TRENCHANT CAPITAL CORP.

(formerly Echelon Petroleum Corp.)

Consolidated Financial Statements

Year Ended March 31, 2017

Expressed in Canadian Dollars

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Trenchant Capital Corp. (formerly Echelon Petroleum Corp.):

We have audited the accompanying consolidated financial statements of Trenchant Capital Corp., which comprise the consolidated statements of financial position as at March 31, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in shareholders' 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 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.

Auditor's 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 auditor's 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 entity'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 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 consolidated financial statements.

We believe that the audit evidence that 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 Trenchant Capital Corp. as at March 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements, which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Trenchant Capital Corp.'s ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
July 29, 2017

Trenchant Capital Corp.
(formerly Echelon Petroleum Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	March 31, 2017	March 31, 2016
ASSETS			
Current assets			
Cash		$ 188,651	$ 2,053
GST receivable		13,076	4,502
Prepaids		20,000	-
Financing costs	1	236,253	-
TOTAL ASSETS		**$ 457,980**	**$ 6,555**
LIABILITIES			
Current liabilities			
Accounts payables and accrued liabilities	4,5	$ 154,010	$ 160,587
TOTAL LIABILITIES		**154,010**	**160,587**
SHAREHOLDERS' EQUITY			
Share capital	6	4,111,518	3,451,518
Obligation to issue shares	6	-	4,500
Share- based payment reserve	6	343,158	343,158
Deficit		(4,150,706)	(3,953,208)
TOTAL EQUITY		**303,970**	**(154,032)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 457,980**	**$ 6,555**

Going concern (Note 1)
Subsequent events (Note 9)

On behalf of the board:

"Eric Boehnke"
Eric Boehnke, Director

"John Legg"
John Legg, Director

Trenchant Capital Corp.
(Formerly Echelon Petroleum Corp.)
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	Years ended March 31, 2017	March 31, 2016
Expenses			
Consulting and management fees		$ -	$ 7,954
Foreign exchange (gain) loss		-	(7,687)
General and administrative		26,500	1,145
Business development		85,167	12,300
Professional fees		46,657	12,590
Transfer agent and filing fees		37,680	10,534
Travel and promotion		1,494	21,396
		197,498	58,232
Other item			
Gain on settlement of accounts payable		-	33,832
		-	33,832
Net and comprehensive loss		**$ (197,498)**	**$ (24,400)**
Loss per share – basic and diluted	6	**$ (0.02)**	**$ (0.05)**

Trenchant Capital Corp.
(Formerly Echelon Petroleum Corp.)
Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Notes	Share capital					
		Number of shares	Amount	Obligation to issue shares	Share-based payment reserve	Deficit	Total
Balance at March 31, 2015		**535,884**	**$ 3,451,518**	**$ -**	**$ 343,158**	**$ (3,928,808)**	**$ (134,132)**
Shares issued for cash	6	-	-	4,500	-	-	4,500
Net and comprehensive loss		-	-	-	-	(24,400)	(24,400)
Balance at March 31, 2016		**535,884**	**3,451,518**	**4,500**	**343,158**	**(3,953,208)**	**(154,032)**
Issue of shares for debt	5,6	1,000,000	60,000	-	**-**	**-**	**60,000**
Issue of shares for cash	5,6	9,925,000	595,500	-	**-**	**-**	**595,500**
Issue of shares for obligation to issue shares		75,000	4,500	(4,500)	**-**	**-**	**-**
Net and comprehensive loss		-	-	-	**-**	(197,498)	**(197,498)**
Balance at March 31, 2017		**11,535,884**	**$ 4,111,518**	**$ -**	**$ 343,158**	**$ (4,150,706)**	**$ 303,970**

Trenchant Capital Corp.
(Formerly Echelon Petroleum Corp.)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended	
	March 31, 2017	**March 31, 2016**
Operating activities		
Net loss	$ (197,498)	$ (24,400)
Adjustments for non-cash items:		
Gain on settlement of accounts payable	-	(33,832)
Changes in non-cash working capital items:		
GST receivable	(8,574)	(3,695)
Prepaid expenses	(20,000)	-
Financing costs	(236,253)	-
Accounts payables and accrued liabilities	53,423	58,419
Net cash flows used in operating activities	(408,902)	(3,508)
Financing activities		
Subscription received	-	4,500
Shares issued for cash	595,500	-
Net cash flows from financing activities	595,500	4,500
Increase in cash	186,598	992
Cash, beginning	2,053	1,061
Cash, ending	**$ 188,651**	**$ 2,053**

Non-cash activities		
Shares issued for debt	$ 60,000	$ -

1. Nature and continuance of operations

Trenchant Capital Corp. (formerly Echelon Petroleum Corp.) (the "Company") was incorporated under the British Columbia Business Corporations Act on December 17, 2009. The Company's shares are listed on the TSX Venture Exchange ("TSXV").

