



## **FINANCIAL STATEMENTS**

APRIL 30, 2018 and 2017

(Expressed in Canadian Dollars)

- Independent Auditors' Report
- Statements of Financial Position
- Statements of Changes in Shareholders' Deficiency
- Statements of Comprehensive Loss
- Statements of Cash Flows
- Notes to the Financial Statements

## Independent Auditors' Report

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To the Shareholders of:

**FORT ST. JAMES NICKEL CORP.**

We have audited the accompanying financial statements of Fort St. James Nickel Corp., which comprise the statements of financial position as at April 30, 2018 and 2017, the statements of changes in shareholders' deficiency, comprehensive loss, and cash flows for the years then ended, 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

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 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.

We believe that the audit evidence we have obtained 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 Fort St James Nickel Corp. as at April 30, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter – Going Concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the ability of Fort St. James Nickel Corp. to continue as a going concern. The company incurred a net loss of \$482,629 during the year ended April 30, 2018, and as of that date, had accumulated losses since inception of \$14,276,516. These conditions, along with the other matters explained in Note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if Fort St. James Nickel Corp. was unable to continue as a going concern.

*WDM*

*Chartered Professional Accountants*

Vancouver, B.C.  
August 24, 2018

**SERVICE**

**INTEGRITY**

**TRUST**



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# FORT ST. JAMES NICKEL CORP.

## Statements of Financial Position

As at April 30, 2018 and 2017

(Expressed in Canadian Dollar)

	Note	2018 \$	2017 \$
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash		9,701	4,472
GST Receivable		3,314	1,567
		<u>13,015</u>	<u>6,039</u>
Exploration and Evaluation Assets	5	<u>1</u>	<u>1</u>
		<u>13,016</u>	<u>6,040</u>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts Payable and Accrued Liabilities		142,032	163,348
Loans payable	6	<u>19,500</u>	<u>19,500</u>
		<u>161,532</u>	<u>182,848</u>
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share Capital		13,268,279	12,710,669
Contributed Surplus		432,043	432,043
Stock Option Reserve		98,364	108,405
Share Purchase Warrants Reserve		329,314	458,596
Deficit		<u>(14,276,516)</u>	<u>(13,886,521)</u>
		<u>(148,516)</u>	<u>(176,808)</u>
		<u>13,016</u>	<u>6,040</u>

Nature of Operations and Ability to Continue as a Going Concern (Note 1)

Subsequent Events (Note 12)

Approved by the Board of Directors:

"Barry Brown"

Barry Brown, Director

"Scott Kent"

Scott Kent, Director

*The accompanying notes are an integral part of these financial statements*



## FORT ST. JAMES NICKEL CORP.

### Statements of Changes in Shareholders' Deficiency

For the Years Ended April 30, 2018 and 2017

(Expressed in Canadian Dollar)

	Number of Common Shares	Share Capital \$	Stock Option Reserve \$	Share Purchase Warrant Reserve \$	Contributed Surplus \$	Deficit \$	Total Shareholders' Deficiency \$
<b>Balance, April 30, 2016</b>	2,933,426	12,566,282	20,000	215,733	432,043	(13,553,303)	(319,245)
Shares Issued for Cash	5,950,000	392,500	-	-	-	-	392,500
Fair Value of Stock Options Cancelled	-	-	(12,000)	-	-	12,000	-
Share Issuance Costs	-	(5,250)	-	-	-	-	(5,250)
Fair Value of Agents' Warrants Issued	-	(3,828)	-	3,828	-	-	-
Fair Value of Warrants Issued	-	(239,035)	-	239,035	-	-	-
Stock-Based Compensation	-	-	100,405	-	-	-	100,405
Net Comprehensive Loss for the Year	-	-	-	-	-	(345,218)	(345,218)
<b>Balance, April 30, 2017</b>	8,883,426	12,710,669	108,405	458,596	432,043	(13,886,521)	(176,808)
Shares Issued for Cash	712,500	142,500	-	-	-	-	142,500
Shares Issued for Mineral Properties	500,000	107,500	-	-	-	-	107,500
Exercise of Share Purchase Warrants	5,027,500	270,500	-	-	-	-	270,500
Fair Value of Stock Options Cancelled	-	-	(10,041)	-	-	10,041	-
Share Issuance Costs	-	(9,579)	-	-	-	-	(9,579)
Fair Value of Warrants Issued	-	(106,812)	-	106,812	-	-	-
Fair Value of Warrants Exercised	-	157,263	-	(157,263)	-	-	-
Fair Value of Warrants Expired	-	-	-	(81,773)	-	81,773	-
Fair Value of Agents' Warrants Issued	-	(6,769)	-	6,769	-	-	-
Fair Value of Agents' Warrants Exercised	-	3,007	-	(3,007)	-	-	-
Fair Value of Agents' Warrants Expired	-	-	-	(820)	-	820	-
Net Comprehensive Loss for the Year	-	-	-	-	-	(482,629)	(482,629)
<b>Balance, April 30, 2018</b>	15,123,426	13,268,279	98,364	329,314	432,043	(14,276,516)	(148,516)

