

**ABE Resources Inc.**

***Audited Consolidated Financial Statements***

***As at August 31, 2017 and 2016***



## Independent Auditor's Report

To the Shareholders of  
ABE Resources Inc.

**Raymond Chabot Grant Thornton LLP**

Place du Québec  
888 3rd Avenue  
Val-d'Or, Québec J9P 5E6

Telephone: 819-825-6226  
Fax: 819-825-1461  
[www.rcgt.com](http://www.rcgt.com)

We have audited the accompanying consolidated financial statements of ABE Resources Inc., which comprise the consolidated statements of financial position as at August 31, 2017 and 2016 and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of

material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of ABE Resources Inc. as at August 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

 1

Val-d'Or  
November 24, 2017

# ABE Resources Inc.

## Consolidated Statements of Financial Position

(in Canadian dollars)

	Notes	August 31, 2017	August 31, 2016
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash		1,990,128	41,908
Guaranteed investment certificate, 0.90 %, expiring in July 2018		50,000	-
Consumption taxes receivable		6,326	2,059
Tax credits receivable		6,271	3,440
Prepaid expenses		31,797	6,284
Marketable securities in quoted mining exploration companies		1,735	143,758
		<u>2,086,257</u>	<u>197,449</u>
<b>Non-current</b>			
Property and equipment	7	3,783	-
Exploration and evaluation assets	8	2,357,245	-
		<u>2,361,028</u>	<u>-</u>
<b>Total assets</b>		<u><u>4,447,285</u></u>	<u><u>197,449</u></u>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables		122,765	44,205
Provision for compensation	10	568,858	537,691
<b>Total liabilities</b>		<u>691,623</u>	<u>581,896</u>
<b>(NEGATIVE) EQUITY</b>			
Share capital	11.1	36,736,195	32,238,978
Contributed surplus		6,640,744	5,262,220
Accumulated other comprehensive loss		(120,994)	(317,450)
Deficit		(39,500,283)	(37,568,195)
<b>Total (negative) equity</b>		<u>3,755,662</u>	<u>(384,447)</u>
<b>Total liabilities and equity</b>		<u><u>4,447,285</u></u>	<u><u>197,449</u></u>

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

These consolidated financial statements were approved and authorized for issue by the Board of Directors on November 24, 2017.

Approved on behalf of the Board of Directors

(signed) Yves Rougerie, Director

(signed) Robert C. Bryce, Director

**ABE Resources Inc.**  
**Consolidated Statements of Comprehensive Loss**  
**for the years ended August 31**

(in Canadian dollars)

	Notes	<u>2017</u>	<u>2016</u>
		\$	\$
<b>Expenses</b>			
Employee benefits expense	12.1	<b>327,393</b>	97,382
Insurance, taxes and permits		<b>11,350</b>	15,503
Professional fees		<b>231,187</b>	33,256
Rent and maintenance		<b>12,711</b>	20,497
Business development		<b>36,619</b>	3,250
Advertising and sponsorship		<b>1,000</b>	-
Stationery and office expenses		<b>14,423</b>	19,325
Travel, board and lodging		<b>13,485</b>	3,184
Registration fees		<b>41,143</b>	24,467
Provision for compensation		<b>31,300</b>	26,881
Write-off of exploration and evaluation assets		<b>2,675</b>	9,725
Exploration costs other properties		<b>7,746</b>	6,790
Bank charges		<b>4,246</b>	1,641
Gain on sale of property and equipment		-	(6,000)
Part III.14 tax		<b>2,150</b>	2,138
Amortization of property and equipment		-	3,708
Loss on settlement of debts	11.1	<b>933,783</b>	-
<b>Operating loss</b>		<b>1,671,211</b>	261,747
<b>Other expenses</b>			
Finance cost	14	<b>214,286</b>	463,541
		<b>214,286</b>	463,541
<b>Loss before income taxes and loss for the year</b>		<b>(1,885,497)</b>	(725,288)
<b>Other comprehensive loss</b>			
Items that will be reclassified subsequently to profit or loss			
Available-for-sale financial assets			
Net change in fair value for the year		<b>(17,830)</b>	51,276
Reclassification to profit or loss		<b>214,286</b>	463,541
<b>Other comprehensive loss for the year, net of tax</b> <sup>(1)</sup>		<b>196,456</b>	514,817
<b>Total comprehensive loss for the year</b>		<b>(1,689,041)</b>	(210,471)
<b>Loss per share</b>			
Basic and diluted net loss per share <sup>(2)</sup>	15	<b>(0.08)</b>	(0.13)

<sup>(1)</sup> Deferred tax assets of \$26,030 (liability of \$69,243 in 2016) which have not been recognized.

