

**Zenith Exploration Inc.**  
**(Formerly 1040442 B.C. Ltd.)**  
**Financial Statements**  
**Years Ended July 31, 2018 and 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 statements of financial position as at July 31, 2018 and July 31, 2017, and the statements of loss and comprehensive loss, statements of cash flows and statements of changes in equity for the years ended July 31, 2018 and 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 audits. I conducted my audits 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, 2018 and July 31, 2017, and its financial performance and its cash flow for the years ended July 31, 2018 and 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.

**"Adam Sung Kim Ltd."**  
Chartered Professional Accountant

Burnaby, British Columbia  
November 20, 2018

**Zenith Exploration Inc.**  
**(Formerly 1040442 B.C. Ltd.)**  
 Statements of Financial Position  
 For the Years Ended July 31, 2018 and 2017  
 (Expressed in Canadian Dollars)

	Notes	July 31, 2018	July 31, 2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 448,984	\$ -
Accounts receivable		3,077	130
		452,061	130
Exploration and evaluation assets	4	333,571	-
<b>TOTAL ASSETS</b>		<b>\$ 785,632</b>	<b>\$ 130</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 25,560	\$ 6,357
Loans payable	5	14,512	2,493
<b>TOTAL LIABILITIES</b>		<b>40,072</b>	<b>8,850</b>
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>			
Share capital	6	821,577	7,932
Deficit		(76,017)	(16,652)
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIT)</b>		<b>745,560</b>	<b>(8,720)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)</b>		<b>\$ 785,632</b>	<b>\$ 130</b>

**Nature and continuance of operations** (Note 1)  
**Subsequent events** (Note 11)

Approved by the board of directors and authorized for issue on November 20, 2018:

"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, 2018 and 2017  
(Expressed in Canadian Dollars)

	<b>For the years ended</b>	
	<b>July 31, 2018</b>	<b>July 31, 2017</b>
<b>Expenses</b>		
Professional fees	\$ 23,880	\$ 2,892
Consulting fees	20,040	-
Office and miscellaneous	597	1772
Regulatory fees	12,061	253
Shareholder information	-	261
Transfer agent	3,511	792
	<b>\$ (60,089)</b>	<b>\$ (5,970)</b>
<b>Other Income</b>		
Gain on forgiveness of debt	724	-
<b>Loss and comprehensive loss for the year</b>	<b>\$ (59,365)</b>	<b>\$ (5,970)</b>
<b>Loss per share – basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding</b>	<b>16,309,012</b>	<b>396,601</b>

See accompanying notes to the financial statements.

**Zenith Exploration Inc.**  
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 Statements of Changes in Equity  
 (Expressed in Canadian Dollars)

	Notes	Share capital			Total
		Number of shares	Amount	Deficit	
<b>Balance at July 31, 2016</b>		<b>396,601</b>	<b>\$ 7,932</b>	<b>\$ (10,682)</b>	<b>(2,750)</b>
Loss for the year		-	-	(5,970)	(5,970)
<b>Balance at July 31, 2017</b>		<b>396,601</b>	<b>\$ 7,932</b>	<b>\$ (16,652)</b>	<b>(8,720)</b>
Issuance of common shares for property	4,6	15,000,000	300,000	-	300,000
Issuance of common shares for cash	6	9,115,000	516,500	-	516,500
Share issuance costs	6	-	(2,855)	-	(2,855)
Loss for the year		-	-	(59,365)	(59,365)
<b>Balance at July 31, 2018</b>		<b>24,511,601</b>	<b>\$ 821,577</b>	<b>\$ (76,017)</b>	<b>745,560</b>

**Zenith Exploration Inc.**  
**(Formerly 1040442 B.C. Ltd.)**  
Statements of Cash Flows  
For the Years Ended July 31, 2018 and 2017  
(Expressed in Canadian Dollars)