*The accompanying notes are an integral part of these financial statements*

# FORT ST. JAMES NICKEL CORP.

## Statements of Comprehensive Loss

For the Years Ended April 30, 2018 and 2017

(Expressed in Canadian Dollar)

	Note	2018 \$	2017 \$
<b>EXPENSES</b>			
Advertising and Promotion		5,429	2,095
Consulting Fees	8	106,200	75,000
Exploration and Evaluation Assets Expenditures	5	212,096	43,288
General and Administration		77,977	56,768
Professional Fees		27,217	5,254
Rent		36,000	36,000
Stock-Based Compensation	7(g)	-	100,405
Transfer Agent and Filing Fees		14,601	21,873
Travel		3,109	-
		(482,629)	(340,683)
Interest Expense		-	(4,535)
<b>NET COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(482,629)</b>	<b>(345,218)</b>
<b>BASIC AND DILUTED LOSS PER SHARE</b>		<b>(0.03)</b>	<b>(0.05)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>		<b>13,969,049</b>	<b>6,774,522</b>

*The accompanying notes are an integral part of these financial statements*

# FORT ST. JAMES NICKEL CORP.

## Statements of Cash Flows

For the Years Ended April 30, 2018 and 2017

(Expressed in Canadian Dollar)

	Note	2018 \$	2017 \$
<b>CASH PROVIDED BY (USED IN):</b>			
<b>OPERATING ACTIVITIES</b>			
Net Loss For The Year		(482,629)	(345,218)
Non-Cash Items:			
Shares issued for Exploration and Evaluation Assets		107,500	-
Stock-Based Compensation	7(g)	-	100,405
Change In Non-Cash Working Capital Accounts:			
GST Receivable		(1,747)	5,478
Accounts Payable and Accrued Liabilities		(21,316)	(116,247)
		<u>(398,192)</u>	<u>(355,582)</u>
<b>FINANCING ACTIVITIES</b>			
Shares Issued for Cash	7(c)	142,500	392,500
Proceeds from Exercise of Warrants	7(e, f)	270,500	-
Loan Proceeds (Repayments)		-	(27,500)
Share Issue Costs		(9,579)	(5,250)
		<u>403,421</u>	<u>359,750</u>
<b>INCREASE IN CASH</b>		5,229	4,168
<b>CASH, BEGINNING OF YEAR</b>		<u>4,472</u>	<u>304</u>
<b>CASH, END OF YEAR</b>		<u>9,701</u>	<u>4,472</u>
Additional Information:			
Fair Value of Expired Warrants Credited to Deficit		82,593	-
Fair Value of Expired Options Credited to Deficit		10,041	12,000
Interest Paid		-	4,535
Income Taxes Paid		-	-

*The accompanying notes are an integral part of these financial statements*

# FORT ST. JAMES NICKEL CORP.

## Notes to the Financial Statements

April 30, 2018 and 2017

(Expressed in Canadian Dollar)

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### 1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

Fort St. James Nickel Corp. (the “Company”) was incorporated under the Canada Business Corporation Act on March 22, 1988. The Company is listed on the TSX Venture Exchange, having the symbol FTJ.V and its primary business is the acquisition of exploration and evaluation of mineral properties in North America.

