

CANEX ENERGY CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED OCTOBER 31, 2017

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

CANEX ENERGY CORP.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	As at October 31, 2017	As at April 30, 2017
	\$	\$
ASSETS		
Current assets		
Cash	41,060	14,245
GST receivables	191	4,049
Prepaid expense	1,801	-
Total current assets	42,861	18,294
Total assets	43,052	18,294
LIABILITIES AND DEFICIT		
Current liabilities		
Accounts payable and accrued liabilities (Note 6 & 7)	282,343	108,929
Notes payable (Note 7)	145,000	95,000
	427,343	203,929
Equity (Deficit)		
Capital stock (Note 5)	4,792,978	4,792,978
Reserves (Note 5)	50,255	-
Deficit	(5,227,524)	(4,978,613)
Total deficit	(384,291)	(185,635)
Total liabilities and equity (deficit)	43,052	18,294

Nature and continuance of operations (Note 1)

Subsequent events (Note 12)

Approved and authorized on January 10, 2018 on behalf of the Board:

“SHERMAN DAHL”

Director

“ROSS MCELROY”

Director

The accompanying notes are an integral part of these interim financial statements.

CANEX ENERGY CORP.
CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	For the Three Months Ended October 31, 2017	For the Three Months Ended October 31, 2016	For the Six Months Ended October 31, 2017	For the Six Months Ended October 31, 2016
	\$	\$	\$	\$
EXPENSES				
Consulting fees (Note 6)	88,858	14,431	172,333	37,800
Filing fees	6,255	4,015	11,249	7,578
Interest expense (Note 7)	1,197	-	2,395	-
Investor relations	-	-	-	-
Office and administration	2,555	29	7,425	128
Professional fees	4,719	1,212	5,254	1,930
Rent (Note 6)	-	-	-	4,500
Share-based payments (Notes 5 & 6)	-	-	50,255	-
Travel expenses	-	-	-	-
Loss before other items	(103,584)	(19,687)	(248,911)	(51,936)
Debt extinguishment (Note 8)	-	-	-	-
Impairment of exploration and evaluation assets (Note 4)	-	-	-	-
Loss and comprehensive loss for the period	(103,584)	(19,687)	(248,911)	(51,936)
Basic and diluted loss per common share	\$ (0.05)	\$ (0.00)	\$ (0.11)	\$ (0.00)
Weighted average number of common shares outstanding	2,181,216	2,181,216	2,181,216	2,181,216

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CANEX ENERGY CORP.
STATEMENTS OF CHANGES IN DEFICIT
(Expressed in Canadian Dollars)

	Capital stock		Reserves	Deficit	Total equity (deficit)
	Shares	Amount			
		\$	\$	\$	\$
Balance, April 30, 2016	10,906,080	4,757,478	268,837	(5,176,152)	(149,837)
Share issuance repricing (Note 5)	-	35,500	-	-	35,500
Loss and comprehensive loss for the period	-	-	-	(51,936)	(51,936)
Balance, October 31, 2016	10,906,080	4,792,978	268,837	(5,228,088)	(166,273)
Balance, April 30, 2017	2,181,216	-	-	(4,978,613)	(185,635)
Stock options granted	-	-	50,255	-	50,255
Loss and comprehensive loss for the year	-	-	-	(248,911)	(248,911)
Balance, October 31, 2017	2,181,216	4,792,978	50,255	(5,227,524)	(384,291)

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CANEX ENERGY CORP.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	For the Six Months Ended October 31, 2017	For the Six Months Ended October 31, 2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	(248,911)	(51,936)
Non-cash items:		
Debt extinguishment	-	-
Share-based payments	50,255	-
Impairment of exploration and evaluation assets	-	-
Changes in non-cash working capital items:		
Decrease in receivables	3,858	7,841
Decrease in prepaid	(1,802)	(6,610)
Increase in accounts payable and accrued liabilities	173,415	2,348
Net cash flows used in operating activities	<u>(23,185)</u>	<u>(48,357)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Gross proceeds from private placement	-	-
Share issuance costs	-	-
Proceeds from notes payable	<u>50,000</u>	<u>70,000</u>
Net cash flows provided by financing activities	<u>50,000</u>	<u>70,000</u>
Change in cash for the year	26,815	21,643
Cash, beginning of year	<u>14,245</u>	<u>19</u>
Cash, end of year	<u>41,060</u>	<u>21,662</u>

The accompanying notes are an integral part of these interim financial statements.

