

NEWCASTLE ENERGY CORP.

Financial Statements

(Expressed in Canadian dollars)

Years ended April 30, 2017 and 2016



INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Newcastle Energy Corp.

We have audited the accompanying financial statements of Newcastle Energy Corp. which comprise the statements of financial position as at April 30, 2017 and 2016, and the statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, 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 in 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 Newcastle Energy Corp. as at April 30, 2017 and 2016, and its financial performance and cash flows for the years then ended 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 2 (c) in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Newcastle Energy Corp. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia

July 31, 2017

NEWCASTLE ENERGY CORP.
STATEMENTS OF FINANCIAL POSITION
As at April 30, 2017 and 2016
(Expressed in Canadian dollars)

Assets	2017		2016	
Current Assets				
Cash	\$	774,672	\$	224,375
Restrict cash (note 9)		199,821		-
Amounts receivable		5,451		336
Total Current Assets		979,944		224,711
Non-Current Assets				
Investment in Maha Energy Inc. (note 8)		-		2,072,135
Total Assets	\$	979,944	\$	2,296,846
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities (note 6 and 9)	\$	246,640	\$	86,515
Total Liabilities		246,640		86,515
Shareholders' Equity				
Common stock (note 9)		34,079,362		37,122,632
Contributed surplus		5,613,156		5,613,156
Deficit		(38,959,214)		(40,525,457)
Total Shareholders' Equity		733,304		2,210,331
Total Liabilities and Shareholders' Equity	\$	979,944	\$	2,296,846

Going concern (note 2(c))

Approved and authorized for issue by the Board of Directors on July 31, 2017:

"Robin Peterson", Director

Robin Peterson

"Allen Wilson", Director

Allen Wilson

The accompanying notes are an integral part of these financial statements

NEWCASTLE ENERGY CORP.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended April 30, 2017 and 2016
(Expressed in Canadian dollars)

	2017	2016
Administration expenses		
Accounting, legal and audit	\$ 71,984	\$ 21,447
Consulting and management fees (note 6(c))	35,000	30,000
Foreign exchange loss	1,026	537
Interest expense	-	338
Office administration and other	5,604	3,632
Office rental	10,100	12,000
Shareholders' information and travel	14,375	4,172
Stock exchange and filing fees	6,224	6,155
Telephone	1,219	1,138
Transfer agent fees	14,550	8,763
Wages and salaries (note 6(c))	38,254	40,587
Total administration expenses	198,336	128,769
Interest income	9,949	-
Gain on investment in Maha Energy Inc. (note 8)	1,216,574	-
Realized foreign exchange gain on investment in Maha Energy Inc. (note 8)	506,496	-
Gain on derecognition of accounts payable and accrued liabilities	31,560	-
Unrealized gain (loss) on investment in Maha Energy Inc.	-	(1,999,007)
Net gain (loss) for the year	\$ 1,566,243	\$ (2,127,776)
Basic and diluted loss per common share	0.26	(0.35)
Weighted average number of common shares outstanding (diluted and basic)	6,086,577	6,086,577

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

NEWCASTLE ENERGY CORP.**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

For the years ended April 30, 2017 and 2016

(Expressed in Canadian dollars)

	Number of Common Shares	Common Stock Amount	Contributed Surplus	Cumulative Deficit	Total
Balance, April 30, 2015	6,086,577	\$ 37,122,632	\$ 5,613,156	\$ (38,397,681)	\$ 4,338,107
Net loss for the year		-	-	(2,127,776)	(2,127,776)
Balance, April 30, 2016	6,086,577	37,122,632	5,613,156	(40,525,457)	2,210,331
Balance, April 30, 2016	6,086,577	\$ 37,122,632	\$ 5,613,156	\$ (40,525,457)	\$ 2,210,331
Capital distribution (note 9)	-	(3,043,270)	-	-	(3,043,270)
Net income for the year	-	-	-	1,566,243	1,566,243
Balance, April 30, 2017	6,086,577	\$ 34,079,362	\$ 5,613,156	\$ (38,959,214)	\$ 733,304

The accompanying notes are an integral part of these financial statements

NEWCASTLE ENERGY CORP.
STATEMENT OF CASH FLOWS

For the years ended April 30, 2017 and 2016
(Expressed in Canadian dollars)