The address of the Company’s registered office is 888 Dunsmuir Street, Suite 888, Vancouver, BC, V6C 3K4. The address of the Company’s principal place of business is 888 Dunsmuir Street, Suite 888, Vancouver, BC, V6C 3K4.

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. The Company has not generated revenues from operations. The Company is considered to be in the exploration stage as it has not placed any of its mineral properties into production. The underlying value of the Company’s mineral properties is dependent upon the existence and economic recovery of such reserves in the future and the ability of the Company to raise financing to complete future exploration.

While these financial statements have been prepared on the assumption that the Company is a going concern and will be able to realize its assets and meet its obligations in the normal course of operations, there are conditions and events that cast doubt on the validity of that assumption. As at April 30, 2018, the Company has net working capital deficit of \$148,516 and has an accumulated deficit of \$14,276,516. During the year ended April 30, 2018, the Company incurred a loss of \$482,629 and a net cash out-flows from operations of \$398,192. The Company’s ability to continue as a going concern is dependent on management’s ability to raise required funding through future equity issuances, asset sales or a combination thereof. There is no assurance that such financing will be sufficient to sustain operations in the foreseeable future.

The current cash resources are not adequate to pay the Company’s accounts payable and to meet its minimum commitments at the date of these financial statements, including planned corporate and administrative expenses, and other project implementation costs, accordingly, there is significant doubt about the Company’s ability to continue as a going concern. These financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern.

### 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

#### a) Statement of Compliance

These financial statements of the Company for the year ending April 30, 2018 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements of the Company as at April 30, 2018 were approved and authorized for issue by the Board of Directors on August 24, 2018.

#### b) Basis of Preparation

These financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale that have been measured at fair value. Cost is the fair value of the consideration given in exchange for net assets.

# FORT ST. JAMES NICKEL CORP.

## Notes to the Financial Statements

April 30, 2018 and 2017

(Expressed in Canadian Dollar)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements, unless otherwise indicated.

#### a) Mineral Exploration and Evaluation Assets

Expenditures related to the acquisition, exploration, and development of exploration and evaluation assets are expensed and charged to earnings in the period in which they are incurred. Any option payments received by the Company from third parties or tax credits refunded to the Company are charged against exploration expenses in the statement of comprehensive loss.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest in accordance with general industry standards, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and, as such, title may be affected.

#### b) Impairment of Non-Financial Assets

Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash generating unit for which impairment testing is performed.

Impairment loss is charged to profit or loss; except to the extent they reverse gains previously recognized in accumulated other comprehensive loss/income.

#### c) Share Capital

Share capital includes cash consideration received for share issuances, net of commissions and issue costs.

Shares issued for other than cash consideration are valued at the quoted price on the TSX Venture Exchange based on the earliest of: (i) the date the shares are issued, and (ii) the date the agreement to issue the shares is reached.

#### *Flow-through Shares*

The Company may from time to time, issue flow-through common shares to finance a significant portion of its exploration programs in Canada. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the lookback rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

# FORT ST. JAMES NICKEL CORP.

## Notes to the Financial Statements

April 30, 2018 and 2017

(Expressed in Canadian Dollar)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### c) Share Capital (continued)

##### *Warrants*

The Company uses the proportionate value method to value any warrants issued as part of private placement units. The fair value of warrants is calculated using the Black-Scholes pricing model. The fair value assigned to warrants is recorded as a reduction to share capital and an increase in warrant reserve. If the warrants are exercised the entry is reversed. If the warrants expire unexercised, the value is reallocated to deficit.

#### d) Stock-based Compensations

The Company has a stock option plan under which it grants stock options to directors, employees, consultants and service providers.