CANEX ENERGY CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED OCTOBER 31, 2017

1. NATURE AND CONTINUANCE OF OPERATIONS

Canex Energy Corp. (the “Company” or “Canex”) was incorporated under the *Business Corporations Act* (British Columbia) on September 20, 2006. The registered address, head office, principal address and records office of the Company are located at 1305 – 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

On June 20, 2017, the Company announced that it has entered into a non-binding letter of intent (the “LOI”) with Quintet Ventures Inc. (“Quintet”) in respect of a proposed transaction pursuant to which a wholly-owned subsidiary of Quintet is expected to acquire Canex by way of reverse takeover for a combination of cash and share consideration. The final structure of the transaction has not yet been finalized and will be determined following receipt of tax, corporate and securities law advice for both Canex and Quintet. The proposed transaction contemplates a delisting from the TSX Venture Exchange, an initial listing on the Canadian Securities Exchange together with a change of business, plus a financing. Upon completion of the acquisition, the combined entity will continue to carry on business under Quintet. The Company was previously engaged in the exploration and development of mineral properties.

The Company trades on the TSX Venture Exchange (“TSX-V”) under the stock symbol CSC.

On March 31, 2017, the Company’s common shares were consolidated on a basis of one post-consolidated common share for every five pre-consolidated common shares. Prior to this, on September 13, 2016, the Company common shares were consolidated on a basis of one post-consolidated common share for every three pre-consolidated common shares. The numbers of the shares presented in these interim financial statements have all been adjusted to reflect the impact of these share consolidations.

Going concern of operations

These financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at October 31, 2017 the Company has had significant losses and has a working capital deficiency of \$396,092 (April 30, 2017 - \$185,635 deficiency). In addition, the Company has not generated revenues from operations. The Company has financed its operations primarily through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity and/or debt. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

In order to continue as a going concern and to meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. As such, there is a material uncertainty that raises significant doubt about the Company’s ability to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of Compliance to International Financial Reporting Standards

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting. Accordingly, they do not include all of the information and disclosures required by International Financial Reporting Standards (“IFRS”) for annual consolidated statements.

The condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss or available for sale, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These interim financial statements should be read in conjunction with the Company’s audited financial statements for the year ended April 30, 2017, which have been prepared in accordance with IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES

Use of significant accounting judgments and critical accounting estimates

Significant accounting judgments

Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the ability of the Company to continue as a going concern.

Critical accounting estimates

Key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year include, but are not limited to, the following:

- a) *Deferred income taxes* - The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives.

New accounting standards and amendments to existing standards

New and amended standards adopted by the Company

The following new and amended standards have become effective for the Company's April 30, 2017 reporting period. Adoption of these standards on May 1, 2016 did not result in a significant impact on the Company's financial statements.

- Amendment to IFRS 7, *Financial Instruments*, clarifies the applicability of the amendments to IFRS 7 Disclosure—Offsetting Financial Assets and Financial Liabilities to condensed interim financial statements. This amendment is effective for reporting periods beginning on or after January 1, 2016.
- Amendment to IAS 34, *Interim Financial Reporting*, clarifies the meaning of disclosure of information 'elsewhere in the interim financial report' and requires a cross reference. This amendment is effective for reporting periods beginning on or after January 1, 2016.

CANEX ENERGY CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED OCTOBER 31, 2017

New accounting standards and recent pronouncements

The Company has not applied the following new or revised standards and amendments that have been issued but are not yet effective for the Company's April 30, 2017 reporting period:

- Disclosure Initiative (Amendments to IAS 7, *Statement of Cash Flows*) require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. These amendments are effective for reporting periods beginning on or after January 1, 2017.
- New standard IFRS 9, *Financial Instruments*, Classification and Measurement is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, "*Financial Instruments: Recognition and Measurement*." IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit and loss. The standard is effective for annual periods beginning on or after January 1, 2018.
- IFRS 16 *Leases* specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

The Company is currently evaluating the impact the new accounting standard is expected to have on its financial statements.

CANEX ENERGY CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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4. EXPLORATION AND EVALUATION ASSETS

	Clearwater West
	\$
Acquisition costs	
Balance – beginning of year	261,207
Acquisition payment	25,000
Impairment of deferred costs	<u>(286,207)</u>
Balance – April 30, 2016 and 2017	<u>-</u>
Exploration costs	
Balance – beginning of year	914,288
Geological and consulting	380,396
Impairment of deferred costs	<u>(1,294,684)</u>
Balance – April 30, 2017 and October 31, 2017	<u>-</u>

Clearwater West

On January 28, 2014, the Company entered into a property option agreement with Fission 3.0 Corp. (“Fission”) to earn up to a 50% interest in the Clearwater West project in the southwestern Athabasca Basin region, Saskatchewan. In consideration, the Company originally agreed to:

- a) issue 38,697 common shares of the Company to Fission on closing of the agreement at a fair value of \$6.75 per share (issued); and
- b) incur a total of \$5,000,000 in exploration expenditures on or before October 10, 2016 according to the following schedule:

Term	Interest Earned	Work Obligation
By October 10, 2014	-	\$ 700,000 (met)
By October 10, 2015	20%	2,000,000
By October 10, 2016	<u>30%</u>	<u>2,300,000</u>
Total	50%	\$ 5,000,000

The Company also agreed to grant a 2% net smelter royalty (“NSR”) to Fission on the property.

