends to exercise during fiscal 2020. In this regard, the rights to use the land are not amortized, while the rights to use the building are amortized over an estimated life of 35 years.

Lease obligation is calculated at an interest rate of 8.20% for a period initially estimated at 24 months, ending April 30, 2020, the intended date for the exercise of the option to purchase.

Terranueva Pharma Corporation

Notes to Financial Statements

September 30, 2018

(expressed in Canadian dollars)

7 Convertible debentures

	\$
Par value of \$100,000, bearing interest at an annual rate of 10%, maturing in October 2018 ⁽¹⁾	100,000
Par value of \$892,500, bearing interest at an annual rate of 10%, convertible at the holder's option into 20,081 common shares, maturing in November 2018 ⁽²⁾	905,302
Par value of \$1,100,000, bearing interest at an annual rate of 7%, maturing in January 2020 ⁽³⁾	<u>953,015</u>
	1,958,317
Current portion	<u>1,005,302</u>
	<u>953,015</u>

- (1) Debentures retractable at any time at the Corporation's option at par value plus accrued interest. These debentures are convertible into 2,250 common shares at the holder's option only in the event of default by the Corporation or if the Corporation exercises its right of retraction. These debentures are unsecured.
- (2) The liabilities are discounted at a rate of 20%. These debentures are secured by present and future assets.
- (3) One third of the par value will be automatically converted into 8,250 common shares when the Corporation is listed on a recognized stock exchange, and one third of the par value will be convertible into 8,250 common shares at the holder's option for 60 days following the Corporation's listing on a recognized stock exchange. The last third is not convertible. The liabilities are discounted at a rate of 21%. These debentures are unsecured.

The Corporation did not incur any significant transaction costs for the issuance of these convertible debentures.

8 Share capital

Authorized

Unlimited number of common shares

When it was formed, the Corporation issued 91,750 common shares at a price of \$0.0001 per share for gross cash proceeds of \$9.

Terranueva Pharma Corporation

Notes to Financial Statements

September 30, 2018

(expressed in Canadian dollars)

9 Income taxes

Income tax expense differs from the amount that would be calculated by applying the federal and provincial tax rates to the operating loss before income taxes, as indicated below:

Expected tax rate	26.9%
Expected tax recovery due to the loss	\$159,217
Deferred tax loss not recognized	\$(104,917)
Income tax recovery	\$(54,300)

The Corporation has an approximate amount of losses, other than capital losses, to reduce federal and provincial taxable income in future years. The amount of \$559,219 will expire in 2038.

10 Changes in non-cash working capital items

	\$
Prepaid expenses	(3,780)
Sales taxes recoverable	(66,310)
Accounts payable and accrued liabilities	<u>170,299</u>
	<u>100,209</u>

11 Financing cost

	\$
Interest on convertible debentures	78,567
Interest on lease obligation	<u>99,992</u>
	<u>178,559</u>

Terranueva Pharma Corporation

Notes to Financial Statements

September 30, 2018

(expressed in Canadian dollars)

12 Loss per share

	\$
Loss attributable to the Corporation's shareholders	(559,219)
Basic weighted average number of common shares outstanding	91,750
Dilutive effect of convertible debentures*	-
Diluted weighted average number of common shares	91,750
Loss per share attributable to the Corporation's shareholders Basic and diluted	(6.09)

* For the 10-month period ended September 30, 2018, 28,331 common shares underlying the convertible debentures were excluded from the calculation of the diluted loss per share because their effect would have been anti-dilutive.

13 Related party disclosures

Remuneration of key management personnel

The key management personnel consist of the four individuals with authority and responsibility, direct or indirect, for the planning, orientation and control of the Corporation's operations. They include the senior executives and directors of the Corporation.

The remuneration given to the key management personnel is as follows:

	\$
Professional fees	<u>178,003</u>

These transactions are in the normal course of business and are measured at the exchange amount, which is the consideration established and agreed upon by the related parties.

During the 10-month period ended September 30, 2018, the Corporation paid general and administrative expenses totalling \$45,223 to a company controlled by a director. These transactions are in the normal course of business and are measured at the exchange amount, which is the consideration established and agreed upon by the related parties.

