

BTU Capital Corp.

April 30, 2017 and 2016

Financial Statements

(Expressed in Canadian Dollars)

p | 604.683.3277
f | 604.684.8464

SUITE 1735, TWO BENTALL CENTRE
555 BURRARD STREET
BOX 243
VANCOUVER, BC V7X 1M9



charlton & company
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To: the Shareholders of
BTU Capital Corp.

We have audited the accompanying financial statements of BTU Capital Corp., which comprise the statements of financial position as at April 30, 2017 and 2016 and the statements of loss and comprehensive loss, changes in shareholders' deficiency 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company'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, these financial statements present fairly, in all material respects, the financial position of BTU Capital 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.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 2, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

"Charlton & Company"

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
August 28, 2017

BTU Capital Corp.

Statements of Financial Position

As at April 30, 2017 and 2016

(Expressed in Canadian Dollars)

	Note	2017 \$	2016 \$
ASSETS			
CURRENT			
Cash		17,930	-
LIABILITIES			
CURRENT			
Accounts Payable and Accrued Liabilities		112,773	230,248
Loan Payable	7	35,000	178,508
Total Current Liabilities		147,773	408,756
LONG TERM DEBT			
Due to Related Party	9	284,037	-
TOTAL LIABILITIES		431,810	408,756
SHAREHOLDERS' EQUITY			
Share Capital	8(b)	523,425	523,425
Subscriptions Received	8(b)	116,000	-
Share-Based Payment Reserve		173,291	173,291
Deficit		(1,226,596)	(1,105,472)
		(413,880)	(408,756)
		17,930	-

Basis of Preparation and Going Concern (Note 2)

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

Approved on behalf of the Board:

“Paul Wood”

Paul Wood, Director

“Michael England”

Michael England, Director

BTU Capital Corp.

Statements of Changes in Shareholders' Equity

For the Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital \$	Subscription Received \$	Share-Based Payment Reserve \$	Deficit (Note 2) \$	Total Shareholders' Equity \$
Balance, April 30, 2015	2,553,334	523,425	-	173,291	(1,067,561)	(370,845)
Comprehensive Loss For The Year	-	-	-	-	(37,911)	(37,911)
Balance, April 30, 2016	2,553,334	523,425	-	173,291	(1,105,472)	(408,756)
Comprehensive Loss For The Year	-	-	-	-	(121,124)	(121,124)
Subscriptions Received	-	-	116,000	-	-	116,000
Balance, April 30, 2017	2,553,334	523,425	116,000	173,291	(1,226,596)	(413,880)

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

BTU Capital Corp.

Statements of Comprehensive Loss

For the Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

	2017	2016
	\$	\$
EXPENSES		
Bank Charges	188	55
Consulting Fees - Project	12,528	-
Interest	14,994	24,827
Office, Rent and Telephone	170	-
Professional Fees	85,429	5,000
Transfer Agent and Filing Fees	47,380	8,029
LOSS FROM OPERATIONS	(160,689)	(37,911)
Write-off of Interest Payable	39,565	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(121,124)	(37,911)
BASIC AND DILUTED LOSS PER SHARE	(0.05)	(0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	2,553,334	2,553,334

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

BTU Capital Corp.

Statements of Cash Flows

For the Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

	2017	2016
	\$	\$
CASH PROVIDED FROM (UTILIZED FOR)		
OPERATING ACTIVITIES		
Net Loss for the Year	(121,124)	(37,911)
Write-off of interest payable	(39,565)	-
Changes in Non-Cash Working Capital Accounts Accounts Payables and Accrued Liabilities	110,469	13,117
	<u>(50,220)</u>	<u>(24,794)</u>
FINANCING ACTIVITIES		
Subscription Received In Advance	93,500	-
Advances From Related Parties, net	(25,350)	24,777
	<u>68,150</u>	<u>24,777</u>
INCREASE (DECREASE) IN CASH	17,930	(17)
Cash, Beginning of the Year	-	17
CASH, END OF THE YEAR	<u>17,930</u>	<u>-</u>

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

BTU Capital Corp.

Notes to the Financial Statements

April 30, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 1 – NATURE OF OPERATIONS

BTU Capital Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on August 28, 2008. The Company is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the “Exchange”). The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities. The Company is listed on the TSX Venture Exchange, having the symbol BTU.P.

The address of the Company’s corporate office and principal place of business is 1240, 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2.

The financial statements of the Company for the year ended April 30, 2017 were approved and authorized for issue by the Board of Directors on August 28, 2017.

