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**NEXCO RESOURCES INC.  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
AUGUST 31, 2018 AND 2017**

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## **INDEPENDENT AUDITORS' REPORT**

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To the Shareholders of  
Nexco Resources Inc.

We have audited the accompanying financial statements of Nexco Resources Inc. which comprise the statements of financial position as at August 31, 2018 and 2017, and the statements of comprehensive loss, changes in equity and cash flows for the years ended August 31, 2018 and 2017, and the related notes comprising 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 as issued by the International Accounting Standards Board, 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**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nexco Resources Inc. as at August 31, 2018 and 2017, and its financial performance and its cash flows for the years ended August 31, 2018 and 2017 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Nexco Resources Inc. to continue as a going concern.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, British Columbia  
December 20, 2018

**NEXCO RESOURCES INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT AUGUST 31, 2018 AND 2017**  
(Expressed in Canadian dollars)

	Note	2018 \$	2017 \$
<b>ASSETS</b>			
CURRENT			
Cash		58,092	185,430
Amounts receivable		4,185	9,817
		62,277	195,247
EXPLORATION AND EVALUATION ASSET	5	174,595	192,458
		236,872	387,705
<b>LIABILITIES</b>			
CURRENT			
Accounts payable and accrued liabilities	7	52,534	5,513
<b>EQUITY</b>			
SHARE CAPITAL	6	540,344	540,344
CONTRIBUTED SURPLUS	6	293,821	293,821
DEFICIT		(649,827)	(451,973)
		184,338	382,192
		236,872	387,705

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Note 1)  
COMMITMENT (Note 11)  
SUBSEQUENT EVENT (Note 12)

Approved and authorized for issue on behalf of the Board on December 20, 2018

/s/ "Jeff Tindale" Director      /s/ "Brandon Rook" Director

The accompanying notes are an integral part of these financial statements

**NEXCO RESOURCES INC.**  
**STATEMENTS OF COMPREHENSIVE LOSS**  
**FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017**  
(Expressed in Canadian dollars)

	Note	2018	2017
		\$	\$
<b>EXPENSES</b>			
Consulting fees		90,000	-
Office and general		1,200	2,610
Professional fees	7	57,100	65,296
Rent	7	31,632	15,992
Share-based payments	6	-	96,893
Transfer agent and filing fees		17,922	27,118
<b>NET LOSS AND COMPREHENSIVE LOSS</b>		<b>197,854</b>	<b>207,909</b>
<b>LOSS PER SHARE – Basic and diluted</b>		<b>0.02</b>	<b>0.03</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>		<b>10,428,000</b>	<b>8,192,110</b>

The accompanying notes are an integral part of these financial statements

**NEXCO RESOURCES INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in Canadian dollars)

	<b>Common Shares</b>		<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total</b>
	<b>Number of Shares</b>	<b>Amount</b>			
		\$	\$	\$	\$
Balance, August 31, 2016	7,128,000	174,960	174,400	(244,064)	105,296
Shares issued for cash	3,200,000	480,000	-	-	480,000
Share issuance costs	-	(129,616)	22,528	-	(107,088)
Shares issued for exploration and evaluation assets	100,000	15,000	-	-	15,000
Share-based payments	-	-	96,893	-	96,893
Net loss for the year	-	-	-	(207,909)	(207,909)
Balance, August 31, 2017	10,428,000	540,344	293,821	(451,973)	382,192
Net loss for the year	-	-	-	(197,854)	(197,854)
Balance, August 31, 2018	10,428,000	540,344	293,821	(649,827)	184,338

The accompanying notes are an integral part of these financial statements

**NEXCO RESOURCES INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017**  
(Expressed in Canadian dollars)

	<b>2018</b>	<b>2017</b>
	\$	\$
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	(197,854)	(207,909)
Adjustment for item not involving cash:		
Share-based payments	-	96,893
	(197,854)	(111,016)
Changes in non-cash working capital balances:		
Amounts receivable	5,632	(9,005)
Accounts payable and accrued liabilities	47,021	(12,943)
Cash used in operating activities	(145,201)	(132,964)
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation asset expenditures	-	(71,380)
Receipt of BC mining exploration tax credits	17,863	-
Cash provided by (used in) investing activities	17,863	(71,380)
<b>FINANCING ACTIVITY</b>		
Shares issued for cash, net of issuance costs	-	372,912
Cash provided by financing activity	-	372,912
CHANGE IN CASH	(127,338)	168,568
CASH, BEGINNING OF YEAR	185,430	16,862
CASH, END OF YEAR	58,092	185,430
<b>SUPPLEMENTAL CASH DISCLOSURES</b>		
Interest paid	-	-
Income taxes paid	-	-
<b>NON-CASH TRANSACTIONS</b>		
Share issued for exploration and evaluation assets	-	15,000
Share issuance costs – agent warrants	-	22,528

The accompanying notes are an integral part of these financial statements

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**NEXCO RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017**  
(Expressed in Canadian dollars)

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1. NATURE OF OPERATIONS

Nexco Resources Inc. ("the Company") was incorporated on December 14, 2012 under the laws of British Columbia. The address of the Company's corporate office and its principal place of business is 200-551 Howe Street, Vancouver, British Columbia, Canada.