The Company's head office is located 33 Bay Street, Suite 630, Toronto, ON, M5H 2R2. The Company has one subsidiary, 0960128 B.C. Ltd.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company has no source of revenues and incurred losses since its inception and had an accumulated deficit of $4,150,706 at March 31, 2017, which has been funded primarily by issuance of shares and loans from related parties. This indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company was formed as a Capital Pool Company on the TSXV. In May 2011, the Company completed its qualifying transaction as a resource issuer and was engaged in the exploration and development of natural resource properties.

On May 10, 2016, the Company changed its name to Trenchant Capital Corp. and commenced trading under the symbol "TCC.H".

In May 2016, the Company announced that it was pursuing a change of business to become a Investment Issuer on the TSXV (the "Change of Business"). In connection with the Change of Business the Company changed its name to Trenchant Capital Corp. on May 16, 2017. Approval for the Change of Business was obtained from the TSXV on May 26, 2017.

On March 7, 2017, the Company filed and obtained a receipt for a preliminary prospectus with security regulatories authorities for a proposed public offering of a minimum of 5,000 and a maximum of 20,000 secured convertible debentures (the "Debentures") priced at $1,000 per Debenture (the "Debenture Offering Price"), for gross proceeds of a minimum of $5,000,000 and a maximum of $20,000,000 (the "Debenture Offering"). The Debenture Offering was made on a best efforts, through a syndicate of agents to be led by Industrial Alliance Securities Inc. ("IA"), pursuant to the terms of an engagement letter between the Company and IA dated February 28, 2017. The Company granted the Agents an option, expiring on the closing of the Debenture Offering, to sell up to an additional 15% of the Debentures sold under the Debenture Offering to cover over-allocations (the "Over-Allotment Option"). The Debenture Offering is subject to usual closing conditions, including regulatory approvals and the approval of the TSXV. The Company used the proceeds from the Debenture Offering to fund the Loan (see below).

The Debenture Offering

The Debentures will mature on March 31, 2022 and the outstanding principal of the Debentures will bear interest (the "Debenture Interest") at the rate of 9.0% per annum, payable quarterly in cash. The terms of the Debentures are set out in a trust indenture entered into between the Company and Computershare Trust Company of Canada.

1. Nature and continuance of operations (cont'd)

Commencing on the date that is one year after the date of issuance of the Debentures (the "Closing Date"), the outstanding principal amount of the Debentures may be converted, at the option of the holder, into common shares of the Company (each, a "Common Share") at a conversion price equal to the greater of: (i) 95% of the volume weighted average trading price of the Common Shares for the 30 trading day period ending three business days before the conversion date, and (ii) $1.00 per Common Share, provided that, unless the conversion is being effected in connection with a redemption by the Company, no more than 25% of the aggregate principal amount of Debentures held by a holder may be converted in any 180 day period. The Company may prepay the outstanding principal of the Debentures, and the Debenture Interest thereon, in cash, at any time after two years from the Closing Date by paying the Debenture holders 105% of the outstanding principal amount of the Debentures in year three, 103% of the outstanding principal amount of the Debentures in year four, and 101% of the outstanding principal amount of the Debentures in year five, plus any accrued Debenture Interest thereon. Closing of the Debenture Offering was subject to the concurrent closing of the Convertible Preferred Share Offering (see below, and together with the Debenture Offering the "Offerings"), the satisfaction or waiver of all conditions precedent to the making of the Loan (other than the completion of the Offerings), and the receipt of the conditional approval of the TSXV for the Change of Business. The Company pledged all of the outstanding shares of the Lender (see below) to the holders of the Debentures as security for the Company's outstanding obligations under the Debentures. The holders of Debentures have no recourse to the Company other than with respect to such Lender shares. Pursuant to the terms of the Engagement Letter, IA has agreed to act as lead agent and sole bookrunner, on behalf of the Agents, in connection with the Debenture Offering. The Company has also agreed to grant the Agents the Over-Allotment Option, exercisable in whole or in part at any time prior to the Closing Date, to arrange for the purchase of up to an additional 15% of the Debentures sold by the Agents under, and on the same terms as, the Debenture Offering, subject to the agreement of Borrower (see below) to increase the amount of the Loan by the amount of the Over-Allotment Option that is exercised. In consideration for their services, the Agents will receive a cash commission equal to 6.5% of the gross proceeds of the Debenture Offering, including any proceeds received in connection with the exercise of the Over-Allotment Option (the "Agents' Commission"), and be reimbursed for their reasonable expenses. As the proceeds of the sale of the Debenture Offering will be used by the Company to fund the Loan, the Agents' Commission and expenses will be paid from the proceeds of the Convertible Preferred Share Offering.