NOTE 2 – BASIS OF PREPARATION AND GOING CONCERN

The financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The financial statements are presented in Canadian Dollars, which is also the Company’s functional currency. The financial statements have been prepared on a historical cost basis. Cost is the fair value of the consideration given in exchange for net assets.

The financial statements were prepared on the basis that the Company is a going concern and will be able to meet its obligations and continue its operations for its next fiscal year. The Company’s ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flows from its operations. The Company has incurred losses from inception, has a working capital deficit of \$129,843 (2016 - \$408,756), and has an accumulated deficit of \$1,226,596 (2016 - \$1,105,472) as at April 30, 2017.

Management of the Company does not expect that cash flows for the Company’s operations will be sufficient to cover all of its operating requirements, financial commitments, and business development priorities during the next twelve months. Accordingly, the Company expects that it will need to obtain further financing in the form of debt, equity, or a combination thereof for the next twelve months. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms.

These conditions cast uncertainties on the Company’s ability to continue as a going concern. The financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

a) Foreign Currency Translation

The functional and reporting currencies of the Company are the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the date of the statement of financial position. Revenues and expenses denominated in foreign currencies are translated at rates of exchange prevailing on the transaction dates. All exchange gains or losses are recognized immediately in profit or loss in the period in which they are incurred.

BTU Capital Corp.

Notes to the Financial Statements

April 30, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Mineral Property

All expenditures related to the acquisition of mineral properties are capitalized on a property-by-property basis, net of recoveries, until such time as these mineral properties are placed into commercial production, sold or abandoned. If commercial production is achieved from a mineral property, the related capitalized costs will be tested for impairment and reclassified to mineral property in production. If a mineral property is sold or abandoned, the related capitalized costs will be expensed to the consolidated statement of comprehensive loss in that period.

All expenditures related to the exploration and evaluation of mineral properties are expensed to the statement of comprehensive loss in the period in which they are incurred.

From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, option payments are recorded as property costs or recoveries when paid or received. When recoveries exceed the carrying value of the mineral property, the excess is reflected in the statement of comprehensive loss.

c) Impairment of Non-Current Assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. Individual assets are grouped together as a cash generating unit for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are independent from other group assets.

If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Where the carrying amount of a cash generating unit exceeds its recoverable amount, the cash generating unit is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are adjusted for the risks specific to the cash generating unit and are discounted to their present value with a discount rate that reflects the current market indicators.

Where an impairment loss subsequently reverses, the carrying amount of the cash generating unit is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the cash generating unit in prior years. A reversal of an impairment loss is recognized as income immediately.

d) Share Capital

Share capital includes cash consideration received for share issuances, net of commissions and issue costs. Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the Exchange on the date of the agreement.

e) Share-Based Payment

The fair value method of accounting is used for share-based payment transactions. The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Upon the exercise of stock options and other share-based payments, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital. The fair value of unexercised equity instruments are transferred from reserve to retained earnings upon expiry.

BTU Capital Corp.

Notes to the Financial Statements

April 30, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Loss Per Common Share

Basic loss per common share is calculated using the weighted average number of common shares issued and outstanding during the year. Diluted loss per share is the same as basic loss per share as the effect of issuance of shares on the exercise of stock options and warrants is anti-dilutive.

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 consolidated 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) 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.

BTU Capital Corp.

Notes to the Financial Statements

April 30, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The Company does not have any hedging instruments.

- **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. 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's amounts receivables and fall into this category of financial instruments.
- **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.

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 that the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

BTU Capital Corp.

Notes to the Financial Statements

April 30, 2017 and 2016

(Expressed in Canadian Dollars)

h) Financial Instruments (Continued)

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 statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method amortization process. The Company's accounts payable and accrued liabilities, amount due to related party, and loans payable fall into this category of financial instruments.

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

i) Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current period. These reclassifications have no effect on the net loss for the year ended April 30, 2016 and for the year ended April 30, 2017

NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of these financial statements in conformity of IFRS requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ from these estimates.

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

a) Title to Mineral Property Interest

Although the Company has taken steps to verify title to mineral properties in which it has interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.

NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS (Continued)

BTU Capital Corp.

Notes to the Financial Statements

April 30, 2017 and 2016

(Expressed in Canadian Dollars)

b) Impairment of Non-Current Assets

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. In addition, when determining the applicable discount rate, estimation is involved in determining the appropriate adjustments to market risk and asset-specific risk factors.