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at August 31, 2018, the Company had not yet determined whether the Company's mineral property asset contains ore reserves that are economically recoverable. The recoverability of amount shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

The Company had a deficit of \$649,827 as at August 31, 2018, which has been funded by the issuance of equity. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These financial statements do not give affect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issue in accordance with a resolution from the Board of Directors on December 20, 2018.

b) Basis of presentation

The financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

c) Cash equivalents

Cash equivalents is comprised of cash and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

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**NEXCO RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

e) Share-based payments

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the 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 amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

f) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.



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**NEXCO RESOURCES INC.**  
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Flow-through shares (continued)

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

g) Foreign currency

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates (“the functional currency”), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

h) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

i) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

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**NEXCO RESOURCES INC.**  
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

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

k) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. At August 31, 2018, the Company has not classified any financial assets as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At August 31, 2018, the Company has not classified any financial assets as available for sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

l) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable are classified as other financial liabilities.

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**NEXCO RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

I) Financial liabilities (continued)

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. At August 31, 2018, the Company has not classified any financial liabilities as FVTPL.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*Significant accounting estimates*

- i. the assessment of indications of impairment of the mineral property and related determination of the net realizable value and write-down of the mineral property where applicable;
- ii. the measurement of deferred income tax assets and liabilities; and
- iii. the inputs used in accounting for share-based payments.

*Significant accounting judgments*

- i. the determination of categories of financial assets and financial liabilities; and
- ii. the evaluation of the Company's ability to continue as a going concern.

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**NEXCO RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

New accounting standards effective for annual periods on or after January 1, 2018:

*IFRS 9 – Financial Instruments*

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013 the standard was revised to add the new general hedge accounting requirements. The standard was finalized in August 2014 and was revised to add a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income (FVOTCI) category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test.

*IFRS 2 Share-based Payment* - In November 2016, the IASB has revised IFRS 2 to incorporate amendments issued by the IASB in June 2016. The amendment provide guidance on the accounting for i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations and iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

*IFRS 15 – Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, 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 Company does not expect the adoption of these standards to have significant impact on the financial statements.

The standard is effective for annual periods beginning on or after January 1, 2019:

*IFRS 16 – Leases*

In June 2016, the IASB issued IFRS 16 – Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

The Company has not determined the impact of this standard on its financial statements.

**NEXCO RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSET

	Acquisition costs	Exploration costs	Total
	\$	\$	\$
Balance, August 31, 2016	3,250	102,828	106,078
Exploration costs	-	59,380	59,380
Acquisition costs	27,000	-	27,000
Balance, August 31, 2017	30,250	162,208	192,458
BC mining tax credit	-	(17,863)	(17,863)
Balance, August 31, 2018	30,250	144,345	174,595

**Berger Property**

Pursuant to an initial and amended option agreements (the "Agreement") dated August 21, 2014 and July 31, 2015, with the Optionor, the Company was granted an option to acquire a 100% undivided interest in the Berger Property (the "Property") which consists of 2 mining claims located in the Kamloops Mining District of British Columbia.

In accordance with the Agreement, the Company has acquired a 100% undivided interest in the Property by issuing a total of 100,000 common shares and making cash payment of \$12,000.

The Optionor will retain a 2% Net Smelter Returns ("NSR") royalty on the Property. The Company has the right to purchase the NSR at a purchase price of \$1,000,000 per percentage point during the 5 year period commencing from the date upon which the Property is put into commercial production.

6. SHARE CAPITAL

a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued and Outstanding:

As at August 31, 2018 – 10,428,000 (2017 – 10,428,000) common shares were issued and outstanding.

The Company did not have any share capital transactions for the year ended August 31, 2018.

On May 5, 2017, the Company issued 3,200,000 common shares for gross proceeds of \$480,000. In connection with the private placement, the Company incurred total shares issuance costs of \$107,088 and issued 256,000 agent warrants. Each agent warrant entitles the holder to purchase a common share of the Company at \$0.15 per share until May 4, 2019.

The fair value of the agent warrants was \$22,528 and was estimated using the Black-Schoes pricing model with the following assumptions:

	<b>2017</b>
Risk free interest rate	0.67%
Expected life	2 years
Expected volatility	115%
Expected dividends	0%

**NEXCO RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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6. SHARE CAPITAL (continued)

c) Escrow shares:

The Company entered into an escrow agreement, whereby common shares will be held in escrow and are scheduled for release at 10% on the listing date (May 4, 2017) and 15% on every six month from date of listing. At August 31, 2018, there were 1,440,000 shares held in escrow.

d) Stock Option Plan:

The Company has adopted a 10% rolling incentive stock option plan, which provides that the Board of the Director may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options (“Options”) to purchase up to 10% of the issued and outstanding common shares of the Company at the date of grant. In addition, no Options may be granted under the stock option plan if the number of common shares, calculated on a fully diluted basis, issued within 12 months to (i) related persons, exceeds 10% of the outstanding common shares of the Company, or (ii) a related person and the associates of the related person, exceeds 5% of the outstanding common shares of the Company.