<sup>(2)</sup> Amounts per share, including comparative balances, have been adjusted to reflect the two-for-one stock consolidation completed during the quarter ended May 31, 2017.

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

# ABE Resources Inc.

## Consolidated Statements of Changes in Equity

(in Canadian dollars)

	Notes	Share capital		Contributed surplus	Accumulated other comprehensive loss	Deficit	Total (negative) equity
		Number <sup>(1)</sup>	Amount				
			\$				
<b>Balance, September 1<sup>st</sup>, 2015</b>		5,755,490	32,238,978	5,259,154	(832,267)	(36,842,907)	(177,042)
Share-based payments	12.2	-	-	3,066	-	-	3,066
Transactions with owners		-	-	3,066	-	-	3,066
Net loss for the period		-	-	-	-	(725,288)	(725,288)
<b>Other comprehensive loss</b>							
Available-for-sale financial assets							
Net change in fair value for the year		-	-	-	51,276	-	51,276
Reclassification to profit or loss		-	-	-	463,541	-	463,541
Total comprehensive income for the year		-	-	-	514,817	(725,288)	(210,471)
<b>Balance as at August 31, 2016</b>		5,755,490	32,238,978	5,262,220	(317,450)	(37,568,195)	(384,447)
Shares issued by private placement	11.1	45,000,000	1,197,336	1,052,664	-	-	2,250,000
Share issue costs	11.1	-	-	-	-	(46,591)	(46,591)
Shares issued for the acquisition of equity of Pioneer Resources Inc.	2	5,500,000	2,035,000	-	-	-	2,035,000
Shares issued for debt settlement	11.1	2,918,080	1,079,690	-	-	-	1,079,690
Exercise of warrants	11.2	345,000	85,077	(16,077)	-	-	69,000
Exercise of share options	12.2	387,500	100,114	(44,114)	-	-	56,000
Share-based payments	12.2	-	-	386,051	-	-	386,051
Transactions with owners		54,150,580	4,497,217	1,378,524	-	(46,591)	5,829,150
Net loss for the period						(1,885,497)	(1,885,497)
<b>Other comprehensive loss</b>							
Available-for-sale financial assets							
Net change in fair value for the period		-	-	-	(17,830)	-	(17,830)
Reclassification to profit or loss		-	-	-	214,286	-	214,286
Total comprehensive loss for the period		-	-	-	196,456	(1,885,497)	(1,689,041)
<b>Balance as at August 31, 2017</b>		59,906,070	36,736,195	6,640,744	(120,994)	(39,500,283)	3,755,662

<sup>(1)</sup> All disclosures, including comparative balances, have been adjusted and presented on a consolidated basis.

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

# ABE Resources Inc.

## Consolidated Statements of Cash Flows

(in Canadian dollars)

	Notes	2017	2016
		\$	\$
<b>Operating activities</b>			
Net loss		(1,885,497)	(725,288)
Adjustments			
Amortization of property and equipment		-	3,708
Share-based payments		378,402	3,066
Loss on settlement of debts	2	933,783	-
Gain on sale of property and equipment		-	(6,000)
Net change in fair value of available-for-sale financial assets reclassified in profit or loss		214,286	463,541
Provision for compensation	10	31,300	26,881
Write-off of exploration and evaluation assets		2,675	9,725
Tax credits <sup>(1)</sup>		(4,197)	(3,549)
Changes in working capital items	17	(49,192)	7,004
Cash flows used in operating activities		<u>(378,440)</u>	<u>(220,912)</u>
<b>Investing activities</b>			
Acquisition of a guaranteed investment certificate		(50,000)	-
Acquisition of a subsidiary	2	3,906	-
Acquisition of property and equipment		(3,913)	-
Disposal of property and equipment		-	6,000
Additions to exploration and evaluation assets		(79,242)	(9,725)
Tax credits received		3,440	16,448
Disposal of marketable securities in quoted mining exploration companies		124,193	91,061
Cash flows from investing activities		<u>(1,616)</u>	<u>103,784</u>
<b>Financing activities</b>			
Issuance of shares by private placement	11.1	2,250,000	-
Share issue costs	11.1	(46,591)	-
Warrants exercised	11.2	69,000	-
Share options exercised	12.2	56,000	-
Reimbursement of provision for compensation	10	(133)	-
Cash flows from financing activities		<u>2,328,276</u>	<u>-</u>
<b>Net change in cash</b>		<b>1,948,220</b>	<b>(117,128)</b>
<b>Cash, beginning of the year</b>		<b>41,908</b>	<b>159,036</b>
<b>Cash, end of the year</b>		<b><u>1,990,128</u></b>	<b><u>41,908</u></b>