	2017	2016
Operating activities		
Net income (loss) for the year	\$ 1,566,243	\$ (2,127,776)
Items not affecting cash:		
Gain on derecognition of accounts payable and accrued liabilities	(31,560)	-
Realized gain on investment in Maha Energy Inc.	(1,216,574)	-
Realized foreign exchange gain on investment in Maha Energy Inc.	(506,496)	-
Unrealized loss on investment in Maha Energy Inc.	-	1,999,007
Changes in non-cash working capital items:		
Increase in amounts receivable and prepaid expenses	(5,115)	(152)
Increase in accounts payable and accrued liabilities	(8,136)	33,450
Net cash used in operating activities	(201,638)	(95,471)
Investing activity		
Proceeds from sale of investment in Maha Energy Inc.	3,795,205	-
Net cash provided by investing activity	3,795,205	-
Financing activity		
Return of Capital distribution to shareholders	(2,843,449)	-
Net cash used in financing activity	(2,843,449)	-
Change in cash and cash equivalents	750,118	(95,471)
Cash and cash equivalents, beginning of the period	224,375	319,846
Cash and cash equivalents, end of the period	\$ 974,493	\$ 224,375
Cash and cash equivalents consists of:		
Cash	774,672	224,375
Restricted cash	199,821	-
Cash and cash equivalents, end of the year	\$ 974,493	\$ 224,375

The accompanying notes are an integral part of these financial statements

NEWCASTLE ENERGY CORP.

Notes to the Annual Financial Statements

Years ended April 30, 2017 and 2016

(Expressed in Canadian dollars)

1. CORPORATE INFORMATION

Newcastle Energy Corp. (“the Company”) is currently listed on the NEX exchange (“NEX”) as it does not have an active business. The Company held an equity investment in Maha Energy Inc. which was sold during the year as described in note 8. Management is reviewing business opportunities with a view to regaining TSX Venture Tier II status.

The address of the Company’s corporate office and principal place of business is #350 – 750 West Pender Street, Vancouver, BC V6C 2T7. The Company’s shares are listed on the NEX under the trading symbol “V.NGY.H”.

2. BASIS OF PRESENTATION AND GOING CONCERN

(a) Statement of Compliance

The financial statements of the Company for the years ended April 30, 2017 and 2016 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

(b) Basis of Presentation and Measurement

The financial statements of the Company have been prepared in accordance with IFRS on a historical cost basis except for certain financial instruments as described in note 3.

The financial statements of the Company are presented in Canadian dollars, which is also the Company’s functional currency.

The preparation of financial statements, in compliance with IFRS, requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

(c) Going Concern

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company’s continued existence is dependent upon its ability to raise additional capital, the continuing support of its creditors, and ultimately the attainment of profitable operations and positive cash flows. Failure to obtain sufficient financing or other appropriate arrangements would have an adverse effect on the financial position of the Company and its ability to continue as a going concern.

NEWCASTLE ENERGY CORP.

Notes to the Annual Financial Statements

Years ended April 30, 2017 and 2016

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION AND GOING CONCERN (continued)

(c) Going Concern (continued)

The Company has a history of operating losses and has an accumulated deficit as at April 30, 2017 of \$38,959,214. These circumstances indicate 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. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern. Such adjustments could be material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. The Company had \$974,493 in cash equivalents at April 30, 2017 and \$224,375 at April 30, 2016.

(b) Provisions

A provision is recognized if, because of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

(c) Share-Based Payments

The Company grants options to purchase common shares to directors, officers, employees, consultants, and certain service providers under its stock option plan. Share-based payments are measured at the fair value of the instruments issued and amortized over the vesting periods. The fair value of employee stock options is measured using the Black-Scholes Option Pricing Model.

Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on short-term government bonds). A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of options that vest.

NEWCASTLE ENERGY CORP.

Notes to the Annual Financial Statements

Years ended April 30, 2017 and 2016

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Earnings/Loss per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. This follows the treasury method in which the dilutive effect on loss per share is recognized on the use of proceeds that could be obtained from the exercise of options, warrants, and similar instruments. It assumes the proceeds would be used to purchase common shares at the average market price during the year.

(e) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events, and circumstances from sources other than the Company's shareholders and includes items that are not included in profit or loss.

