

Zenith Exploration Inc.
(formerly 1040442 B.C. Ltd.)
Financial Statements
Year Ended July 31, 2017

Expressed in Canadian Dollars

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Adam Kim

ADAM SUNG KIM LTD.
CHARTERED PROFESSIONAL ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of
Zenith Exploration Inc. (formerly, 1040442 B.C. Ltd.)

I have audited the accompanying financial statements of Zenith Exploration Inc. (formerly, 1040442 B.C. Ltd.) (the "Company"), which comprise the statement of financial position as at July 31, 2017, and the statement of loss and comprehensive loss, statement of cash flows and statement of changes in equity for the year ended July 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2017, and its financial performance and its cash flow for the year ended July 31, 2017 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying my opinion, I draw attention to Note 1 in the financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter

The financial statements of the Company for the year ended July 31, 2016, were audited by another auditor who expressed an unmodified opinion on those statements on March 10, 2017.

"Adam Sung Kim Ltd."
Chartered Professional Accountant

Burnaby, British Columbia
November 17, 2017

Zenith Exploration Inc.
(formerly 1040442 B.C. Ltd.)
 Statements of Financial Position
 As at July 31, 2017 and 2016
 (Expressed in Canadian Dollars)

	Notes	July 31, 2017	July 31, 2016
ASSETS			
Current assets			
Amounts receivable		\$ 130	\$ -
TOTAL ASSETS		\$ 130	\$ -
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 6,357	\$ 2,750
Loans payable	4	2,493	-
TOTAL LIABILITIES		8,850	2,750
SHAREHOLDERS' DEFICIENCY			
Share capital	5	7,932	7,932
Deficit		(16,652)	(10,682)
TOTAL SHAREHOLDERS' DEFICIENCY		(8,720)	(2,750)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		\$ 130	\$ -

Nature and continuance of operations (Note 1)

Subsequent events (Note 10)

Approved by the board of directors and authorized for issue on November 17, 2017:

"Brent Hahn"

Brent Hahn, Director

"Barry Hartley"

Barry Hartley, Director

Zenith Exploration Inc.**(formerly 1040442 B.C. Ltd.)**

Statements of Loss and Comprehensive Loss

For the years ended July 31, 2017 and 2016

(Expressed in Canadian Dollars)

	2017	2016
Expenses		
Accounting and audit	\$ 2,892	\$ 2,000
Office and miscellaneous	1,772	1,000
Regulatory fees	253	-
Shareholder information	261	-
Transaction fees	-	6,932
Transfer agent	792	750
Loss and comprehensive loss	\$ (5,970)	\$ (10,682)
Loss per share – basic and diluted	\$ (0.02)	\$ (0.04)
Weighted average number of common shares outstanding	396,601	299,895

See accompanying notes to the financial statements

Zenith Exploration Inc.
(formerly 1040442 B.C. Ltd.)
 Statements of Changes in Equity
 (Expressed in Canadian Dollars)

Share capital						
	Notes	Number of shares	Amount		Deficit	Total
Balance at July 31, 2015		1	\$ -	\$	-	\$ -
Shares issued for plan of arrangement	5	396,600	7,932		-	7,932
Loss for the year		-	-		(10,682)	(10,682)
Balance at July 31, 2016		396,601	7,932		(10,682)	(2,750)
Loss for the year		-	-		(5,970)	(5,970)
Balance at July 31, 2017		396,601	\$ 7,932	\$	(16,652)	\$ (8,720)

See accompanying notes to the financial statements

Zenith Exploration Inc.
(formerly 1040442 B.C. Ltd.)
 Statements of Cash Flows
 For the years ended July 31, 2017 and 2016
 (Expressed in Canadian Dollars)

	2017	2016
Operating activities		
Loss for the year	\$ (5,970)	\$ (10,682)
Item not involving cash:		
Transaction fees	-	6,932
Changes in non-cash working capital items:		
Amounts receivable	(130)	-
Accounts payable and accrued liabilities	3,607	2,750
Net cash flows used in operating activities	(2,493)	(1,000)
Financing activities		
Proceeds on issuance of common shares, net	-	1,000
Loans from related parties	2,493	-
Net cash flows from financing activities	2,493	1,000
Change in cash	-	-
Cash, beginning	-	-
Cash, ending	\$ -	\$ -

There were no significant non-cash transactions for the years ended July 31, 2017 and 2016.

1. Nature and continuance of operations

Zenith Exploration Inc. (formerly 1040442 B.C. Ltd.) (the “Company”) was incorporated on June 19, 2015, under the laws of the province of British Columbia, Canada. On October 4, 2017, the Company changed its name to Zenith Exploration Inc. The Company is a resource exploration company that is acquiring and exploring mineral properties.

In June 2015, the Company entered into an Arrangement Agreement with TNX Maverick Inc. (“TNX”) (formerly Kidani Capital Partners Inc.) and 1040678 BC Ltd. (“1040678”) (the “Plan of Arrangement”) (Note 5). Following completion of the Arrangement Agreement, the Company became a reporting issuer.

The head office, principal address, records office and registered address of the Company are located at 810 - 789 West Pender Street, Vancouver BC.