Terranueva Pharma Corporation

Notes to Financial Statements

September 30, 2018

(expressed in Canadian dollars)

14 Financial instruments

Management of financial risk

Due to its operations, the Corporation is exposed to various financial risks, such as market risk, which includes currency risk and interest rate risk, credit risk and liquidity risk.

The Corporation, through its financial instruments, is exposed to various risks, without being exposed to concentrations of risk.

Market risk

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Since the Corporation does not have any foreign-currency-denominated assets or liabilities, currency risk is not considered significant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Since the Corporation's assets and liabilities, except for convertible debentures (notes 7 and 17(b)), are classified mainly as current assets or liabilities or do not bear interest, they have little exposure to interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Corporation would be unable to honour its financial obligations when they fall due. The Corporation manages its liquidity risk by closely monitoring its capital requirements. As at September 30, 2018, the Corporation's cash amounted to \$1,002,942. Contractual cash flows related to the Corporation's liabilities, including interest, were as follows:

Contractual maturities	Less than 6 months \$	From 6 to 12 months \$	Over 12 months \$	Total of contractual cash flows \$
Accounts payable and accrued liabilities	170,299	-	-	170,299
Lease obligation	127,500	135,000	3,057,500	3,320,000
Convertible debentures	1,005,302	-	953,015	1,958,317
	<u>1,303,101</u>	<u>135,000</u>	<u>4,010,515</u>	<u>5,448,616</u>

Terranueva Pharma Corporation

Notes to Financial Statements

September 30, 2018

(expressed in Canadian dollars)

The amount of the lease obligation due in more than 12 months reflects the minimum lease term of 10 years and consequently does not reflect the intended exercise of the option to purchase in the amount of \$2,900,000 in 2020 (note 6). The lease obligation also excludes non-lease components such as operating expenses and variable lease payments, including taxes and insurance, which are all paid by the Corporation.

Changes in financial liabilities

Financial liabilities recorded the following changes during the period:

	Convertible debentures \$	Lease obligation \$	Total \$
New borrowings	1,884,583	-	1,884,583
New lease	-	2,917,310	2,917,310
Unwinding of the discount	73,734	42,993	116,727
	<u>1,958,317</u>	<u>2,960,303</u>	<u>4,918,620</u>

Fair value

The carrying amount of cash and accounts payable and accrued liabilities approximates fair value because of their short-term maturities. The carrying amount of the convertible debentures approximates fair value because of their recent issuance.

15 Capital management

The Corporation's objective is to maintain sufficient capital to ensure the confidence of investors and creditors as well as to support the Corporation's future development. Management defines capital as the Corporation's deficiency. The Board of Directors has not established any quantitative criteria for return on equity for management purposes. The Corporation has not paid any dividends to its investors and is not subject to any external capital requirements.

16 Segmented information

The Corporation operates in only one sector of activity. All its tangible and intangible assets are located in Canada.

Terranueva Pharma Corporation

Notes to Financial Statements

September 30, 2018

(expressed in Canadian dollars)

17 Subsequent events

- a) Subsequent to the end of the period, the Corporation issued convertible debentures bearing interest at the rate of 10% per annum and having a par value of \$157,500. On October 19, 2018, a debenture bearing interest at the rate of 10% with a par value of \$100,000 was converted into 2,250 common shares. On November 23, 2018, convertible debentures bearing interest at the rate of 10% with a par value of \$1,050,000 were converted into 22,250 common shares. Also on November 23, 2018, one third of the debentures bearing interest at the rate of 7% with a par value of \$1,100,000 were converted into 8,250 common shares.

- b) On December 14, 2018, Corporation Terranueva (formerly Axe Exploration Inc. (Axe)), a company listed on the Canadian Securities Exchange, acquired all the outstanding shares and securities of the Corporation in what constitutes a reverse takeover under which the Corporation would be deemed to be acquiring Axe. Axe has agreed to acquire the shares of the Corporation for consideration of \$10,930,000 payable through the issuance of 21,860,000 common shares at a deemed price of \$0.50 per share. A finder's fee consisting in the issuance of 1,250,000 common shares was paid to an arm's-length party. Following this transaction, the shareholders of the Corporation controlled Axe. Hence, this operation will be accounted as a reverse takeover of Axe by the Corporation, which is identified as the acquiror.

In parallel with the purchase of the Corporation, Axe raised of \$2,310,000 through a private placement with several investors.