### Additional information - Cash flows (Note 17)

<sup>(1)</sup> Tax credits recognized in net income as a reduction of exploration costs other properties.

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

**ABE Resources Inc.**  
Notes to Consolidated Financial Statements  
August 31, 2017 and 2016

(in Canadian dollars)

**1. NATURE OF OPERATIONS**

ABE Resources Inc. and its subsidiary (the "Company"), are exploration companies with activities in Canada.

On April 20, 2017, the Company's shareholders passed a special resolution approving the consolidation of its issued and outstanding common shares on the basis of one post-consolidation common share for every 2 pre-consolidation shares.

On April 20 2017, the Company obtained the approval of the TSX-Venture to proceed to the consolidation and the Company's shares began trading on a consolidated basis on April 26, 2017. To this date, the outstanding common shares were reduced from 11,510,944 to 5,755,490 to reflect the impact of the common share consolidation.

**2. ACQUISITION**

On May 11, 2017, ABE Resources Inc. completed the acquisition of all of the issued and outstanding shares of Pioneer Resources Inc. ("Pioneer"), which operates primarily in Québec.

The acquisition of Pioneer was effected through an exchange of shares pursuant to which ABE Resources Inc. issued 5,500,000 post-consolidation shares in exchange for all issued and outstanding shares of Pioneer whose fair value at the acquisition date is \$2,035,000. Transaction fees of \$45,664 have been added to this amount for a total of \$2,080,664.

The fair value of the shares issued as consideration has been determined on the basis of the market price of the shares. This acquisition does not represent a business combination as described in IFRS 3.

The following table details the fair value of the total consideration transferred and the fair value of identifiable assets acquired and identifiable liabilities assumed at the date of acquisition of Pioneer :

Fair value of consideration for acquisition	
Equity consideration	<b>\$2,080,664</b>
<hr/>	
<b>Fair value of assets acquired and liabilities assumed</b>	<b>\$</b>
Cash	<b>3,906</b>
Exploration and evaluation assets	<b>2,310,043</b>
Trade and other payables	<b>(86,492)</b>
Due to related parties <sup>(1)</sup>	<b>(146,793)</b>
<b>Total identifiable net assets at fair value and counterparty</b>	<b><u>2,080,664</u></b>

<sup>(1)</sup> Following the acquisition of Pioneer, certain amounts due to related parties were settled for shares (note 11.1).

# **ABE Resources Inc.**

## Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(in Canadian dollars)

---

### **3. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

ABE Resources Inc. is the ultimate parent company. ABE Resources Inc. is incorporated under the *Canada Business Corporations Act*. The address of the Company's registered office and its principal place of business is 1019 boulevard des Pins, Val-d'Or, Quebec, Canada. ABE Resources Inc.'s shares are listed on the TSX Venture Exchange under the symbol «ABE».

### **4. CHANGES IN ACCOUNTING POLICIES**

#### **4.1 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company**

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have an impact on the Company's consolidated financial statements.

#### **IFRS 9 Financial instruments**

In July 2014, the IASB published IFRS 9 which replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company does not expect any material impact on its consolidated financial statements from this standard.

#### **IFRS 16 Operating lease agreement**

In January 2016, the IASB published IFRS 16, *Leases* ("IFRS 16") which will replace IAS 17, *Lease* ("IAS 17"). IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the consolidated statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17's approach to lessor accounting; and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1st, 2019 with early application permitted in certain circumstances. The Company has yet to assess the impact of this new standard on its consolidated financial statements.