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase or decrease in fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss. If the fair value of the goods or services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the Company receives the goods, or the counterparty renders the services. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

Upon exercise of options the fair value of the option exercised is credited to share capital, along with the cash consideration, with an offsetting reduction in the share-based payment reserve. When options expire unexercised the fair value of the options expiring is credited to deficit with an offsetting reduction in the share-based payment reserve.

#### e) Share Issuance Costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as deferred costs until the close of subscriptions and upon completion of the share issuance transferred to equity. Share issuance costs related to uncompleted share subscriptions are charged to operations.

#### f) Loss per Share

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares issued and outstanding during the reporting period. Diluted loss per share is the same as basic loss per share, as the issuance of shares on the exercise of stock options and share purchase warrants is anti-dilutive.

# FORT ST. JAMES NICKEL CORP.

## Notes to the Financial Statements

April 30, 2018 and 2017

(Expressed in Canadian Dollar)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### g) Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

##### i) Current Income Tax

Current income tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

##### ii) Deferred Income Tax

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

#### h) Provisions

##### *Provision for Site Restoration*

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and revegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or change in rehabilitation costs will be recognized as additional to the corresponding assets and rehabilitation liability in the period in which they occur.

As at April 30, 2018, the Company has no site restoration obligations.

# FORT ST. JAMES NICKEL CORP.

## Notes to the Financial Statements

April 30, 2018 and 2017

(Expressed in Canadian Dollar)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### i) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified at fair value through profit or loss) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets and financial liabilities are measured subsequently as described below. The Company does not have any derivative financial instruments.

#### i) Financial Assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments; and
- Available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Different criteria to determine impairment are applied for each category of financial assets, which are described below.

- **Financial assets at fair value through profit or loss** – Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The Company's cash falls into this category of financial instruments.
- **Loans and receivables** – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less any provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company currently does not hold financial assets in this category.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is based on recent historical counterparty default rates for each identified group. The impairment losses are recognized in profit or loss.

# FORT ST. JAMES NICKEL CORP.

## Notes to the Financial Statements

April 30, 2018 and 2017

(Expressed in Canadian Dollar)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### i) Financial Instruments (continued)

##### i) Financial Assets (continued)

- **Held-to-maturity investments** – Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. The Company currently does not hold financial assets in this category.
- **Available-for-sale financial assets** – Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company currently does not hold financial assets in this category.

Available-for-sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale financial assets, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated in the investment revaluation reserve.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

##### ii) Financial Liabilities

For the purpose of subsequent measurement, financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities upon initial recognition.

- **Financial liabilities at fair value through profit or loss** – Financial liabilities at fair value through profit or loss include financial liabilities that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Liabilities in this category are measured at fair value with gains or losses recognized in profit or loss. The Company currently does not hold financial liabilities in this category.
- **Other financial liabilities** – Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process. The Company's accounts payable and accrued liabilities and loans payable fall into this category of financial instruments.

A financial liability is derecognized when it is extinguished, discharged, cancelled, or expired.

# FORT ST. JAMES NICKEL CORP.

## Notes to the Financial Statements

April 30, 2018 and 2017

(Expressed in Canadian Dollar)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### j) Accounting Standards Issued But Not Yet Effective

A number of new accounting standards, amendments to standards, and interpretations have been issued but not yet effective up to the date of issuance of the Company's consolidated financial statements. The Company intends to adopt the following standards when they become effective.

##### **IFRS 9 – Financial Instruments**

IFRS 9 will replace IAS 39 "Financial Instruments: Recognition and Measurement" and applies to the classification and measurement of financial assets. The mandatory effective date is January 1, 2018 with early adoption permitted. The Company has not yet determined the impact of this standard on its financial statements.

##### **IFRS 16 – Leases**

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting remains largely unchanged from IAS 17 "Leases", and the distinction between operating and finance leases is retained. The standard is effective for annual period beginning on or after January 1, 2019. The Company has not yet determined the impact of this standard on its financial statements.

#### k) Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current period. These reclassifications have no effect on the net loss for the year ended April 30, 2017.