On November 5, 2015, the Company issued 66,666 common shares of the Company to extend the exploration expenditure requirements of October 10, 2015 and October 10, 2016 to April 30, 2016 and April 30, 2017 respectively. The common shares were valued at \$25,000.

The Company did not fulfil its revised April 30, 2016 expenditure requirement and the Company received notice from Fission that it has terminated its property option agreement for the Clearwater West property. Accordingly, the property’s costs totalling \$1,580,891 were written off during the year ended April 30, 2016.

5. CAPITAL STOCK AND RESERVES

a) Authorized

Unlimited number of common shares, without par value.

b) Share issuances

During the period ended October 31, 2017:

- i) There was no share issuance activity during this period.

During the year ended April 30, 2017:

- ii) There was no share issuance activity during this period.
- iii) An agreement was reached with the Company's former CEO ("Subscriber") in regards to the pricing of a previously completed private placement financing approved by the TSX Venture Exchange (the "Exchange") pursuant to a bulletin issued on March 16, 2016.

The Subscriber initially purchased 284,000 pre-consolidation shares at \$0.125 per share (94,667 shares at \$0.375 per share post 1 for 3 rollback). As a result of a review completed by the Exchange, an agreement has been reached such that the price of the shares purchased by the Subscriber has been adjusted from at \$0.125 per share to \$0.25 per share (\$0.375 to \$0.75 per share post 1 for 3 rollback), resulting in the issuance of 47,333 shares to the Subscriber under the private placement. The balance of the 47,333 post rollback shares received by the Subscriber under the private placement are deemed to have been received by the Subscriber at a price of \$0.25 per share (\$0.75 per share post rollback) in settlement of debts owing by the Company to the Subscriber. The net effect of this agreement was to increase the price of the 284,000 pre-consolidation shares (94,667 post rollback) acquired by the Subscriber, from \$0.125 per share (\$0.375 post rollback), to \$0.25 per share (\$0.75 post rollback), and to eliminate any amounts owing by the Company to the Subscriber. \$35,500 was added to share capital as a result of this repricing.

c) Stock options

The Company follows the policies of the TSX-V under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the then issued and outstanding common stock of the Company. Under the policies, the exercise price of each shall not be less than the closing price of the Company's common shares on the day preceding the day on which the directors grant such options, less any discount permitted by the TSX-V to a minimum of \$0.10 per share. The options can be granted for a maximum term of ten years.

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On June 2, 2017, the Company granted 200,000 stock options to various officers, directors and consultants. The options are exercisable at \$0.40 per share and expire three years from date of grant. The weighted average fair value of \$0.25 per stock option was determined using the Black-Scholes option pricing model using the following assumptions: share price on grant date of \$0.38, expected life of stock option of 5 years, volatility of 85.86%, annual rate of dividends of 0.00% and a risk free rate of 0.83%.

During the year ended April 30, 2017, 138,889 options were cancelled (April 30, 2016 – 43,511). During the year ended April 30, 2017 the Company granted NIL options (April 30, 2016 – 141,667) to directors, officers and consultants. The stock options granted during the year ended April 30, 2016 have an exercise price of \$1.43 per share and expire five years from the date of grant. The stock options had an estimated fair value of \$196,275.

Stock option transactions and the number of share options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
		\$
Balance, April 30, 2016	138,889	2.10
Cancelled	(138,889)	(2.10)
Balance, April 30, 2017	-	-
Granted	200,000	0.40
Balance, October 31, 2017	200,000	0.40

d) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance, April 30, 2016	848,570	1.58
Expired	(848,570)	(1.58)
Balance, April 30, 2017	-	-
Balance, October 31, 2017	-	-

As at October 31, 2017 there were no warrants outstanding.

CANEX ENERGY CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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FOR THE SIX MONTHS ENDED OCTOBER 31, 2017

6. RELATED PARTY TRANSACTIONS

The value of transactions and outstanding balances relating to key officers and directors and entities over which they have control or significant influence were as follows:

Amounts and balances incurred from current directors and officers:

The Company incurred \$60,000 (October 31, 2017 - \$NIL) of fees from the Chief Executive Officer of the Company for consulting services performed. As at October 31, 2017, the Company owed \$90,787 (April 30, 2017 - \$30,000) for unpaid fees.

