ACME Resources Corp.

Consolidated Financial Statements

September 30, 2018 and 2017

(expressed in Canadian dollars)

RSM Canada LLP

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
ACME Resources Corp.

We have audited the accompanying consolidated financial statements of ACME Resources Corp. and its subsidiary, which comprise the statements of financial position as at September 30, 2018 and September 30, 2017, and the statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years ended September 30, 2018 and September 30, 2017, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ACME Resources Corp. and its subsidiary as at September 30, 2018 and September 30, 2017, and its financial performance and its cash flows for the years ended September 30, 2018 and September 30, 2017 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 3 to these consolidated financial statements which describes the material uncertainties that may cast significant doubt about ACME Resources Corp.'s ability to continue as a going concern.

RSM Canada LLP

Licensed Public Accountants
Chartered Professional Accountants
January 25, 2019
Toronto, Ontario

ACME Resources Corp.
Consolidated Statements of Financial Position
(expressed in Canadian dollars)

	Notes	At September 30, 2018 $	2017 $
Assets			
Current			
Cash		283,215	17,064
Receivables		37,948	-
		321,163	17,064
Liabilities			
Current			
Accounts payable and accrued liabilities		252,877	29,839
Shareholders' equity (deficit)			
Share capital	6	1,030,088	395,456
Common shares to be issued	6	-	50,000
Reserve for share-based payments	6	-	44,747
Contributed surplus	6	150,000	-
Deficit		(1,111,802)	(502,978)
		68,286	(12,775)
		321,163	17,064
Subsequent event - Amalgamation	2		
Going-concern	3		

Approved by the Board:

Mark Upsdell	Brian Howlett
Director	**Director**

ACME Resources Corp.
Consolidated Statements of Loss and Comprehensive Loss
(expressed in Canadian dollars)

	Years ended September 30,	
	2018	**2017**
	$	**$**
Expenses		
Professional fees	66,954	14,294
Consulting fees	207,149	11,900
General and administrative	31,463	490
Corporate development	12,991	12,435
Public company costs	53,414	10,960
Transaction costs	281,601	-
Loss and comprehensive loss	653,572	50,079
Basic and diluted loss per share	0.18	0.05
Weighted average number of shares outstanding - basic and	3,590,015	1,108,622

ACME Resources Corp.
Consolidated Statements of Changes in Equity
(expressed in Canadian dollars)

	Share capital		Shares to	Reserve for share-based	Contributed		
	Number of shares	Amount $	be issued $	payments $	surplus $	Deficit $	Total $
Balance, September 30, 2017	6,000,950	395,456	50,000	44,747	-	(502,978)	(12,775)
Common shares issued	1,600,000	50,000	(50,000)	-	-	-	-
Private placement	2,480,000	62,000	-	-	-	-	62,000
Cancellation of stock options	-	-	-	(44,747)		44,747	-
Balance, February 16, 2018	10,080,950	507,456	-	-	-	(458,231)	49,225
Effect of share consolidation	(8,064,760)	-	-	-	-	-	-
Cancellation of common shares	(150,000)	(150,000)	-	-	150,000	-	-
Settlement of accounts payable	1,400,000	175,000	-	-	-	-	175,000
Private placement	2,006,000	501,500	-	-	-	-	501,500
Share issue costs	-	(3,868)	-	-	-	-	(3,868)
Loss	-	-	-	-	-	(653,572)	(653,572)
Balance, September 30, 2018	5,272,190	1,030,088	-	-	150,000	(1,111,803)	68,285
Balance, September 30, 2016	4,101,950	351,304	20,000	44,747		(452,899)	(36,848)
Private placements							
Issued	1,899,000	47,475	-	-	-	-	47,475
To be issued	-	-	30,000	-	-	-	30,000
Share issue costs	-	(3,323)	-	-	-	-	(3,323)
Loss	-	-	-	-	-	(50,079)	(50,079)
Balance, September 30, 2017	6,000,950	395,456	50,000	44,747	-	(502,978)	(12,775)

ACME Resources Corp.
Consolidated Statements of Cash Flows
(expressed in Canadian dollars)