### 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Company's accounting policies which are described in Note 3, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements are described as follows.

#### a) Share-Based Compensation

The fair value of stock based compensation is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

#### b) Exploration and Evaluation Asset and Impairment

The application of the Company's accounting policy for exploration and evaluation asset and impairment of the capitalized expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off through profit or loss in the year the new information becomes available.

# FORT ST. JAMES NICKEL CORP.

## Notes to the Financial Statements

April 30, 2018 and 2017

(Expressed in Canadian Dollar)

### 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

#### c) Exploration and Evaluation Asset and Impairment (continued)

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

#### d) Deferred Tax Assets

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

The Company has recorded a full valuation allowance against its deferred tax assets due to the uncertainty in the realization of these assets.

### 5. EXPLORATION AND EVALUATION ASSETS

Cumulative acquisition and exploration costs incurred and expensed by the Company to date on its mineral properties are summarized below.

	Kilometer 26 \$	Porcupine \$	Total \$
Balance, April 30, 2016	1,879,404	-	1,879,404
Exploration Costs	43,288	-	43,288
Balance, April 30, 2017	1,922,692	-	1,922,692
Acquisition Costs	-	107,500	107,500
Exploration Costs	40,880	63,716	104,596
Balance, April 30, 2018	1,963,572	171,216	2,134,788

Management has determined that due to uncertainty on future recoverability of its mineral exploration and evaluation assets, acquisition and exploration costs are expensed as incurred.

#### a) Kilometer Property, British Columbia, Canada

The Company has a 100% interest in the Kilometer 26 property consisting of 5,778 hectares in the Omineca Mining Division, British Columbia.

# FORT ST. JAMES NICKEL CORP.

## Notes to the Financial Statements

April 30, 2018 and 2017

(Expressed in Canadian Dollar)

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### 5. EXPLORATION AND EVALUATION ASSETS (continued)

#### b) Porcupine Property, New Brunswick, Canada

In August 2017, the Company signed an option agreement with Great Atlantic Resources Corp. (“GR”) to acquire GR’s Porcupine property located in the province of New Brunswick. Under the terms of the option agreement, the Company is required to make the following cash and share payments to earn a 100% interest in the property:

- Pay \$15,000 in cash (paid) and issue 500,000 common shares (issued) within five days of the TSX Venture approval of the transaction (the “Approval Date”);
- Pay \$20,000 in cash and issue \$75,000 in common shares on or before October 6, 2018;
- Pay \$20,000 in cash and issue \$75,000 in common shares on or before October 6, 2019;
- Pay \$20,000 in cash and issue \$75,000 in common shares on or before October 6, 2020; and
- Pay \$75,000 in cash and issue \$200,000 in common shares on or before October 6, 2021.

The Company is also required to spend \$1,000,000 in exploration expenditures on the property over a four year period with a minimum of \$150,000 each year.

### 6. LOANS PAYABLE

During the year ended April 30, 2016, the Company borrowed \$27,500 at an interest rate of 10% per annum, due on demand. The loan was repaid in full in 2017. Also in 2016, the Company borrowed \$19,500 which is unsecured and due on demand.

For the year ended April 30, 2018, \$Nil (2017 - \$643) was accrued as interest expense.

### 7. SHARE CAPITAL

#### a) Authorized

The Company’s authorized capital consists of:

- an unlimited number of common shares without par value; and
- an unlimited number of preferred shares without par value, issuable in series and having special rights and restrictions

On July 12, 2016, the Company completed a 10:1 share consolidation of its issued and outstanding common shares on the basis of one (1) post-consolidated common share for every ten (10) pre-consolidated common shares. Outstanding stock options and warrants were adjusted by the stock consolidation ratio. All common shares and per common share amounts in these financial statements have been adjusted to reflect the share consolidation.

#### b) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company’s balance sheet include “Contributed Surplus”, ‘Warrant Reserve’, ‘Share-based Payment Reserve’, and ‘Accumulated Deficit’.