**ABE Resources Inc.**  
Notes to Consolidated Financial Statements  
August 31, 2017 and 2016  
(in Canadian dollars)

---

**5. SUMMARY OF ACCOUNTING POLICIES**

**5.1 Overall considerations**

The significant accounting policies and measurement basis that have been applied in the preparation of these consolidated financial statements are summarized below.

**5.2 Consolidation principles**

The consolidated financial statements of the Company include the accounts of the parent company and its subsidiary Pioneer Resources Inc. from the date of acquisition until August 31, 2017. The parent company controls a subsidiary if it is exposed, or is entitled, to variable returns due to its relationship with the subsidiary and if it has the ability to affect these returns because of its power over the subsidiary. The subsidiary of the Company is wholly owned by the parent company. The annual financial reporting date of the subsidiary is August 31st.

All transactions and balances between group companies are eliminated upon consolidation, including unrealized gains and unrealized losses on transactions between group companies.

Net loss or other comprehensive loss of subsidiaries acquired or disposed of during the year are recognized from the effective date of the acquisition or until the effective date of disposal, if any.

**5.3 Functional and presentation currency**

The consolidated financial statements are presented in Canadian currency, which is also the functional currency.

**5.4 Financial instruments**

**Recognition, initial measurement and derecognition**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transactions costs, if applicable.

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.

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

Financial assets and financial liabilities are measured subsequently as described below:

**Classification and subsequent measurement of financial assets**

For the purpose of subsequent measurement, the Company's financial assets are classified into the following categories upon initial recognition:

- Loan and receivables;
- Available-for-sale financial assets

All financial assets are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

**ABE Resources Inc.**  
Notes to Consolidated Financial Statements  
August 31, 2017 and 2016

---

(in Canadian dollars)

**5.4 Financial instruments (continued)**

All income and expenses relating to financial assets that are recognized in profit or loss are presented within Finance costs or Finance income, if applicable.

*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 provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and guaranteed investment certificate fall into this category of financial instruments.

**Classification and subsequent measurement of financial assets (continued)**

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or are not classified in any of the other categories of financial assets. The Company's available-for-sale financial assets include marketable securities in quoted mining exploration companies.

Available-for-sale financial assets are measured at fair value. Net change in fair value is recognized in other comprehensive loss within equity. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive loss is reclassified to profit or loss and presented as a reclassification adjustment within other comprehensive loss.

Reversals of impairment losses are recognized in other comprehensive loss.

**Classification and subsequent measurement of financial liabilities**

The Company's financial liabilities include trade and other payables (except deductions at source, salaries and vacation payables).

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

**5.5 Basic and diluted loss per share**

Basic loss per share is calculated by dividing the loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by adjusting loss attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares which include options and warrants. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the average market price at the beginning of the exercise or, if later, at the date of issue of the potential ordinary shares.

**ABE Resources Inc.**  
Notes to Consolidated Financial Statements  
August 31, 2017 and 2016

---

(in Canadian dollars)

**5.6 Tax credits receivable**

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. These tax credits are recognized as a reduction of the exploration costs incurred based on estimates made by management. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments as well that the Company will comply with the conditions associated to them.

**5.7 Exploration and evaluation expenditures, and exploration and evaluation assets**

Exploration and evaluation expenditures are costs incurred in the course of initial search of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights or options to acquire such rights (option agreement), expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are recognized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No amortization expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is no longer considered viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (see Note 5.9) ; the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment (see Note 5.9) and any impairment loss is recognized in profit or loss before reclassification.

To date, neither the technical feasibility nor commercial viability of extracting a mineral resources has been demonstrated.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

**Disposal of interest in connection with option agreement**

On the disposal of interest in connection with the option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the cash and share consideration received directly from the acquirer is credited against the carrying amount of costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets in profit or loss.

**ABE Resources Inc.**  
Notes to Consolidated Financial Statements  
August 31, 2017 and 2016

---

(in Canadian dollars)

**5.8 Operating lease agreements**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are recognized as an expense on a straight-line basis over the lease term. Related expenses, such as maintenance and insurance are charged as incurred.