CORPORATION TERRANUEVA PHARMA.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The objective of this Management's Discussion and Analysis Report ("MD&A") released by Corporation Terranueva Pharma (the "Company", "Terranueva Pharma" or "TER") is to allow the reader to assess the Company's operating and exploration results as well as our financial position for the initial year ended September 30, 2018. This report, dated January 24, 2019, should be read in conjunction with the audited financial statements for the 10-month period ended September 30, 2018, as well as with the accompanying notes. The audited financial statements are prepared under International Financial Reporting Standards ("IFRS"). Unless otherwise indicated, all amounts are expressed in Canadian dollars. Additional information about TER is available on SEDAR (www.sedar.com) and the Company's website (www.terranueva.ca). This report was approved by the Board of Directors of the Company on January 24, 2019.

FORWARD-LOOKING STATEMENT

Statements made in this report about Company or management objectives, forecasts, estimates, expectations, or predictions of the future may constitute "forward-looking statements", which can be identified by the use of conditional or future tenses or by the use of such verbs as "believe", "expect", "may", "will", "should", "estimate", "anticipate", "project", "plan", and words of similar import, including variations thereof and negative forms.

The management's report contains forward-looking statements that reflect, as of the management report date, the Company's expectations, estimates and projections about its operations, the cannabis industry and the economic environment in which it operates.

Statements in this report that are not supported by historical fact are forward-looking statements, meaning they involve risk, uncertainty and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements.

Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which apply only at the time of writing of this report. The Company disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except to the extent required by securities legislation.

COMPANY OVERVIEW

The Company was incorporated under the Canada Business Corporations Act. The Company intends to become a major producer of cannabis, for medical and recreational purposes. TER has been a fully-owned subsidiary of Corporation Terranueva since December 14, 2018, a public company listed on the CSE under the symbol TEQ.

HIGHLIGHTS

- On December 14, 2018, TER was acquired by Corporation Terranueva, formerly Axe Exploration inc., for \$10,930,000 paid by the issuance of 21,860,000 common shares of Corporation Terranueva.
- Application for the culture and transformation license was submitted to Health Canada.
- Construction of the plant was completed.

SELECTED FINANCIAL INFORMATION

	As at or for the 10-month period ended September 30, 2018 <u>(audited)</u>
	\$
Revenue	-
Net Loss and comprehensive loss	559,219
Loss per share (basic and diluted)	6.09
Total assets	4,680,574
Current liabilities	1,197,682
Non-current liabilities	3,891,237
Shareholders' deficiency	405,345

RESULTS OF OPERATIONS

For the 10-month period ended September 30, 2018, the net loss (\$6.09 per share) amounted to \$559,219.

There was no revenue or production during the period.

For the 10-month period ended September 30, 2018, expenses amounted to \$613,519. They included:

Professional fees	\$283,680
Marketing	\$2,759
Depreciation	\$25,212
General and administrative	\$123,308
Financial expenses	\$178,559

Most expenses were in connection with obtaining the required licences to operate the business of Corporation Terranueva Pharma. Professional fees are comprised of audit fees, legal fees to incorporate the Company and the work towards starting its business and to the convertible debentures as well as management fees. Marketing expenses are for the website development. Financial expenses include the interest on convertible debentures and bank fees.

LIQUIDITY AND FINANCING SOURCES

As at September 30, 2018, cash and cash equivalents totaled \$1,002,942 and working capital amounted to \$375,350.

Cash flows used in operating activities during the 10-month period ended September 30, 2018, was \$371,371. Cash flows used in investing activities was \$715,444 of which \$215,444 was invested in the Construction in progress and \$500,000 in advances. Cash flows provided by financing activities was \$2,089,757 provided mainly by the issuance of \$2,089,748 of convertible debentures, nominal value. Nominal value of \$1,349,167 of convertible debentures have been converted in shares subsequent to September 30, 2018.

Even though Terranueva Pharma has started to invest resources to develop a cannabis business for medical purposes, there is no guarantee that a production license will be delivered to Terranueva Pharma neither as when such a license will be delivered.

As of today, Terranueva Pharma has no revenue and is considered to be in a start-up mode. Terranueva Pharma's ability to continue as a going concern depends on its ability to realize its assets and to obtain additional financing. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

The audited financial statements do not reflect the adjustments to the carrying value of assets and liabilities, the reported amounts of revenues and expenses and the classification of statement of financial position items if the going concern assumption was deemed inappropriate, and these adjustments could be material. Management did not take these adjustments into account as it believes in the validity of the going concern assumption.