- ‘Contributed Surplus’ recognizes amounts contributed to the Company shareholders either by way of direct contribution of cash or assets to the Company or delivery of assets to the Company having a fair value in excess of consideration paid by the Company.
- ‘Warrant Reserve’ is used to recognize the fair value of share warrants prior to exercise or expiry.
- ‘Share-based Payment Reserve’ is used to recognize the fair value of stock option grants prior to exercise, expiry or cancellation and the fair value of other share-based consideration paid at the date of payment.
- ‘Accumulated Deficit’ is used to record the Company’s change in deficit from net losses from period to period.

# FORT ST. JAMES NICKEL CORP.

## Notes to the Financial Statements

April 30, 2018 and 2017

(Expressed in Canadian Dollar)

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### 7. SHARE CAPITAL (continued)

#### c) Issued

*Year ended April 30, 2017*

On August 23, 2016, the Company completed a non-brokered private placement whereby 5,000,000 units issued at \$0.05 per unit for total proceeds of \$250,000. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of the Company at \$0.05 for 1 year expiring August 23, 2017. The fair value of the share purchase warrants, estimated to be \$151,018 was credited to Warrant Reserve. The fair value was determined using the Black-Scholes option pricing model using the following assumptions: Share price volatility – 169%; Expected term – 1 year; Risk-free rate of return – 0.55% and Expected dividend yield – 0%.

On November 21, 2016, the Company completed a non-brokered private placement whereby 950,000 units issued at \$0.15 per unit for total proceeds of \$142,500. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of the Company at \$0.20 for 1 year expiring November 21, 2017. The fair value of the share purchase warrants, estimated to be \$88,018 was credited to Warrant Reserve. The fair value was determined using the Black-Scholes option pricing model using the following assumptions: Share price volatility – 193%; Expected term – 1 year; Risk-free rate of return – 0.58% and Expected dividend yield – 0%. Finder's fees of \$5,250 were paid and 35,000 agent's warrants with a fair value of \$3,828 were granted.

*Year ended April 30, 2018*

June 21, 2017, the Company issued 4,900,000 common shares upon the exercise of share purchase warrants. Cash proceeds received totaled \$245,000.

July 20, 2017, the Company completed the 1st tranche a non-brokered private placement, raising gross proceeds of \$83,000 by issuing 415,000 units at \$0.20 per unit. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of the Company at \$0.25 per share for a period of 1 year expiring July 20, 2018. Finder's fees of \$8,300 were paid and 41,500 agent's warrants with a fair value of \$6,770 were granted.

August 1, 2017, the Company completed the 2nd tranche a non-brokered private placement, raising gross proceeds of \$59,500 by issuing 297,500 units at \$0.20 per unit. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of the Company at \$0.25 per share for a period of 1 year expiring August 1, 2018.

October 5, 2017, the Company issued 500,000 common shares with a fair value of \$107,500 pursuant to an option agreement for the Porcupine Property, New Brunswick (Note 5).

November 22, 2017, the Company issued 127,500 common shares upon the exercise of share purchase warrants (100,000) and Agents' warrants (27,500). Cash proceeds received totaled \$25,500.

#### d) Stock Option Plan Details

The Company has a stock option plan under which directors, officers and employees of the Company are eligible to receive stock options. The aggregate number of shares to be issued upon the exercise of all options granted under the plan shall not exceed 10% of the issued shares of the Company at the time of granting the options. The maximum number of common shares optioned to any one optionee shall not exceed 5% of outstanding common shares of the Company. Options granted under the plan generally have a term of five years but may not exceed five years and typically vest on the grant or at terms to be determined by the directors at the time of grant. The exercise price of each option shall be determined by the directors at the time of grant but shall not be less than the price permitted by the policies of the TSX-V stock exchange on which the Company's common shares are listed.

# FORT ST. JAMES NICKEL CORP.

## Notes to the Financial Statements

April 30, 2018 and 2017

(Expressed in Canadian Dollar)

### 7. SHARE CAPITAL (continued)

#### d) Stock Option Plan Details

As at April 30, 2018, 490,000 options, with an average exercise price of \$0.18 per share and an average remaining life of 3.22 years, were vested.