	Years ended September 30, 2018 $	2017 $
Cash flow from operating activities		
Loss	(653,572)	(50,079)
Changes in non-cash working capital		
Receivables	(37,948)	-
Accounts payable and accrued liabilities	398,038	(7,912)
	(293,481)	(57,991)
Cash flow from financing activities		
Private placements of common shares	563,500	47,475
Common shares to be issued	-	30,000
Share issue costs	(3,868)	(3,323)
	559,632	74,152
Net change in cash	266,151	16,161
Cash, beginning of year	17,064	903
Cash, end of year	283,215	17,064
Non-cash transaction		
Issue of common shares		
For common shares to be issued	50,000	-
Settlement of accounts payable	175,000	-
Supplementary information		
Interest paid	-	-
Income taxes paid	-	-

ACME Resources Corp.
Notes to Consolidated Financial Statements
September 30, 2018 and 2017

(expressed in Canadian dollars)

1. Nature of operations

ACME Resources Corp. (the “Company”) was originally listed on the TSX Venture Exchange (“TSXV”) as a Capital Pool Company (“CPC”) as defined in Policy 2.4 of the TSXV (“Policy 2.4”). As a CPC, the Company’s principal business was to identify, evaluate and acquire assets, properties or businesses which would constitute a qualifying transaction (“Qualifying Transaction”). The Company competed with many capital pool companies that were seeking a suitable Qualifying Transaction and was unable to complete a Qualifying Transaction within the prescribed time period under Policy 2.4. As a result, trading of the common shares of the Company was transferred to the NEX in May 2012 and subsequently halted in December 2015 and suspended on February 22, 2018. On March 28, 2018, the Company’s common shares were delisted from the NEX. On February 18, 2018, the Company’s outstanding common shares were consolidated by a ratio of 5:1. As a result of not completing a Qualifying Transaction, 150,000 outstanding post-consolidation common shares subject to an escrow agreement were cancelled and paid-up capital of $150,000 of those common shares was transferred from share capital to contributed surplus. The Company has continued its principal business to identify, evaluate and acquire assets, properties or businesses. See note 2 for Subsequent event - Amalgamation.

The Company was incorporated under the Business Corporations Act of Ontario on February 27, 2008 and its registered office is located at 20 Adelaide Street East, Suite 200, Toronto, Ontario, M5C 2T6.

2. Subsequent event - Amalgamation

On December 7, 2018, the Company completed an amalgamation with Rapid Dose Technologies Inc. (“RDT”), a Canadian med-tech company that provides innovative, proprietary drug delivery technologies designed to improve outcomes and quality of lives.

At September 30, 2018, the Company had incurred transaction costs of $281,602 with respect to the amalgamation.

Pursuant to an Amended and Restated Amalgamation Agreement, the Company:

a) issued 64,841,200 common shares to acquire all of the issued and outstanding common shares of RDT on the basis of an exchange ratio of one common share of the Company for each outstanding RDT common share; and
b) issued 840,000 warrants to replace each of the outstanding RDT warrants on the basis that the holder will be entitled to acquire one common share of the Company on the same terms and conditions as the RDT warrants.
c) On completion of the amalgamation, the Company also issued a total of 4,907,937 common share to an arm's length party in payment of corporate finance services fees.

Upon completion of the amalgamation and the issuance of the shares to the arm length's party, the Company had 75,021,327 common shares issued and outstanding, of which, 7% were held by the Company’s shareholders, and approximately 86% were held by the former RDT shareholders. The Company also has 840,000 warrants issued and outstanding.

Following the closing of the amalgamation, the Company changed its name to Rapid Dose Therapeutics Corp.

3. Going-concern

These consolidated financial statements have been prepared on a going concern basis that presumes the realization of assets and discharge of liabilities in the normal course of business.

The Company has no revenue. During the year ended September 30, 2018, the Company incurred a loss of $653,572 (2017 - $50,079) and as at that date, the Company had an accumulated deficit of $1,111,802 (2017 - $502,978) and working capital of $68,286 (2017 - working capital deficit of $12,775). These factors create material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern.

In order to continue as a going concern and to meet its corporate objectives, the Company will require additional financing through the issuance of equity or debt to finance the operations of RDT. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company or that the operations will be profitable.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments could be material.

4. Basis of presentation

Statement of compliance
These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The accounting policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of September 30, 2018.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on January 25, 2019.

Basis of measurement
These consolidated financial statements have been prepared on the historical cost basis.

Functional and presentation currency
These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

Use of estimates and judgments
The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

Going concern assumption
The Company applies judgment in assessing its ability to continue as a going concern for at least 12 months. See note 3.