CAPITAL STRUCTURE

As at January 24, 2019, there was 124,750 common shares outstanding.

OFF-BALANCE SHEET AGREEMENT

There is no off-balance sheet agreement.

RELATED PARTY TRANSACTIONS

For the 10-month period ended September 30, 2018, management fees of \$45,223 were paid to a company controlled by a director, money paid for services rendered as self-employed. An amount of \$178,003 was paid to senior management and directors, either to companies controlled by them or directly to an individual. These transactions are in the normal course of operations and are measured at the exchange value and the amount of consideration established and agreed to by the related parties which approximates the arm's length equivalent value.

As at September 30, 2018, there is no amount payable to a related party.

BASIS OF PRESENTATION AND GOING CONCERN

The audited financial statements were prepared on a going concern basis.

The Company's ability to continue as a going concern depends on its ability to realize its assets and to obtain additional financing. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. The application of International Financial Reporting Standards ("IFRS") on a going concern basis may be inappropriate, since there is a doubt as to the appropriateness of the going concern assumption.

The audited financial statements do not reflect the adjustments to the carrying value of assets and liabilities, the reported amounts of revenues and expenses and the classification of statement of financial position items if the going concern assumption was deemed inappropriate, and these adjustments could be material. Management did not take these adjustments into account as it believes in the validity of the going concern assumption.

RISKS AND UNCERTAINTIES

There are numerous and various risks, known and unknown, that may prevent Corporation Terranueva Pharma from achieving its goals.

Liquidity Risk

Liquidity risk is the risk that TER will not have enough cash resources to meet its financial obligations as they come due. TER liquidity and operating results may be adversely affected if TER's access to the capital markets is hindered, whether because of a downturn in stock market conditions generally or related to matters specific to TER. Until it will have its first sale, TER generates all its cash flow from its financing activities. TER's approach to managing liquidity risk is to ensure that it will have enough liquidity to meet liabilities when due. As at September 30, 2018, TER had working capital of \$375,350.

Facility is not Licensed

TER's ability to cultivate, store and sell medical or recreational cannabis in Canada is dependent on Licenses, granted by Health Canada and a CRA Licenses to be granted by the Canada Revenue Agency. TER has applied to become a Licensed Producer for the facility. TER has not yet received a License for the Facility. However, TER is currently in the Detailed Review and Initiation of the Security Clearance Process stage of the licensing process. There can be no assurance that Terranueva Pharma will obtain such a License for the Facility.

Reliance on Licenses

Failure to comply with the requirements of any License or CRA License, once obtained by, or transferred to, TER, or any failure to maintain any License or a CRA License would have a material adverse impact on the business, financial condition and operating results of TER. Although TER believes it will meet the requirements to obtain the License and the CRA License, there can be no guarantee that Health Canada will grant the Licenses or approve their transfer or that the Canada Revenue Agency will grant a CRA License or approve its transfer. Should Health Canada not grant any License or its transfer or should it grant the License on different terms or should the Canada Revenue Agency not grant a CRA License, the business, financial condition and results of the operation of TER would be materially and adversely affected.

Reliance on the Facility

To date, TER's activities and resources have been primarily focused on its proposed unlicensed Facility located in L'Assomption, Québec. Adverse changes or developments affecting this facility may have a material and adverse effect on TER's ability to produce medical cannabis, business, financial condition and prospects.

Licensing Requirements

The market for cannabis (including medical marijuana) in Canada is regulated by the applicable Cannabis Laws. Health Canada is the primary regulator of the industry. The applicable Cannabis Laws aims to treat cannabis like any other narcotic used for medical purposes by creating conditions for a new commercial industry that is responsible for its production and distribution.

Any applicant seeking to become a Licensed Producer is subject to stringent Health Canada licensing requirements.

Facility Lease Risk

The Facility is located on property that is not owned by TER. Such property is subject to a long-term Lease and similar arrangements in which the underlying land is owned by a third party and leased to TER with rights to buy back. Under the terms of a typical lease, the lessee must pay rent for the use of the land and is generally responsible for all costs and expenses associated with the building and improvements. Unless the Lease term is extended, the land, together with all improvements made, will revert to the owner of the land upon the expiration of the Lease term. In addition, an event of default by TER under the terms of the Lease could also result in a loss of the property should the default not be rectified in a reasonable period. The reversion or loss of such properties could have a material adverse effect on TER's operations and results.