Expiry Date	Exercise Price	April 30, 2017	Granted	Exercised	Expired/ Cancelled	April 30, 2018
February 18, 2019	\$0.50	40,000	-	-	-	40,000
October 5, 2021	\$0.15	500,000	-	-	50,000	450,000
		540,000	-	-	50,000	490,000

As at April 30, 2017, 540,000 options, with an average exercise price of \$0.18 per share and an average remaining life of 4.24 years, were vested.

Expiry Date	Exercise Price	April 30, 2016	Granted	Exercised	Expired/ Cancelled	April 30, 2017
February 18, 2019	\$0.50	100,000	-	-	60,000	40,000
October 5, 2021	\$0.15	-	500,000	-	-	500,000
		100,000	500,000	-	60,000	540,000

#### e) Share Purchase Warrants

As at April 30, 2018, 1,974,052 share purchase warrants, with an average exercise price of \$0.45 per share and an average remaining life of 0.89 years.

Expiry Date	Exercise Price	April 30, 2017	Granted	Exercised	Expired/ Cancelled	April 30, 2018
August 23, 2017	\$0.05	5,000,000	-	4,900,000	100,000	-
November 21, 2017	\$0.20	950,000	-	100,000	850,000	-
June 27, 2018	\$1.00	162,582	-	-	-	162,582
July 20, 2018	\$0.25	-	415,000	-	-	415,000
August 1, 2018	\$0.25	-	297,500	-	-	297,500
March 28, 2019	\$0.50	482,000	-	-	-	482,000
May 20, 2019	\$0.50	216,970	-	-	-	216,970
July 20, 2020	\$0.50	400,000	-	-	-	400,000
		7,211,552	712,500	5,000,000	950,000	1,974,052

# FORT ST. JAMES NICKEL CORP.

## Notes to the Financial Statements

April 30, 2018 and 2017

(Expressed in Canadian Dollar)

### 7. SHARE CAPITAL (continued)

#### e) Share Purchase Warrants (continued)

As at April 30, 2017, 7,211,552 share purchase warrants, with an average exercise price of \$0.16 per share and an average remaining life of 1.69 years.

Expiry Date	Exercise Price	April 30, 2016	Granted	Exercised	Expired/Cancelled	April 30, 2017
August 23, 2017	\$0.05		5,000,000		-	5,000,000
November 21, 2017	\$0.20		950,000		-	950,000
June 27, 2018	\$1.00	162,582	-	-	-	162,582
March 28, 2019	\$0.50	482,000	-	-	-	482,000
May 20, 2019	\$0.50	216,970	-	-	-	216,970
July 20, 2020	\$0.50	400,000	-	-	-	400,000
		1,261,552	5,950,000	-	-	7,211,552

#### f) Agents' Warrants

As at April 30, 2018, 41,500 agents' warrants, with an average exercise price of \$0.25 per share and an average remaining life of 0.22 years

Expiry Date	Exercise Price	April 30, 2017	Granted	Exercised	Expired/Cancelled	April 30, 2018
November 21, 2017	\$0.20	35,000	-	27,500	7,500	-
July 20, 2018	\$0.25	-	41,500	-	-	41,500
		35,000	41,500	27,500	7,500	41,500

As at April 30, 2017, 35,000 agents' warrants, with an average exercise price of \$0.20 per share and an average remaining life of 0.56 years

Expiry Date	Exercise Price	April 30, 2016	Granted	Exercised	Expired/Cancelled	April 30, 2017
November 21, 2017	\$0.20	-	35,000	-	-	35,000
		-	35,000	-	-	35,000

#### g) Share-Based Payments

On April 05, 2018, the Company granted 650,000 stock options with a fair value of \$226,146. The options have a four month vest period therefore no share-based compensation is recorded for the year ended April 30, 2018. In 2017, 500,000 stock options were granted with a fair value of \$100,405 recorded as share-based compensation expense. The fair value of the stock options granted is determined using the Black-Scholes option pricing model based on the following weighted average assumptions:

	2018	2017
Risk-free interest rate	2.04%	0.71%
Expected life of options	5 years	5 years
Annualized volatility	142.59%	156%
Dividend yield	0%	0%

# FORT ST. JAMES NICKEL CORP.

## Notes to the Financial Statements

April 30, 2018 and 2017

(Expressed in Canadian Dollar)

### 8. RELATED PARTY TRANSACTIONS AND BALANCES

Key management includes directors (executive and non-executive) and senior management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). There were no amounts paid nor payable for CEO or CFO services for the year ended April 30, 2018.