The Loan

The Company has entered into a loan agreement (the "Loan Agreement") dated March 2, 2017 (which replaces the loan agreement dated October 28, 2016) with Waiward Investments Limited Partnership (the "Borrower"), a limited partnership related to the Hillcore Group ("Hillcore"), pursuant to which a wholly owned subsidiary of the Company (the "Lender") has agreed to loan a minimum of $5,000,000 and a maximum of $20,000,000 (or $23,000,000 in the event that the Over-Allotment Option is exercised in full) (the "Loan") to the Borrower, secured by the Borrower's indirect equity interest in Waiward Steel Limited Partnership ("Waiward Steel"), one of Canada's largest steel fabricators and erectors.

1. Nature and continuance of operations (cont'd)

The Convertible Preferred Share Offering

The Company is also undertook a concurrent non-brokered financing of up to 8,750,000 non-voting convertible preferred shares (the "Convertible Preferred Shares") at a price of $0.40 per Convertible Preferred Share to raise gross proceeds of up to $3,500,000 (the "Convertible Preferred Share Offering"). The Convertible Preferred Shares are subject to special rights and restrictions, which include the right of holders to receive annual non-cumulative dividends at a fixed rate of 8% per annum. Holders of Convertible Preferred Shares may, commencing on the date that is one year after the date of issuance of the Convertible Preferred Shares, convert their Convertible Preferred Shares into Common Shares on a one for one basis, subject to a semiannual maximum conversion limit of such number of Common Shares as is equal to 25% of a particular holder's Convertible Preferred Shares. The Convertible Preferred Shares will automatically convert into Common Shares on a one for one basis on the third anniversary of the date of issuance. Holders of Convertible Preferred Shares will not be entitled to receive notice of, attend or vote at any general meeting of the shareholders of the Company. The Convertible Preferred Shares will not be listed for trading on the TSXV or on any other stock exchange or quotation system. Closing of the Convertible Preferred Share Offering is subject to the concurrent closing of the Debenture Offering, the satisfaction or waiver of all conditions precedent to the making of the Loan (other than the completion of the Offerings), and the receipt of the conditional approval of the TSXV for the Change of Business. The Convertible Preferred Share Offering was subject to a minimum of 6,875,000 of Convertible Preferred Shares being subscribed for, for minimum gross proceeds of $2,750,000. Up to March 31, 2017, the Company incurred $236,253 in costs associated with Offerings, which is recorded on the statement of financial position as financing costs. Subsequent to March 31, 2017, the Company closed the Debenture and Convertible Preferred share offerings (Note 9).

2. Significant accounting policies and basis of preparation

The consolidated financial statements were authorized for issue on July 29, 2017 by the directors of the Company.

Statement of compliance with International Financial Reporting Standards

The consolidated financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entity. Details of the controlled entity is as follows:

(Expressed in Canadian Dollars)

2. Significant accounting policies and basis of preparation (cont'd)

	Country of incorporation	Percentage owned*	
		March 31, 2017	March 31, 2016
0960128 B.C. LTD.	Canada	100%	100%

*Percentage of voting power is in proportion to ownership.

During the years ended March 31, 2017 and 2016, the Company's subsidiary, 0960128 BC LTD, was inactive.

Significant estimates and assumptions

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

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgment applied in preparing the Company's financial statements is the assessment of the Company's ability to continue as a going concern.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding in the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

2. Significant accounting policies and basis of preparation (cont'd)

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Company with significant financial assets is managed by key management personnel on a fair value basis in accordance with a risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

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

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

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

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

2. Significant accounting policies and basis of preparation (cont'd)

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive loss in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

(Expressed in Canadian Dollars)

3. Accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards are not yet effective as of March 31, 2017 and have not been applied in preparing these financial statements.

IFRS 9 Financial Instruments – Classification and Measurement

IFRS 9 is a new standard on financial instruments that will replace IAS 39 *Financial Instruments: Recognition and Measurement.*

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

Effective for annual periods beginning on or after January 1, 2018.

4. Accounts payables and accrued liabilities

	March 31, 2017	March 31, 2016
Accounts payable (Note 5)	$ 154,010	$ 153,993
Accrued liabilities	-	6,594
	$ 154,010	$ 160,587

5. Related party transactions

Related party balances:

The following amounts are due to related parties and included in accounts payable (Note 4):

	March 31, 2017	March 31, 2016
Directors of the Company	$ 7,530	$ 96,495
CFO	1,575	14,175
	$ 9,105	$ 110,670

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

During the year ended March 31, 2017, the Company settled a debt obligation of $60,000 with the CEO by issuing 1,000,000 common shares at $0.06 per share.