Common shares issued in settlement of account payable
The Company applies judgment in determining the common share price used in accounting for the settlement of accounts payable in common shares. Factors considered in making those judgments include, but are not limited to the date of the settlement, the date of regulatory approvals of the settlement, the relative fair value of the common shares during these periods and the fair value of the accounts payable settled. See note 6.

Deferred income taxes
Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. The recognition of deferred income tax assets is based on the assumption that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. See note 7.

5. Significant accounting policies and future accounting changes

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and since May 11, 2018, its wholly-owned subsidiary, 1163926 B.C. Ltd. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commenced until the date that control ceased. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has all the following:

(a) power over the investee;
(b) exposure, or rights, to variable returns from its involvement with the investee; and
(c) the ability to use its power over the investee to affect the amount of the investor's returns.

All intercompany transactions and balances are eliminated on consolidation.

Financial instruments

Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

The Company has classified cash as fair value through profit or loss.

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

The Company has not classified any financial asset as held-to-maturity.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company has not classified any financial asset as loans and receivables.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale assets, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

The Company has not classified any financial asset as available-for-sale.

Non-derivative financial liabilities
The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company has classified accounts payable and accrued liabilities as other financial liabilities.

Derivative financial liabilities
Derivative financial liabilities are recorded at “fair value through profit or loss” and accordingly recorded on the balance sheet date at fair value. Unrealized gains and losses on derivatives held for trading are recorded as part of other gains or losses in earnings. Fair values for derivative instruments are determined using valuation techniques, using assumptions based on market conditions existing at the balance sheet date.

The Company has not classified any liability as a derivative liability.

Impairment of non-derivative financial assets
A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Financial assets carried at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the financial asset is reduced by the amount of the impairment loss and the impairment loss is recognized in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Share capital

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

Share issue costs

Transaction costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be probable. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

Share-based payments

The Company offers a stock option plan for its officers, directors, employees and consultants. The fair value of stock options for each vesting period is determined using the Black-Scholes option pricing model and is recorded over the vesting period as an increase to stock-based compensation and contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of stock options, the proceeds received by the Company and the related contributed surplus are recorded as an increase to share capital. In the event that vested stock options expire, previously recognized share-based compensation is not reversed. In the event that stock options are forfeited, previously recognized share-based compensation associated with the unvested portion of the stock options forfeited is reversed.

The fair value of share-based payment transactions to non-employees and other share-based payments are based on the fair value of the goods and services received. If the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

Income tax

Income tax expense comprises current and deferred taxes. Current and deferred taxes are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

Loss per share
The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise outstanding warrants and stock options. For the years ended September 30, 2018 and September 30, 2017, outstanding stock options were anti-dilutive.

New standards and interpretations not yet adopted
The following amendment to standards will be effective for periods beginning on or after January 1, 2018:

IFRS 9, Financial Instruments ("IFRS 9")
This standard will replace *IAS 39, Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules In IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held for trading are measured at FVTPL and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The Company does not expect IFRS 9 to have a material impact, however, has not completed its assessment on the extent of the impact of IFRS 9 on its financial statements.

The following new standard will be effective for periods beginning on or after January 1, 2019:

IFRS 16, Leases (“IFRS 16”)
This standard will replace *IAS 17, Leases*. IFRS 16 provides an updated definition of a lease contract, including guidance on the combination and separation of contracts. The standard requires lessees to recognize a right-of-use asset and a lease liability for substantially all lease contracts. The accounting for lessors is substantially unchanged from IAS 17. The Company has not determined the extent of the impact of IFRS 16 on its financial statements.

6. Share capital

Authorized
An unlimited number of common shares without par value.

(expressed in Canadian dollars)

Pre-share consolidation transactions

Private placement
On December 28, 2016, the Company completed a non-brokered private placement of 1,899,000 common shares at a price of $0.025 per common share for proceeds of $47,475. In connection with the private placement, the Company paid a cash finder's fee of commission of $3,323.

Common shares to be issued
On November 10, 2017, the Company issued 1,600,000 common shares for common shares to be issued of $50,000 at September 30, 2017.

Private placement
On January 2, 2018, the Company completed a non-brokered private placement of 2,480,000 common shares at a price of $0.025 per common share for proceeds of $62,000. In connection with the private placement, the Company paid a cash finder's fee of commission of $3,868.

Share consolidation
At the Annual General and Special Meeting held on August 30, 2018, the shareholders of the Company approved an amendment to the articles of the Company to consolidate the common shares by a ratio of 5:1. On February 18, 2018, 10,080,950 outstanding common shares were consolidated into 2,016,190 common shares. All stock option and per share amounts in these consolidated financial statements have been retroactively restated to reflect the share consolidation.