For the year ended April 30, 2017, the Company paid \$30,000 in consulting fees to the CEO.

### 9. INCOME TAXES

#### a) Provision for Income Taxes

The income tax expense of the Company is reconciled to the net loss for the year as reported in the statements of comprehensive loss as follows:

	2018	2017
	\$	\$
Loss Before Income Tax	482,629	345,218
Expected Income Tax Recovery	(127,000)	(90,000)
Permanent Differences	-	26,000
Effect of Change in Tax Rate	(48,000)	-
Change in Unrecognized Deductible Temporary Differences	245,000	530,000
Change in Opening Tax Balances	(66,000)	(464,000)
Share Issuance Costs	(4,000)	(2,000)
Income Tax Expense	-	-

#### b) Deferred Tax Assets and Liabilities

As at April 30, 2018 and 2017, the Company has temporary differences between the carrying value of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company’s deferred tax assets not recognized consist of the following amounts:

Capital Assets	19,000	18,000
Exploration and Evaluation Assets	1,069,000	974,000
Capital Losses	539,000	519,000
Non-Capital Losses	1,464,000	1,336,000
Share Issuance Costs	8,000	7,000
Net Deferred Tax Assets	3,099,000	2,854,000

As at April 30, 2018, the Company has non-capital losses of approximately \$5,422,000 and share issuance costs of approximately \$30,000 that may be applied against future income for Canadian income tax purposes. The share issuance costs expire through to 2022. The non-capital losses expire as follows:

2028	978,000
2029	949,000
2030	757,000
2031	632,000
2032	704,000
2033	397,000
2034 - 2038	1,005,000
	5,422,000

# FORT ST. JAMES NICKEL CORP.

## Notes to the Financial Statements

April 30, 2018 and 2017

(Expressed in Canadian Dollar)

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### 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of the Company's accounts payable and accrued liabilities and amounts due to related parties approximate their carrying value, which is the amount recorded on the statements of financial position. The Company's cash under the fair value hierarchy is recorded at fair value based on level one quoted prices in active markets for identical assets or liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

**a) Credit Risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. Management believes that its credit risk is not significant.

**b) Liquidity Risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at April 30, 2018, the Company had a cash balance of \$9,701 to settle current liabilities of \$161,532. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Management expects to fund those liabilities through equity financing and loans from related parties over the coming year.

**c) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's amounts due to related parties are non-interest bearing, and as such, the Company is not exposed to significant interest rate risk.

**d) Commodity Price Risk**

The Company is subject to price risk from fluctuations in the market prices of commodities as it relates to the possible underlying values of its commodity based mineral properties and the corresponding ability to raise funds for future operations. Management closely monitors commodity prices to determine the appropriate course of actions to be taken in its investing and financing activities. As the Company has not yet developed commercial mineral interests, it is not exposed to significant commodity price risk.

### 11. CAPITAL MANAGEMENT

The Company monitors its cash, common shares, warrants and stock options as capital. The Company's objectives when maintaining capital are to maintain sufficient capital base in order to meet its short-term obligations and at the same time preserve investor's confidence required to sustain future development and production of the business.

The Company is not exposed to any externally imposed capital requirements.

### 12. SUBSEQUENT EVENT

On July 23, 2018, the Company completed a non-brokered private placement of 500,000 units at a price of \$0.25 per unit for gross proceeds of \$125,000. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional share of the Company at a price of \$0.30 per warrant share for a period of three years