Key management personnel compensation

	Years ended	
	March 31, 2017	March 31, 2016
CFO	$ 6,000	$ 6,000

6. Share capital

Authorized share capital

Unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

Issued share capital

At March 31, 2017 and 2016 there were 11,535,884 and 535,884 issued and fully paid common shares respectively.

During the year ended March 31, 2017, the Company issued:

1. 75,000 common shares at $.06 for an obligation to issue shares of $4,500;
2. 1,000,000 common shares at $.06 for a debt obligation of $60,000; and,
3. 9,925,000 common shares at $.06 for cash of $595,500.

Basic and diluted loss per share

The calculation of basic loss per share for the year ended March 31, 2017 was based on the loss attributable to common shareholders of $197,498 (2016: $24,400) and the weighted average number of common shares outstanding of 11,085,064 (2016: 535,884).

Stock options

On March 3, 2010, the directors of the Company consented to adopt a Company Share Option Plan (the "Plan"). The shareholders of the Company approved the Plan on September 8, 2011. The Plan provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the common shares outstanding at the time of the granting of options. Such options may be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed five 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

There were no options outstanding at March 31, 2017 and 2016.

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

7. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

7. Financial risk and capital management (cont'd)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in a bank account. The cash is deposited in a bank account held with a major bank in Canada. As the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. Credit risk is assessed as low.

Liquidity risk

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

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company had no exposure to foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash on hand is subject to minimal interest rate risk.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital and working capital. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	March 31, 2017	March 31, 2016
Held for trading:		
Cash	$ 188,651	$ 2,053

(Expressed in Canadian Dollars)

7. Financial risk and capital management (cont'd)

Financial liabilities included in the statement of financial position are as follows:

	March 31, 2017	March 31, 2016
Non-derivative financial liabilities:		
Accounts payable	$ 154,010	$ 153,993

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

Financial instruments classified as level 1 – quoted prices in active markets include cash.

8. Income tax expense and deferred tax assets and liabilities

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Year ended March 31, 2017	Year ended March 31, 2016
Net income loss	$ (197,498)	$ (24,400)
Statutory tax rate	26%	26%
Expected income tax recovery at the statutory tax rate	(51,349)	(6,344)
Non-deductible items and other	-	-
Change in valuation allowance	51,349	6,344
Income tax recovery	$ -	$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	March 31, 2017	March 31, 2016
Non-capital loss carry-forwards	$ 2,053,527	$ 1,854,194
Exploration and evaluation assets	1,853,905	1,853,905
Share issuance costs	-	1,834
	$ 3,970,432	$ 3,709,933

(Expressed in Canadian Dollars)

8. Income tax expense and deferred tax assets and liabilities (cont'd)

The tax pools relating to these deductible temporary differences expire as follows:

	Canadian non-capital losses	Canadian resource pools
2031	$ 144,643	$ -
2032	574,306	-
2033	524,874	-
2034	545,514	-
2035	-	-
2036	64,858	-
2037	199,332	
No expiry	-	1,853,905
	$ 2,053,527	$ 1,853,905

9. Subsequent events

a) On May 26, 2017, the Company received approval for the Change of Business from the TSXV.

b) On May 18, 2017, the Company announced that it has closed the initial tranche of its prospectus offering, as previously announced on March 8, 2017 (Note 1), pursuant to which it has raised gross proceeds of $5,522,000 through the issuance of 5,522 Debentures.

The Loan bears interest at 12.5% per annum, with 10% payable quarterly in cash and 2.5% added quarterly to the principal balance and payable at maturity on March 31, 2022. The Borrower paid a fee equal to 7% of the funds advanced.

c) The Company also closed its previously announced private placement of the Convertible Preferred Shares, pursuant to which it has raised gross proceeds of $2,700,000 through the issuance of 6,750,000 Convertible Preferred Shares at a price of $0.40 per Convertible Preferred Share. No commissions or finder's fees were paid on the sale of the Convertible Preferred Shares.

d) On June 26, 2017, the Company closed a second tranche of its prospectus offering, for additional gross proceeds of $1,488,000 through the issuance of 1,488 9% Debentures and on July 19, 2017, the Company closed a third and final tranche of its prospectus offering, for additional gross proceeds of $760,000 through the issuance of 760 Debentures. The total gross proceeds of the Debenture Offering are $7,010,000.

e) On June 29, 2017, the Company advanced $1,500,000 to 10164950 Canada Ltd., a company controlled by the Hillcore, as an advance on a second investment transaction with the Hillcore, the terms of which are currently being negotiated.