	<b>2018</b>	<b>2017</b>
<b>Operating activities</b>		
Loss for the year	\$ (59,365)	\$ (5,970)
Item not involving cash:		
Gain on forgiveness of debt	(724)	-
Changes in non-cash working capital items:		
Amounts receivable	(2,947)	(130)
Accounts payable and accrued liabilities	19,748	3,607
<b>Net cash flows used in operating activities</b>	<b>(43,288)</b>	<b>(2,493)</b>
<b>Investing activities</b>		
Exploration and evaluation assets	(33,571)	-
<b>Net cash flows used in investing activities</b>	<b>(33,571)</b>	<b>-</b>
<b>Financing activities</b>		
Proceeds on issuance of common shares, net	513,645	-
Loans from related parties	12,198	2,493
<b>Net cash flows from financing activities</b>	<b>525,843</b>	<b>2,493</b>
Change in cash	448,984	-
Cash, beginning	-	-
<b>Cash, ending</b>	<b>\$ 448,984</b>	<b>\$ -</b>
Supplemental disclosure of cash flow information:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
Non-cash activities:		
Shares issued for mineral property	\$ 300,000	\$ -

See accompanying notes to the financial statements.

**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.

The head office, principal address, records office and registered address of the Company are located at 1080 - 789 West Pender Street, Vancouver BC. On October 11, 2018, the Company commenced trading on the Canadian Securities Exchange (the “Exchange”) under the trading symbol “ZX”.

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. At July 31, 2018, the Company had not yet achieved profitable operations, had accumulated losses of \$76,017 since its inception, has working capital of \$411,989 (July 31, 2017 - \$8,720 deficiency) and 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 therefrom 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.

**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 accounting judgments, 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.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

i) Going concern

Management has determined that the Company will be able to continue as a going concern for the next year.

**3. Significant accounting policies (cont'd)**

***Significant accounting judgments, estimates and assumptions (cont'd)***

ii) Economic recoverability and probability of future benefits of exploration and evaluation costs

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

***Foreign currency translation***

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

**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.

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.

**3. Significant accounting policies (cont'd)**

***Financial instruments*** (cont'd)

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 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.

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.

**3. Significant accounting policies (cont'd)**

*Income taxes (cont'd)*

Current income tax (cont'd):

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.

***Recent Accounting Pronouncements***

The following IFRS standards have been recently issued by the IASB or the IFRIC. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded herein. The Company is assessing the impact of these new standards but does not expect them to have a significant effect on the financial statements.

IFRS 9, Financial Instruments

The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 will replace the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. The new standard also requires a single impairment method to be used, provides additional guidance on the classification and measurement of financial liabilities, and provides a new general hedge accounting standard.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 9 is not expected to have a material impact on the financial statements as the classification and measurement of the Company's financial instruments is not expected to change given the nature of the Company's operations and the types of financial instruments that it currently holds.

**3. Significant accounting policies (cont'd)**

***Recent Accounting Pronouncements (cont'd)***

**IFRS 16, Leases**

In January 2016, the IASB issued IFRS 16 which specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessor accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

**4. Exploration and evaluation assets**

**Scotch Creek Property**

On November 14, 2017, the Company entered into a definitive agreement to purchase eight (8) mineral claims covering 1,384.12 hectares comprising the Scotch Creek Property in the Kamloops Mining Division of British Columbia. In connection with the Scotch Creek Property agreement, the Company and vendors have also executed a royalty deed agreement pursuant to the terms and consideration of which the vendors shall receive a net smelter return royalty of 2% from the Company. Two directors of the Company are vendors of the property.

In consideration for a 100% undivided interest in the property, the Company issued 15,000,000 common shares for total consideration of \$300,000 (Note 6).