These financial statements have been prepared on the assumption that the Company and its subsidiaries 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. At July 31, 2017, the Company had not yet achieved profitable operations, had accumulated losses of \$16,652 since its inception, and has working capital deficit of \$8,720. The Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company’s ability to continue as a going concern. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company’s continuation as a going concern is dependent upon the successful results from its business activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or profits from its business activities.

2. Basis of preparation

Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee.

3. Significant accounting policies

Significant estimates and assumptions

The preparation of the Company’s financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. 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.

Areas requiring a significant degree of estimation relate to the fair value measurements for financial instruments and stock-based compensation and other equity-based payments, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates.

3. Significant accounting policies (cont'd)

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 judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the determination of the functional currency of the parent company and its subsidiaries.

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 parent company's functional and presentation currency. The functional currency of the subsidiaries is the Canadian dollar.

Transactions and balances:

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

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 reserves. 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.

3. Significant accounting policies (cont'd)

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. 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.

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 other 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 group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented 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 on monetary financial assets.

3. Significant accounting policies (cont'd)

Financial instruments (cont'd)

Non-derivative financial liabilities (excluding financial guarantees) classified as other financial liabilities 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's cash and receivables are classified as loans and receivables. The Company's trade payables and deposits are classified as other financial liabilities.

Financial instruments measured at fair value are classified into one of the 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 and 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.

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

Impairment of assets

The carrying amount of the Company's assets (which include exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3. Significant accounting policies (cont'd)

Impairment of assets (cont'd)

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

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.

3. Significant accounting policies (cont'd)

New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the IFRIC that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company has not yet assessed the impact, if any, that the new amended standards will have on its financial statements or whether to early adopt any of the new requirements. The following standard will be effective for annual periods beginning on or after January 1, 2018:

IFRS 15, *Revenue from Contracts with Customers* – In May 2014, the IASB issued IFRS 15 which supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2017. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

IFRS 9, *Financial Instruments* – The IASB intends to replace IAS 39, *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9 which is intended to reduce the complexity in the classification and measurement of financial instruments. In February 2014, the IASB tentatively determined that the revised effective date for IFRS 9 would be January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

4. Loans payable

During the year ended July 31, 2017, the Company received an unsecured, non-interest bearing loan in the amount of \$179 from a company controlled by a former director of the Company. The loan is due on demand (Note 6).

During the year ended July 31, 2017, the Company received an unsecured, non-interest bearing loan in the amount of \$2,314 from a director of the Company. The loan is due on demand (Note 6).

5. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At July 31, 2017, there were 396,601 issued and fully paid common shares.

5. Share capital (cont'd)

Share issuances

On June 19, 2015, the Company issued one common share for gross proceeds of \$1.

During the year ended July 31, 2016, pursuant to the Plan of Arrangement (Note 1), the Company issued 396,600 for \$1,000 and the acquisition of an Letter of Intent valued at \$6,932 and included as transaction fees on the statement of loss and comprehensive loss.

Stock options

The Company has not issued any stock options and no stock options are outstanding as at July 31, 2017 and 2016.

Warrants

The Company has not issued any warrants and no warrants options are outstanding as at July 31, 2017 and 2016.

6. Related parties

During the year ended July 31, 2017, the Company paid/accrued accounting and other office fees of \$1,255 (2016 - \$Nil) to a company controlled by a former director of the Company.

During the year ended July 31, 2017, the Company received loans in the aggregate amount of \$2,493 from the Company's current director and a company controlled by a former director of the Company. The loans are unsecured, non-interest bearing and payable on demand (Note 4). As at July 31, 2017, the Company owed \$2,493 related to these loans.

Included in accounts payable and accrued liabilities as at July 31, 2017 is \$571 payable to a company controlled by a former director of the Company.

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:

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 is not exposed to credit risk.

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

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.

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 is not exposed to 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 and cash.

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

		July 31, 2017		July 31, 2016
Non-derivative financial liabilities:				
Accounts payable and accrued liabilities	\$	6,357	\$	2,750
Loans payable		2,493		-
	\$	8,850	\$	2,750

Zenith Exploration Inc.
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Notes to the Financial Statements
(Expressed in Canadian Dollars)
For the years ended July 31, 2017 and 2016

8. Segmented information

The Company operates in a single reportable operating segment – business development services in Canada.

9. Income taxes

A reconciliation of income taxes at statutory tax rates is as follows:

	July 31, 2017	July 31, 2016
Loss for the year	\$ 5,970	\$ 10,682
Statutory tax rate	26%	26%
Expected recovery of income taxes	1,552	2,777
Permanent and other differences	-	(2,062)
Change in benefit not recognized	(1,552)	(715)
Deferred income tax recovery	\$ -	\$ -

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

	July 31, 2017	July 31, 2016
Non-capital losses	\$ 2,267	\$ 715

The Company's non-capital losses of \$8,720 (2016: \$2,750), expire in between 2036 and 2037 if not utilized to reduce income in future periods.

10. Subsequent event

In October 2017, the Company issued 4,000,000 common shares at a price of \$0.05 per share for total gross proceeds of \$20,000.

On November 3, 2017, the Company purchased the rights, title and undivided 100% interest in and to the mineral interests located in the Province of British Columbia in consideration of 15,000,000 common shares of the Company.