Actual results may vary and may cause significant adjustments to the Company's assets within the next financial year.

c) Decommissioning and Restoration Provision

The decommissioning and restoration provision is based on future cost estimates using information available at the reporting date. The decommissioning and restoration provision is adjusted at each reporting period for changes to factors such as the expected amount of cash flows required to discharge the liability, the timing of such cash flows, and the discount rate. The decommissioning and restoration provision requires other significant estimates and assumptions such as requirements of the relevant legal and regulatory framework, and the timing, extent, and costs of required decommissioning and restoration activities. Actual costs may differ from these estimates. As at April 30, 2017 and 2016, the Company has no material decommissioning and restoration provision.

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.

NOTE 5 – ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE

A number of new accounting standards, amendments to standards, and interpretations have been issued but not yet effective as of January 31, 2017. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded herein.

IFRS 9, Financial Instruments

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of International Accounting Standards (“IAS”) 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard was initially effective for annual period beginning on or after January 1, 2013, but amendments issued in December 2011 have moved the mandatory effective date to January 1, 2015. The Company is assessing the impact of this new standard but does not expect it to have a significant effect on the financial statements.

NOTE 5 – ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE (Continued)

BTU Capital Corp.

Notes to the Financial Statements

April 30, 2017 and 2016

(Expressed in Canadian Dollars)

IAS 7, Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)

These amendments 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.

IFRS 16, Leases

On January 13, 2016, the IASB published a new standard, IFRS 16, Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses). The standard is effective for annual periods beginning after December 15, 2019 (i.e., calendar periods beginning on January 1, 2020), and interim periods thereafter. Early adoption is permitted.

NOTE 6 – QUALIFYING TRANSACTIONS

On February 20, 2017, the Company announced that it has been granted an option to acquire an undivided 100% interest in the "Shakespeare Property" located approximately three kilometers northeast of Webbwood, Ontario. Approval of the QT by the TSXV was received subsequent to the year end.

Shakespeare Property

Under the terms of the option agreement, the Company will be required to make the following payments and incur the follow exploration expenditures to earn a 100% interest in the Shakespeare Property:

- issue an aggregate total of 1,800,000 common shares (900,000 issued subsequently) over a period of 12 months, with 50% of such shares to be issued within 5 days of the Company receiving all necessary approvals with respect to the QT (including but not limited to the approval of the TSXV), and the remaining 50% of such shares to be issued on the 12 month anniversary of the QT; and
- incur an aggregate total of \$400,000 in exploration expenditures in or on the Shakespeare Property, with 50% of such expenditures to be incurred by the 12 month anniversary of the QT, and the remaining 50% of such expenditures to be incurred by the 24 month anniversary of the QT.

During the term of the Option Agreement, the Company will be responsible for the annual claim maintenance fees. The Company has also granted the optionors' a 2% net smelters return royalty on the Shakespeare property. At the option of the Company, the Company may purchase one-half of the royalty for \$1,000,000.

BTU Capital Corp.

Notes to the Financial Statements

April 30, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 7 – LOANS PAYABLE

	April 30, 2017 \$	April 30, 2016 \$
Due to Shareholder of the Company (a)	-	99,137
Due to Sunorca Development Corp. (b)	-	46,299
Due to Ridge Resources Ltd. (c)	35,000	33,072
	<u>35,000</u>	<u>178,508</u>

- a) The amount due to a shareholder of the Company is unsecured, subject to an interest of 20% per annum, and has no specific terms of repayment. During the year ended April 30, 2017, the Company accrued interest expense of \$10,787 (2016 – \$12,918) on the loan. As at November 9, 2016, the date of debt assignment, such amount owing was approximately \$109,924. This indebtedness has now been assigned to Phil Taneda, a director of the Company, who has agreed to reduce such indebtedness to \$75,537 with no further interest being charged, resulting in a write off of \$34,387. The repayment period of such indebtedness has also been extended to that date which is 13 months from the Completion of the Qualifying Transaction.
- b) On August 21, 2013, the Company received a \$35,000 loan from Sunorca Development Corp (“Sunorca”). The loan bears an interest of 12% per annum and is repayable by December 31, 2014. The Company accrued interest expense of \$2,278 (2016 - \$3,165) for the year ended April 30, 2017. For the year ended April 30, 2014, the Company recorded an additional interest expense of \$7,000 for the issuance of 70,000 common shares of the Company to Sunorca at a deemed price of \$0.10 per common share as a bonus interest payment on August 21, 2013. Sunorca and Nakina Resources Inc. have a common officer and director. As at November 14, 2016, the date of debt assignment, the Company's indebtedness to Sunorca was approximately \$48,578. Sunorca has agreed to assign the debt to England Communications Ltd, a company controlled by Michael England, a director of the Company, who has agreed to adjust the indebtedness to \$43,400 with no further interest being charged resulting in a write off of \$5,178. The repayment period of such indebtedness has also been extended to that date which is 13 months from the Completion of the Qualifying Transaction.
- c) On August 21, 2013, the Company received a \$25,000 loan from Ridge Resources Ltd. (“Ridge”). The loan bears an interest of 12% per annum and is repayable by December 31, 2014. The Company accrued interest expense of \$1,929 (2016 - \$2,259) for the year ended April 30, 2017. For the year ended April 30, 2014, the Company recorded an additional interest expense of \$5,000 for the issuance of 50,000 common shares of the Company to Ridge at a deemed price of \$0.10 per common share as a bonus interest payment on August 21, 2013. As at April 30, 2017 the indebtedness owing to Ridge was \$35,000. Ridge is an arm’s length private company. Ridge has agreed to settle all indebtedness for an amount of \$35,000.