**Lac Matchi Property**

On December 12, 2017, the Company entered into an option agreement with Doctors Investment Group Ltd ("the Optionor"). The Optionor grants the Company the sole and exclusive option to acquire a 100% right, title and interest in and to the property, which is located in the Province of Quebec. In order to exercise the option and to maintain the option in good standing, the Company must:

(a) Pay to the Optionor:

- (i) \$20,000 in cash upon the execution of this agreement (paid);
- (ii) an additional \$10,000 in cash on or before the date that is twelve (12) months after the Effective Date ("Effective Date" means the date of the Final Exchange Bulletin giving notice of the approval by the Exchange of the listing of the Company's shares on the facilities of the Exchange and the acceptance by the Exchange of this option agreement and the transactions contemplated by this agreement);
- (iii) an additional \$25,000 in cash on or before the date that is twelve (12) months after the Effective Date;
- (iv) an additional \$250,000 in cash on or before the date that is twenty-four (24) months after the Effective Date;

(b) Issue and deliver to the Optionor:

- (i) 200,000 shares within five (5) business days of the Effective Date;
  - (ii) 100,000 shares on or before the date that is six (6) months after the Effective Date;
  - (iii) 500,000 shares on or before the date that is twelve (12) months after the Effective Date;
  - (iv) 750,000 shares on or before the date that is twenty-four (24) months after the Effective Date;
- and

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**4. Exploration and evaluation assets (cont'd)**

**Lac Matchi Property (cont'd)**

(c) Incur expenditures on the property as follows:

- (i) \$250,000 on or before the date that is fourteen (14) months after the Effective Date;
- (ii) \$750,000 (\$1,000,000 total) on or before the date that is twenty-eight (28) months after the Effective Date;

As the Effective Date was subsequent to June 30, 2018, per the option agreement, an additional \$25,000 must be payable to the Optionor.

The Company shall maintain in good standing the claims or other interests comprising the property by the doing and filing of assessment work or the making of payments in lieu.

Following is the description of the Company's exploration and evaluation assets, and related expenditures incurred for the year ended July 31, 2018:

	<b>Scotch Creek</b>	<b>Lac Matchi</b>	<b>Total</b>
<b>Property acquisition costs</b>			
Balance, beginning of year	\$ -	\$ -	\$ -
Additions	300,000	20,000	320,000
<b>Balance, end of year</b>	<b>\$ 300,000</b>	<b>\$ 20,000</b>	<b>\$ 320,000</b>
<b>Exploration and evaluation costs</b>			
Balance, beginning of year	\$ -	\$ -	\$ -
Costs incurred during year:			
Administration	28	180	208
Geological consulting	7,500	5,552	13,052
Travel and accommodation	311	-	311
<b>Balance, end of year</b>	<b>\$ 7,839</b>	<b>\$ 5,732</b>	<b>\$ 13,571</b>
<b>Total</b>	<b>\$ 307,839</b>	<b>\$ 25,732</b>	<b>\$ 333,571</b>

**5. 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 was due on demand (Note 7). This loan was forgiven during the year ended July 31, 2018.

**5. Loans payable (cont'd)**

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 7).

During the year ended July 31, 2018, the Company received an unsecured, non-interest-bearing loan in the amount of \$12,198 from a director of the Company. The loan is due on demand (Note 7).

As at July 31, 2018, the Company is indebted to directors in the amount of \$14,512 (July 31, 2017 – \$2,314).

**6. Share capital**

***Authorized share capital***

Unlimited number of common shares without par value.

***Issued share capital***

At July 31, 2018, there were 24,511,601 issued and fully paid common shares.

***Share issuances***

On November 14, 2017, the Company entered into a definitive agreement to purchase eight (8) mineral claims covering 1,384.12 hectares comprising the Scotch Creek Property in the Kamloops Mining Division of British Columbia. In consideration for a 100% undivided interest in the property, the Company issued 15,000,000 common shares for total consideration of \$300,000 (Notes 4 and 7).

On December 4, 2017, the Company completed a private placement comprised of 4,000,000 common shares of the Company at a price of \$0.005 per share for total proceeds of \$20,000. The shares were purchased by two directors of the Company. The Company recognized \$1,328 in share issuance costs (Note 7).

On December 5, 2017, the Company completed a private placement comprised of 300,000 common shares of the Company at a price of \$0.05 per share for total proceeds of \$15,000.