(f) Income Taxes

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred income taxes assets and liabilities are recognized to reflect the expected deferred tax consequences arising from temporary differences between the carrying value and the tax bases of the assets and liabilities. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. Deferred income tax assets are recognized to the extent that it is probable the asset will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(g) Financial Instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available-for-sale, loans, and receivables, or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Financial instruments comprise cash, restricted cash, investment in Maha Energy Inc. ("investment in Maha") and accounts payable.

NEWCASTLE ENERGY CORP.

Notes to the Annual Financial Statements

Years ended April 30, 2017 and 2016

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments (continued)

At initial recognition, management has classified financial assets and liabilities as follows:

(i) Financial Assets

Held-to-maturity

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs.

After initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company does not have any loans and receivables.

Available-For-Sale Investments

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company does not have any assets classified as available-for sale.

Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

NEWCASTLE ENERGY CORP.

Notes to the Annual Financial Statements

Years ended April 30, 2017 and 2016

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments (continued)

Financial assets classified as FVTPL are stated at fair value with any gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company has classified its cash, restricted cash and its investment in Maha Energy Inc. as FVTPL.

Impairment of Financial Assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

(ii) Financial Liabilities

Financial liabilities at fair value through profit or loss

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. The Company does not have any liabilities classified as FVTPL at April 30, 2017 and 2016.

Other Financial Liabilities

Financial liabilities classified as other financial liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. The Company has classified its accounts payable as other financial liabilities.

NEWCASTLE ENERGY CORP.

Notes to the Annual Financial Statements
Years ended April 30, 2017 and 2016
(Expressed in Canadian dollars)

4. NEW ACCOUNTING STANDARDS

New accounting standards adopted effective May 1, 2016

The following standards were adopted for year ended April 30, 2017:

Amendments to IAS 1 – Presentation of Financial Statements
Amendments to IAS 16 – Property, Plant and Equipment
IFRS 10 – Consolidated Financial Statements.

The following standard will be adopted by the Company effective May 1, 2017:

IAS 7 ‘Statement of Cash Flows’: In January 2016, the IASB issued an amendment to IAS 7 Statement of Cash Flows. The amendment to IAS 7 requires additional disclosures for changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as drawdowns and repayments of borrowings, and non-cash changes, such as acquisitions, disposals and unrealized exchange differences. The amendment is effective for fiscal years beginning on or after January 1, 2017, and is applied on a prospective basis. The adoption of this standard is not expected to have a material impact on the company’s disclosures.

Accounting standards and amendments issued but not yet effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended April 30, 2017 and have not been applied in preparing these consolidated financial statements

The following standards will be adopted by the Company effective May 1, 2018:

IFRS 2 ‘Share-based payments’: In June 2016, the IASB issued the final amendments to IFRS 2 Share-based payments that clarify the classification and measurement of share-based payment transactions. This includes the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and 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 to be applied prospectively and are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of this standard.

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 Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

IFRS 9 ‘Financial Instruments’: The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments (“IFRS 9”) which is intended to reduce the complexity in the classification and measurement of financial instruments.

NEWCASTLE ENERGY CORP.

Notes to the Annual Financial Statements

Years ended April 30, 2017 and 2016

(Expressed in Canadian dollars)

4. NEW ACCOUNTING STANDARDS (continued)

The following standard will be adopted by the Company effective May 1, 2019:

IFRS 16 'Leases': IFRS 16 will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change. Information about critical estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

(a) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law.

For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

(b) Going concern

Determining if the Company can continue as a going concern is dependent on its ability to achieve profitable operations. Certain judgments are made when determining if the Company will achieve profitable operation.

NEWCASTLE ENERGY CORP.

Notes to the Annual Financial Statements
Years ended April 30, 2017 and 2016
(Expressed in Canadian dollars)

6. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Key Management Compensation

	2017		2016	
Consulting Fees	\$	30,000	\$	-
Management Fees		5,000		30,000
Wages and salaries		24,000		24,000
	\$	59,000	\$	54,000

The Company has identified its directors and senior officers as its key management personnel.

(b) Other Related Party Transactions

The Company pays \$1,000 per month in rent to an arms-length Company that has a director and an officer in common.

(c) Related Party Balances

In the normal course of operations, the Company transacts with its directors or officers. All amounts payable to them are non-interest bearing, unsecured and due on demand. At April 30, 2017, accounts payable and accrued liabilities included \$5,000 (2016 – \$45,000) in amounts owing to directors and officer, and \$1,000 (2016 - \$Nil) owing to a Company with directors in common.

7. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company does not have any externally imposed capital requirements to which it is subject. As at April 30, 2017, the Company considers capital to consist of all components of shareholders' equity. The Company manages the capital structure and adjusts it considering changes in economic conditions and the risk characteristic of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares, or dispose of assets to adjust the amount of cash. At this stage the Company does not pay out dividends.

The Company expects its current capital resources to be sufficient to carry its operations through its current operating period. Cost cutting measures have been implemented and attempts are being made to raise additional capital.

8. INVESTMENT IN MAHA ENERGY INC.

During the year ended April 30, 2014, the Company received 3,750,000 shares of Maha Energy Inc., ("Maha") at a price of US\$1.25 as part of the Sales and Purchase Agreement ("SPA") for the sale of the Company's interest in the LAK Ranch Property. During the year the Company disposed of 539,807 Maha shares at US1.25 in exchange for the extinguishment of debt. In 2015, 250,000 shares of Maha were sold at a price of US\$1.00 to a private investor.

NEWCASTLE ENERGY CORP.

Notes to the Annual Financial Statements

Years ended April 30, 2017 and 2016

(Expressed in Canadian dollars)

8. INVESTMENT IN MAHA ENERGY INC. (continued)

The remaining 2,960,193 shares of Maha held by the Company at April 30, 2016 had an estimated fair value of \$2,072,135 at April 30, 2016. The investment in Maha shares is denominated in US dollars, and had a value of US\$1,651,366 as of April 30, 2016. During the year ended April 30, 2016, the Company recorded an unrealized loss on investment in Maha shares of \$2,162,338 which was offset by an unrealized foreign exchange gain of \$163,331.

During the 2017 fiscal year, the Company disposed of 2,960,193 Maha shares for proceeds of \$3,795,206 and realized gain of \$1,723,071 including a gain on foreign exchange of \$506,496.

9. SHARE CAPITAL

On January 12, 2017, the shareholders of the Company approved a special resolution to authorize the Board to proceed with a cash distribution to shareholders of \$0.50 per share as a return of capital.

The cash distribution to shareholders amounted to \$3,043,270. As at April 30, 2017, \$199,821 remains in trust with the Company's transfer agent and is included in both restricted cash and accounts payable and accrued liabilities. The unpaid amount will be held in trust by the transfer agent for a period of two years, thereafter any unpaid funds will be returned to the Company.

(a) Authorized:

The Company has authorized capital stock consisting of unlimited common shares with no par value. Currently the Company has 6,086,577 common shares Issued.

(b) Stock options

The Stock Option Plan allows the Company to grant stock options, at exercise prices equal to or above market price, in amounts up to 10% of the number of common shares issued. All the options have a five-year term and vest on the grant date.

The continuity of stock options as at April 30, 2017 is as follows:

	Number of options	Exercise price
Balance April 30, 2015	137,333	\$3.00
Expired	(65,667)	3.00
Balance, April 30, 2016	71,666	\$3.00
Expired	(71,666)	3.00
Balance, April 30, 2017	-	-

On March 30, 2017, the remaining 71,666 stock options expired unexercised. There were no stock options outstanding as at April 30, 2017.

NEWCASTLE ENERGY CORP.

Notes to the Annual Financial Statements

Years ended April 30, 2017 and 2016

(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

(c) Share purchase warrants

Each of the Company's common share purchase warrants is convertible into one common share, upon payment of the exercise price.

	Number of warrants	Exercise price
Balance, April 30, 2015	1,228,030	\$ 1.80
Expired	(16,667)	3.60
Balance, April 30, 2016 and 2017	1,211,363	\$1.80

The following table summarizes the warrants outstanding and exercisable at April 30, 2017 by expiration date:

Expiration Date	Number of warrants outstanding and exercisable	Exercise price	Weighted Average exercise price	Remaining Life (years)	Weighted average remaining life (yrs)
24-Aug-17	125,267	\$ 3.00	\$ 3.00	0.32	0.03
1-Mar-18	628,333	1.50	1.75	0.84	0.43
26-Mar-18	457,763	1.50	1.66	0.90	0.34
	1,211,363		\$1.66		0.81

10. FINANCIAL INSTRUMENTS AND RISK

As at April 30, 2017, the Company's financial instruments consist of cash, restricted cash, investment in Maha and accounts payable.