During the year ended August 31, 2017, the Company granted 800,000 stock options to its officers and directors of the Company. Options vested on grant date and are exercisable at \$0.15 per share for 5 years. The fair value of the stock options was estimated at \$96,893 (approximately \$0.12 per option) using the Black-Scholes pricing model with the following assumptions:

	<b>2017</b>
Risk free interest rate	1.22%
Expected life	5 years
Expected volatility	115%
Expected dividends	0%
Expected forfeiture rate	Nil

The following table summarizes stock option transactions:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
		\$
Exercisable and outstanding, August 31, 2016	-	-
Granted	800,000	0.15
Cancelled	(200,000)	0.15
Outstanding, August 31, 2017	600,000	0.15
Cancelled	(200,000)	0.15
Outstanding, August 31, 2018	400,000	0.15

The following table summarizes the stock options outstanding and exercisable as at August 31, 2018 is:

<b>Exercise price</b>	<b>Number of options</b>	<b>Exercisable</b>	<b>Expiry date</b>
\$ 0.15	400,000	400,000	May 4, 2022

The weighted average remaining useful life of outstanding options is 3.68 years as at August 31, 2018.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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6. SHARE CAPITAL (continued)

e) Warrants:

During the year ended August 31, 2017, the Company issued 256,000 agent warrants (Note 6b). Each agent warrant entitles the holder to purchase a common share at \$0.15 per share until May 4, 2019.

The following table summarizes the warrants outstanding and exercisable as at August 31, 2018:

<b>Exercise price</b>	<b>Number of warrants</b>	<b>Exercisable</b>	<b>Expiry date</b>
\$ 0.15	256,000	256,000	May 4, 2019

The weighted average remaining useful life of outstanding options is 0.68 years as at August 31, 2018.

7. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The following amounts are due to related parties and have been included in accounts payable and accrued liabilities:

	<b>2018</b>	<b>2017</b>
	\$	\$
Accounts payable and accrued liabilities	3,150	5,513

The amounts are due to a company controlled by a former director of the Company. The amounts are non-interest bearing, unsecured and are due upon demand.

The Company had the following related party transactions:

	<b>2018</b>	<b>2017</b>
	\$	\$
Professional fees	33,300	20,100
Rent	31,632	4,500
Share-based payments	-	96,893
<b>Total</b>	<b>64,932</b>	<b>121,493</b>

Professional fees and rent were provided by companies owned or controlled by former directors of the Company. Key management includes directors and key officers of the Company, including the President, Chief Executive Officer ("CEO") and Chief Financial Officer.

Key management personnel receive compensation in the form of short-term employee benefits. During the year ended August 31, 2017, the Company recorded \$96,893 share-based payments for options granted to the CEO and former directors of the Company.

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8. INCOME TAXES

The Company has losses carried forward of \$421,000 available to reduce income taxes in future years which expire between 2033 and 2038.

The Company has not recognized any deferred income tax assets. The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable income will be realized during the carry forward periods to utilize all deferred tax assets.

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	<b>2018</b>	<b>2017</b>
Canadian statutory income tax rate	26.7%	26%
	\$	\$
Income tax recovery at statutory rate	(52,846)	(54,056)
Effect of income taxes of:		
Permanent difference and other items	-	(25,195)
Change in tax rate	(3,452)	-
Change in deferred tax assets not recognized	56,298	28,864
Deferred income tax recovery	-	-

The temporary differences that give rise to significant portions of the deferred tax assets not recognized are presented below:

	<b>2018</b>	<b>2017</b>
	\$	\$
Non-capital loss carry forwards	113,770	52,545
Share issuance costs	17,348	22,275
Deferred tax assets not recognized	(131,118)	(74,820)
	-	-

9. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.



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10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial assets include cash and are classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at August 31, 2018 are as follows:

	Fair Value Measurements Using			Total
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	\$	\$	\$	\$
Cash	58,092	-	-	58,092

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at August 31, 2018 because of the demand nature or short-term maturity of these instruments.

Financial risk management objectives and policies

The Company's financial instruments include cash and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

The Company does not have any significant foreign currency denominated monetary liabilities. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

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10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high quality financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

11. COMMITMENT

The Company is committed to certain cash payments and common share issuances as described in Note 5.

12. SUBSEQUENT EVENT

Subsequent to the year ended August 31, 2018, the Company entered into an agreement to purchase 100% right, title and interest in five mineral claims located in Copper Mountain West, Similkameen Mining Division, south central British Columbia. As consideration, the Company will pay \$5,500 in cash and issue 3,600,000 common shares of the Company on the Closing date.