On January 31, 2018, the Company completed a private placement comprised of 4,815,000 common shares of the Company at a price of \$0.10 per share for total proceeds of \$481,500. Of the 4,815,000 common shares issued. The Company recognized \$1,527 in share issuance costs (Note 7).

***Stock options***

The Company has not issued any stock options and no stock options are outstanding as at July 31, 2018 and 2017.

***Warrants***

The Company has not issued any warrants and no warrants are outstanding as at July 31, 2018 and 2017.

**7. 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.

On November 14, 2017, the Company entered into a definitive agreement to purchase eight (8) mineral claims covering 1,384.12 hectares comprising the Scotch Creek Property. In connection with Scotch Creek Property Agreement, the Company and vendors have also executed a royalty deed agreement pursuant to the terms and consideration of which the vendors shall receive a net smelter return royalty of 2% from the Company. Two directors of the Company are vendors of the property. The Company issued 15,000,000 common shares for total consideration of \$300,000 to the two directors (Notes 4 and 6).

On December 4, 2017, the Company completed a private placement comprised of 4,000,000 common shares of the Company at a price of \$0.005 per share for total proceeds of \$20,000. The shares were purchased by two directors of the Company (Note 6).

During the year ended July 31, 2018, the Company received a loan in the amount of \$12,198 from a director of the Company. The loan is unsecured, non-interest-bearing and payable on demand (Note 5).

Included in accounts payable and accrued liabilities as at July 31, 2018 is \$Nil (2017 - \$571) payable to a company controlled by a former director of the Company.

**8. 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.

**8. 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:

	<b>July 31,</b>		<b>July 31</b>
	<b>2018</b>		<b>2017</b>
Non-derivative financial liabilities:			
Accounts payable and accrued liabilities	\$ 25,560	\$	6,357
Loans payable	14,512		2,493
	\$ 40,072	\$	8,850

**9. Segmented information**

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



**Zenith Exploration Inc.**  
**(Formerly 1040442 B.C. Ltd.)**  
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For the Years Ended July 31, 2018 and 2017

**10. Income taxes**

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

	<b>July 31, 2018</b>	<b>July 31, 2017</b>
Loss for the year	\$ 59,365	\$ 5,970
Statutory tax rate	27%	26%
Expected recovery of income taxes	16,029	1,552
Permanent and other differences	1,128	-
Change in benefit not recognized	(17,157)	(1,552)
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:

	<b>July 31, 2018</b>	<b>July 31, 2017</b>
Non-capital losses and others	\$ 19,424	\$ 2,267

The Company's non-capital losses of \$69,656 expire between 2036 and 2038 if not utilized to reduce income in future periods.

**11. Subsequent events**

**Subsequent to the year ended July 31, 2018:**

- (i) The Company completed a private placement comprised of 1,121,500 common shares of the Company at a price of \$0.10 per share for total proceeds of \$112,150.
- (ii) The Company formed two wholly-owned subsidiaries, High Point Exploration Inc. and Top Explorations Inc.
- (iii) On November 15, 2018, the Company entered into a purchase agreement to acquire a 100% interest in a certain mineral property (the "Golden Girl Property") located in B.C. for the following consideration:
  - \$1,000 cash upon signing of the agreement;
  - \$11,000 as a retainer for maintaining exploration for the benefit of the Golden Girl Property in the years 2018 and 2019, upon the signing of the agreement; and
  - 200,000 common shares of the Company to be issued on November 15, 2018.
- (iv) On November 15, 2018, the Company entered into a purchase agreement to acquire a 100% interest in a certain mineral property (the "Mantle Property") located in B.C. for the following consideration:
  - \$1,000 cash upon the signing of the agreement;
  - \$11,000 as a retainer for maintaining exploration for the benefit of the Mantle Property in the years 2018 and 2019, upon the signing of the agreement; and
  - 200,000 common shares of the Company to be issued on November 15, 2018.