On June 26, 2015 the Company received a court order to repay Ridge the sum of the \$25,000 principal and contractual interest at 12% per annum, which amounted to \$5,474 at that date.

BTU Capital Corp.

Notes to the Financial Statements

April 30, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 8 – SHARE CAPITAL

a) Authorized Capital

Unlimited number of common shares without par value.

b) Issued and Outstanding Common Shares

As at April 30, 2017 and 2016, the Company had 2,553,334 common shares issued and outstanding as presented in the statements of changes in shareholders' equity.

(i) On August 21, 2013, the Company issued 120,000 shares at a price of \$0.10 pursuant to the terms of two loan agreements (Note 7(b), (c)).

(ii) Share subscriptions totaling \$22,500 were received during the period ended July 31, 2014. No common shares have been issued for these subscriptions as of April 30, 2017. During the year ended April 30, 2017 the Company received additional subscriptions totaling \$115,955.

c) Shares Held in Escrow

As at April 30, 2017, the Company has Nil common shares held in escrow (2016 – 333,334).

d) Stock Options

There were no options outstanding for the year ended April 30, 2017.

NOTE 9 – RELATED PARTY TRANSACTIONS

As at April 30, 2017, there was a balance due to a former director of the Company in the amount of \$4,559 (2016 – \$4,559) for expenses incurred on behalf of the Company. The balance has been classified as accounts payable for the year ended April 30, 2016 and for the year ended April 30, 2017 as he is no longer a director of the Company.

During the year ended April 30, 2017 England Communications Ltd a company controlled by Michael England, a director of the Company made certain payments on behalf of the Company in the amount of \$11,927.

- By agreement dated February 24, 2016 England Communications Ltd, acquired by assignment the loan payable to Fang Law Corporation in the amount of \$16,629 and the Company will have 13 months from the Completion of the Qualifying Transaction to repay such indebtedness. This amount has been reclassified as a long term debt.
- By agreement dated November 9, 2016 England Communications Ltd, acquired by assignment the loan payable to Phil Taneda in the amount of \$30,215 and the Company will have 13 months from the Completion of the Qualifying Transaction to repay such indebtedness. This amount has been reclassified as a long term debt.
- By agreement dated November 14, 2016 England Communications Ltd, acquired by assignment the loan payable to Sunorca Development Corp in the amount of \$43,400 and the Company will have 13 months from the Completion of the Qualifying Transaction to repay such indebtedness. This amount has been reclassified as a long term debt.
- As at April 30, 2017, a total of \$204,171 (2016 - \$Nil) is owing to England Communications Ltd.

By agreement dated Nov 1, 2016 Michael J. England acquired by assignment a debt from a creditor of the Company in the amount of \$34,545. The Company will have 13 months from the Completion of the Qualifying Transaction to repay such indebtedness. This amount has been reclassified as a long term debt.

By agreement dated November 9, 2016, Phil Taneda a director of the Company acquired by assignment a loan that had been made to the Company by a shareholder. The amount of the indebtedness is \$45,322 and the repayment period of such indebtedness has also been extended to that date which is 13 months from the Completion of the Qualifying Transaction. This amount has been reclassified as a long term debt

BTU Capital Corp.

Notes to the Financial Statements

April 30, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 9 – RELATED PARTY TRANSACTIONS (continued)

The above balances due are non-interest bearing, unsecured, and have no specified terms of repayment.

NOTE 10 – CAPITAL RISK MANAGEMENT

The Company manages its share capital as capital, which as at April 30, 2017 was \$523,425 (April 30, 2016 – \$523,425). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of operating results, changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, warrants or options, issue new debt, acquire or dispose of assets, or adjust the amount of cash and cash equivalents.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in liquid short-term interest bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company's share capital is not subject to external restrictions. There were no changes in the Company's approach to capital management during the year ended April 30, 2017.