Post-share consolidation transactions

Private placement
On March 29, 2018, the Company completed a non-brokered private placement of 2,006,000 common shares at a price of $0.25 per common share for proceeds of $501,500. In connection with the private placement, the Company paid a cash finder's fee of commission of $3,867. Of the private placement, 40,000 common shares were acquired by a director.

Common shares issued in settlement of accounts payable
On March 15, 2018, the Company issued 1,400,000 common shares at a price of $0.125 per common share in settlement of accounts payable of $175,000. Of the settlement, 675,000 common shares were issued to directors.

Stock options
The Company may grant stock options to directors, officers, employees and consultants for up to 10% of the issued and outstanding common shares. At September 30, 2018, the Company may grant up to 527,219 stock options (2017 – 120,019). The exercise price for stock options will not be less than the market price of the common shares on the date of the grant, less any discount permissible under the rules of the TSXV. The maximum term for stock options will be 5 years and stock options granted will vest immediately.

A summary of the Company's stock options outstanding and exercisable at September 30, 2018 is presented below:

	Weighted-average exercise price $	**Number of stock options outstanding and exercisable**
Balance, September 30, 2016 and September 30, 2017	1.00	49,434
Cancelled	1.00	(49,434)
Balance, September 30, 2018	–	–

Upon cancellation of the stock options, reserve for share-based payments of $44,747 was transferred to the deficit.

(expressed in Canadian dollars)

7. Income taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the federal and provincial statutory rate of 26.5% (2017 - 26.5%) to the pre-tax net loss for the year. The reasons for the difference are as follows:

	As at September 30, 2018 $	2017 $
Income tax recovery based on statutory rate	173,197	13,271
Items not deductible for income tax purposes	(973)	(1,648)
Deductible share issue costs and cumulative eligible capital	926	724
Income tax benefits not recognized	(173,150)	(12,347)
	–	–

Deferred income tax assets and liabilities

The Company's deferred income tax assets and liabilities are valued using the future income tax rate of 26.5% (2017 - 26.5%), which is the effective rate when they are expected to be realized and are as follows:

	As at September 30, 2018 $	2017 $
Asset		
Non-capital loss carryforward	321,460	148,311
Share issue costs	2,091	1,775
Cumulative eligible capital	549	590
	324,100	150,676
Deferred tax assets not recognized	(324,100)	(150,676)
	–	–

Losses carried forward

At September 30, 2018, the Company had non-capital loss carryforwards which expire as follows:

	$
2028	2,000
2029	4,000
2030	52,000
2031	88,000
2032	200,000
2033	39,000
2034	32,000
2035	51,000
2036	45,000
2037	47,000
2038	653,000
	1,213,000

8. Determination of fair values

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

Stock options
The fair value of stock options is measured using a Black-Scholes option pricing model. Measurement inputs include share price on grant date, exercise price, expected volatility (based on historical volatility or historical volatility of securities of comparable companies), weighted average expected life and forfeiture rate (both based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

Classification of fair value of financial instruments
The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 - quoted prices in active markets for identical assets and liabilities;
- Level 2 - inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 - inputs for the asset or liability that are not based on observable market data

Cash is measured at fair value at Level 1 of the fair value hierarchy.

9. Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk
Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company’s cash of $283,215 (2017 - $17,604).

The Company’s limits its exposure to credit risk on its cash by holding its cash in deposits with high credit quality Canadian chartered banks.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company’s approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due. The amounts for accounts payable and accrued liabilities are subject to normal trade terms.

The Company has no revenues and relies on financing through the issuance of equity to finance future operations.

Market risk
Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company’s income or the value of its financial instruments. The Company is not exposed to equity price, foreign exchange rate or interest rate risk.

(expressed in Canadian dollars)

Capital management

Capital of the Company consists of share capital, common shares to be issued, reserve for share-based payments, contributed surplus and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can identify, evaluate and acquire of assets, properties or businesses. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's principal source of capital is from the issuance of equity. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

10. Related party transactions

Compensation of key management personnel

The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	Years ended September 30,		**Outstanding at September 30,**	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Consulting fees	144,725	—	—	—

During the year ended September 30, 2018, the Company issued 675,000 common shares at a price of $0.125 per common share in settlement of accounts payable of $84,375 owed to directors of the Company.

11. Segment information

The Company operates in one business segment in Canada.