The fair values of these financial instruments approximate their carrying values because of their current nature.

	April 30, 2017	April 30, 2016
	\$	\$
<i>Financial Assets:</i>		
Fair value through profit or loss	974,493	2,296,510
<i>Financial Liabilities:</i>		
Fair value through profit or loss	246,640	86,515

IFRS 7 Financial Instruments – Disclosures, establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 7 prioritizes the inputs into three levels that

NEWCASTLE ENERGY CORP.

Notes to the Annual Financial Statements

Years ended April 30, 2017 and 2016

(Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS AND RISK (continued)

may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

Financial assets and liabilities measured at fair value on a recurring basis are presented on the Company's statement of financial position as of April 30, 2017, as follows:

	Balance, April 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	\$	\$	\$	\$
<i>Financial Assets:</i>				
Cash and cash equivalents	974,493	974,493	-	-
Short-term investment	-	-	-	-

The Company believes that the recorded values of accounts payable approximate their current fair values because of their nature and relatively short maturity dates or durations and current market rates for similar instruments.

The Company thoroughly examines the various financial instrument risks to which it is exposed, and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by management. There have not been any significant changes from the previous year as to how these risks are reviewed and monitored by management. The types of financial instrument risk exposures and the objectives and policies for managing these risks exposures is described below:

Currency risk

As at April 30, 2017, the Company's expenditures are almost entirely in Canadian dollars, and the company considers there is minimal currency risk.

NEWCASTLE ENERGY CORP.

Notes to the Annual Financial Statements

Years ended April 30, 2017 and 2016

(Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS AND RISK (continued)*Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held at a large Canadian financial institution in non-interest-bearing accounts, and its investment is held at a Canadian national level brokerage firm.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through its management of capital as outlined in note 7 to the financial statements. Accounts payable and accrued liabilities are due within the current operating period. The Company is in the process of securing a new project. It remains dependent on future equity financings to meet the working capital deficiency and finance operations for the next 12 months, and is currently in the process of seeking capital.

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 exposure to interest rate risk arises from the interest rate impact on its cash and cash equivalents. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of its cash and cash equivalents.

Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and commodity prices.

Additionally, in accordance with IFRS 9, the Company is required to fair value its investments at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on the Company's financial position. The Company is not exposed to significant interest rate risk as the Company's has no long-term interest-bearing debt. Management closely monitors the stock market to determine the appropriate course of action to be taken by the Company.

11. INCOME TAXES

A reconciliation of combined Canadian federal and provincial income taxes at statutory rates and the Company's effective income tax expense is as follows:

NEWCASTLE ENERGY CORP.

Notes to the Annual Financial Statements

Years ended April 30, 2017 and 2016

(Expressed in Canadian dollars)

11. INCOME TAXES (continued)

	2017	2016
Income (Loss) before income taxes	\$ 1,566,243	\$ (2,127,776)
Statutory tax rate	26.00%	26.00%
Expected income tax expense (recovery) at statutory rates	407,223	(553,222)
Non-deductible expenses and other differences	31,170	-
Net change in deferred tax assets not recognized	(438,393)	553,222
Income tax expense	\$ -	\$ -

Significant components of the Company's deferred income tax assets are as follows:

	2017	2016
Deferred income tax assets:		
Non-capital losses carried forward	\$ 1,669,754	\$ 1,621,011
Resource pools and other	82,366	89,902
Investments	-	513,000
Capital losses carried forward	1,289,423	1,256,023
	3,041,543	3,479,936
Deferred tax assets not recognized	(3,041,543)	(3,479,936)
Net deferred income tax assets	\$ -	\$ -

The Company has estimated Canadian non-capital losses of \$6.4 million and capital losses of \$9.9 million, which may be carried forward against future year income tax for Canadian income tax purposes, subject to final determination by taxation authorities and expiring as follows:

Fiscal year ending	2025	\$ 738,338
Fiscal year ending	2026	772,018
Fiscal year ending	2027	786,884
Fiscal year ending	2028	810,465
Fiscal year ending	2029	657,418
Fiscal year ending	2030	342,747
Fiscal year ending	2031	719,077
Fiscal year ending	2032	491,964
Fiscal year ending	2033	299,759
Fiscal year ending	2034	410,306
Fiscal year ending	2035	107,679
Fiscal year ending	2036	128,770
Fiscal year ending	2037	156,706
		<u>\$6,422,131</u>