Limited Operating History

TER anticipates entering the medical cannabis business. TER's Facility's application to become a Licensed Producer under the former legal regime was submitted to Health Canada before October 17, 2018. TER is therefore subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that TER will be successful in achieving a return on its shareholders' investments and the likelihood of success must be considered considering its early stage of operations. These risks may include:

- risks that it may not have enough capital to achieve its growth strategy;
- risks that it may not develop its product and service offerings in a manner that enables it to be profitable and meet its customers' requirements;
- risks that its growth strategy may not be successful;
- risks that fluctuations in its operating results will be significant relative to its revenues; and
- risks relating to an evolving regulatory regime.

Management of Growth

TER may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of TER to manage growth effectively will require continued implementation and improvement of its operational and financial systems and to expand, train and manage its employee base. The inability of TER to deal with growth may have a material adverse effect on its business, financial condition, results of operations and prospects.

Reliance on Management

The success of TER is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the TER's business, operating results or financial condition.

Conflicts of Interest

TER may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, TER's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to TER, as applicable. External business interests may require significant time and attention of TER's executive officers and directors. In some cases, executive officers and directors may have fiduciary obligations associated with external business interests that may interfere with their abilities to devote time to TER's business and affairs, as applicable, and this could adversely affect TER's operations.

In addition, TER may also become involved in transactions that conflict with the interests of its respective directors and the officers, who may from time to time deal with persons, firms, institutions or corporations with which TER may be dealing, or which may be seeking investments like those desired by it. The interests of these persons, firms, institutions or corporations could conflict with those of TER. In addition, from time to time, these persons, firms, institutions or corporations may be competing with TER for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under the applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of TER's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with the applicable laws, the directors of TER are required to act honestly, in good faith and in the best interests of TER.

Litigation

TER may become party to litigation from time to time in the ordinary course of its business which could adversely affect its operations. Should any litigation in which TER becomes involved be determined against it, such a decision may adversely affect TER's ability to continue operating and use significant resources. Even if TER is involved in

litigation and succeeds, litigation can redirect significant company resources. Litigation may also create a negative perception of Terranueva Pharma's brand, and ultimately the Corporation's brand.

Regulatory Risks

TER operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements. TER's ability to grow, store and sell medical cannabis in Canada with respect to the Facility is dependent on obtaining the License from Health Canada and a CRA License and the need to maintain them in good standing. Failure to: (i) comply with applicable requirements; and (ii) maintain the Licenses and a CRA License would have a material adverse impact on the business, financial condition and operating results of TER.

TER will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of our operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to TER's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of TER.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the TER's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the TER's earnings and could make future capital investments or the TER's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Product Liability

As a manufacturer and distributor of products designed to be ingested or inhaled by humans, TER faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of products involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of TER's products alone or in combination with other medications or substances could occur. Terranueva Pharma may be subject to various product liability claims, including, among others, that TER's products caused injury, illness or loss, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against TER could result in increased costs, adversely affect TER's reputation with its respective clients and consumers generally, and adversely affect the results of operations and financial conditions of TER.

Product Recalls

Manufacturers and distributors of products may be subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of TER's products are recalled due to an alleged product defect or for any other reason, TER could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. TER may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention.

Operating Risk and Insurance Coverage

TER has insurance to protect its assets, operations and employees. While TER believes its insurance coverage addresses all material risks to which they are exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which TER is exposed. However, TER may also be unable to maintain insurance to cover these risks at economically

feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. TER might also become subject to liability for pollution or other hazards which may not be insured against or which TER may elect not to insure against because of premium costs or other reasons. Losses from these events may cause TER Pharma to incur significant costs that could have a material adverse effect upon TER's financial performance and results of operations.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The audited financial statements for the 10-month period ended September 30, 2018 and other financial information contained in this MD&A are the responsibility of TER's management and have been approved by the Board of Directors on January 24, 2019.

(s) Pierre Ayotte
Chief Executive Officer

(s) Pierre Monet
Chief Financial Officer