NOTE 11 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 3(h). The Company's risk management is coordinated in close cooperation with the board of directors and focuses on actively securing the Company's short to medium-term cash flows and raising finances for the Company's capital expenditure program. The Company does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Company is exposed are described below.

a) Fair Values

The Company uses the following hierarchy for determining fair value measurements:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

	Financial assets at fair value			April 30, 2017
	Level 1	Level 2	Level 3	
Held-for-Trading Financial Asset				
Cash	\$ 17,930	-	-	\$ 17,930
Total Financial Assets at Fair Value	\$ 17,930	-	-	\$ 17,930

The fair values of the Company's cash and accounts payable and accrued liabilities approximate their carrying values due to their short term nature. The carrying amounts of the amount due to related party and loans payable are measured at amortized cost and approximate their fair values.

BTU Capital Corp.

Notes to the Financial Statements

April 30, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 11 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

b) Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Company is not exposed to significant credit risk.

c) 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 is dependent upon the availability of credit from its suppliers and its ability to generate sufficient funds from equity and debt financing to meet current and future obligations. The Company has a working capital deficiency of \$129,843 as at April 30, 2017. There can be no assurance that such financing will be available on terms acceptable to the Company.

d) 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 bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. Interest on the Company's loans payable is based on fixed rates, and as such the Company is not exposed to significant interest rate risk.

e) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign exchange risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in US Dollars. The Company does not hedge its exposure to fluctuations in the related foreign exchange rates. The Company's exposure to currency risk is currently considered insignificant.

f) Equity Price Risk

The Company is exposed to price risk with respect to 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. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

BTU Capital Corp.

Notes to the Financial Statements

April 30, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 12 – INCOME TAXES

a) Provision for Income Taxes

The income tax expense of the Company is reconciled to the net income for the year as reported in the statements of comprehensive loss as follows, using a Statutory Tax Rate of 26% (2016 – 26%):

	2017	2016
	\$	\$
Net income (loss) for the year	121,124	37,911
Statutory income tax rates	26%	26%
Expected Income Tax Recovery at Statutory Rates	(31,492)	(9,857)
Permanent and other differences	-	-
Change in unrecognized deferred income tax assets	31,492	9,857
Income Tax Expense	-	-

b) Deferred Tax Assets and Liabilities

Deferred tax assets have not been recognized with respect to the following items as at April 30, 2017 and 2016 because it is not determinable that future taxable profit will be available against which the Company can utilize such deferred tax assets.

	2017	2016
	\$	\$
Non-Capital Losses Carried Forward	313,926	282,434
Mineral Property	17,550	17,550
Deferred Tax Assets Not Recognized	331,476	299,984

The Company has non-capital losses of approximately \$1,207,410 which may be applied to reduce Canadian taxable income of future years. The non-capital losses expire as follows:

	\$
2029	51,514
2030	295,869
2031	262,701
2032	136,513
2033	144,002
2034	109,845
2035	47,931
2036	37,911
2037	121,124
	<u>1,207,410</u>

BTU Capital Corp.

Notes to the Financial Statements

April 30, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 13 – SUBSEQUENT EVENTS

Subsequent to April 30, 2017, the Company:

- i) completed a non-brokered private placement of 12,000,000 units for gross proceeds of \$600,000 and 1,800,000 flow-through shares for gross proceeds of \$180,000. Each unit consists of one common share issued at \$0.05 per share, and one-half of a share purchase warrant. Each warrant may be exercised by holder to purchase one common share at a price of \$0.10 for 12 months from closing. The Company paid \$21,500 cash for share issuance costs.
- ii) issued 900,000 common shares pursuant to the option agreement pertaining to the Shakespeare Property (Note 6)
- iii) granted 800,000 stock options to officers, directors, and consultants of the Company, exercisable at a price of \$0.05 per common share expiring on June 16, 2022.
- iv) granted 700,000 stock options to officers, directors, and consultants of the Company. The options are exercisable at a price of \$0.12 per common share expiring on June 27, 2018.
- v) granted 200,000 stock options to a consultant of the Company. The options are exercisable at a price of \$0.19 per common share expiring on July 20, 2019.
- vi) entered into the option agreement to acquire 100% interest in the Galway Prospecting Licenses located in the County of Galway, Republic of Ireland. Consideration is the following:
 - a) \$265,000 cash
 - b) 1,400,000 common shares (700,000 issued subsequently)
 - c) \$500,000 in exploration expenditure within the 12-months period

The optionor will be granted a 2% NSR, which the Company will have a buyback right with respect to 1.5% for \$1,500,000 subject to further Exchange review and acceptance.