The Company incurred \$60,000 (October 31, 2016 - \$15,000) of fees from a private company controlled by the Chief Financial Officer of the Company for consulting services performed. As at October 31, 2017, the Company owed \$65,000 (April 30, 2017 - \$5,000) for unpaid fees.

The Company incurred \$18,000 (October 31, 2017 - \$NIL) of fees from a Director of the Company for consulting services performed. As at October 31, 2017, the Company owed \$28,000 (April 30, 2017 - \$10,000) for unpaid fees.

The Company incurred \$18,000 (October 31, 2017 - \$NIL) of fees from a Director of the Company for consulting services performed. As at October 31, 2017, the Company owed \$18,000 (April 30, 2017 - \$NIL) for unpaid fees.

The Company incurred \$9,000 (October 31, 2017 - \$NIL) of fees from a Director of the Company for consulting services performed. As at October 31, 2017, the Company owed \$9,000 (April 30, 2017 - \$NIL) for unpaid fees.

All amounts payable to related parties are unsecured, non-interest bearing and due on demand.

See Note 7 for additional related party disclosure.

7. NOTES PAYABLE

For the six months ended October 31, 2017

On August 10, 2017, the Company entered into a \$5,000 promissory note with the Chief Executive Officer of the Company. The promissory note bears an interest rate of Nil% per annum calculated monthly, is unsecured, and is due on demand.

On August 16, 2017, the Company entered into a \$10,000 promissory note with a current director of the Company. The promissory note bears an interest rate of Nil% per annum calculated monthly, is unsecured, and is due on demand.

On August 17, 2017, the Company entered into a \$10,000 promissory note with a current director of the Company. The promissory note bears an interest rate of Nil% per annum calculated monthly, is unsecured, and is due on demand.

On August 25, 2017, the Company entered into a \$25,000 promissory note with the Chief Executive Officer of Quintet. The promissory note bears an interest rate of Nil% per annum calculated monthly, is unsecured, and is due on demand.

CANEX ENERGY CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED OCTOBER 31, 2017

For the year ended April 30, 2017

On July 21, 2016, the Company entered into a \$10,000 promissory note with a private company controlled by the former Chief Financial Officer of the Company. The promissory note bears an interest rate of 5% per annum calculated monthly, is unsecured, and is due on demand. \$514 in interest payable has been included in accounts payable and accrued liabilities.

On July 26, 2016, the Company entered into a \$25,000 promissory note with significant shareholder of the Company. The promissory note bears an interest rate of 5% per annum calculated monthly, is unsecured, and is due on demand. \$1,267 in interest payable has been included in accounts payable and accrued liabilities.

On July 26, 2016, the Company entered into a \$10,000 promissory note with a Chief Executive Officer of the Company. The promissory note bears an interest rate of 5% per annum calculated monthly, is unsecured, and is due on demand. \$507 in interest payable has been included in accounts payable and accrued liabilities.

On July 27, 2016, the Company entered into a \$25,000 promissory note with significant shareholder of the Company. The promissory note bears an interest rate of 5% per annum calculated monthly, is unsecured, and is due on demand. \$1,264 in interest payable has been included in accounts payable and accrued liabilities.

On November 22, 2016, the Company entered into a \$25,000 promissory note with private company controlled by a former director of the Company. The promissory note bears an interest rate of 5% per annum calculated monthly, is unsecured, and is due on demand. \$860 in interest payable has been included in accounts payable and accrued liabilities.

8. DEBT EXTINGUISHMENT

As at April 30, 2017, the Company deemed that specific third party payables met all the criteria to be deemed statute barred. As a result of this, \$96,796 of debt was extinguished and recognized as a recovery to the Company.

9. FINANCIAL INSTRUMENTS AND RISKS

Fair value

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying values of cash and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial statements are summarized below.

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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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 October 31, 2017, the Company had a cash balance of \$427,343 (April 30, 2017 - \$14,245) to settle current liabilities of \$427,323 (April 30, 2017- \$203,929). All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company will need to raise money through debt or equity issuances.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices. Such fluctuations may be significant. The Company's notes payable have fixed interest rate.

a) *Interest rate risk*

The Company is exposed to interest rate risk to the extent that the cash maintained at financial institutions is subject to a floating rate of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.

b) *Foreign currency risk*

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts payable and accrued liabilities that are denominated in a foreign currency. As at July 31, 2017, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant.

c) *Price risk*

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

10. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern. In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (i.e. capital stock, reserves and deficit).

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to any externally imposed capital requirements. The Company's overall strategy remains unchanged from prior year.