**5.9 Impairment of exploration and evaluation assets**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- the right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- no further exploration or evaluation expenditures in the area are planned or budgeted;
- no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

**ABE Resources Inc.**  
Notes to Consolidated Financial Statements  
August 31, 2017 and 2016

---

(in Canadian dollars)

**5.10 Provisions and contingent liabilities**

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

**5.11 Income taxes**

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

Current income tax assets and/or liabilities comprise those obligations to, or claims from, 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.

However, since the Company is in exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred 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. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

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.

**ABE Resources Inc.**  
Notes to Consolidated Financial Statements  
August 31, 2017 and 2016

---

(in Canadian dollars)

**5.11 Income taxes (continued)**

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

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

**5.12 Equity**

**Share capital**

Share capital represents the amount received on the issue of shares. If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded as contributed surplus. In addition, if shares were issued as consideration for the acquisition of a mineral property or some other form of non-monetary assets, they were measured at their fair value according to the quoted price on the day of the conclusion of the agreement.

**Unit placements**

Proceeds from unit placements are allocated between shares and warrants issued using their relative fair value. Black and Scholes model is used to determine the fair value of the warrants and the market price at the time of issuance is used for shares.

**Other elements of equity**

Accumulated other comprehensive loss includes unrealized gains and losses on available-for-sale financial assets net of relevant income taxes.

Contributed surplus includes charges related to share options and warrants not exercised.

Deficit includes all current and prior year retained profits or losses and issue costs net of tax benefits related to these issue costs from current and prior year.

**ABE Resources Inc.**  
Notes to Consolidated Financial Statements  
August 31, 2017 and 2016

---

(in Canadian dollars)

**5.13 Equity-settled share-based payments**

The Company operates an equity-settled share-based payment plan for its eligible directors, employees and consultants who are eligible. The Company's plan do not feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services received by reference to the fair value of the equity instruments granted.

Equity-settled share-based payments (except warrants to brokers) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to Contributed surplus, in equity. Equity-settled share-based payments to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to Contributed surplus, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if the number of share options ultimately exercised is different from that estimated on vesting.

**5.14 Segment reporting**

The Company presents and discloses segmental information based on information that is regularly reviewed by the Chairman and the Board of Directors.

The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

**6. JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

When preparing the consolidated financial statements, management makes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

**ABE Resources Inc.**  
Notes to Consolidated Financial Statements  
August 31, 2017 and 2016

---

(in Canadian dollars)

**6.1 Significant management judgment**

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the consolidated financial statements.

**Recognition of deferred income tax assets and measurement of income tax expense**

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period. (See Note 5.11)

**6.2 Estimation uncertainty**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

**Impairment of exploration and evaluation assets**

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and assumptions in many cases. (see Note 5.9)

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or cash-generating unit must be estimated.

In assessing impairment, the Company must make some estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expenses will recover from either future exploitation or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

See Note 8 for the exploration and evaluation assets impairment analysis.

The total impairment loss of the exploration and evaluation assets recognized in profit or loss amounts to \$2,675 for the year ended August 31, 2017 (\$9,725 for the year ended August 31, 2016). No reversal of impairment losses has been recognized for the reporting periods.

**Share-based payments**

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants, if applicable. The model used by the Company is the Black-Scholes valuation model (see Note 12.2).

**ABE Resources Inc.**  
Notes to Consolidated Financial Statements  
August 31, 2017 and 2016

(in Canadian dollars)

**6.2 Estimation uncertainty (continued)**

**Provisions and contingent liabilities**

Judgments are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability and provisions involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized. Several of these factors are source of estimation uncertainty (see Note 10).

**Tax credits receivable**

The calculation of the Company's refundable tax credit on qualified exploration expenditure incurred and refundable tax credit involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until notice of assessments and payments have been issued from the relevant taxation authority and a payment have been received. Difference arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to the refundable tax credit and refundable tax credit, exploration and evaluation assets, and income tax expense in future periods (see Note 5.6 for more information).

**7. PROPERTY AND EQUIPMENT**

	Camps (for exploration and evaluation)	Leasehold improvements	Equipment	Mobile equipment \$	Total \$
<b>Gross carrying amount</b>					
Balance as at September 1, 2016	629,898	-	23,000	-	<b>652,898</b>
Additions	-	-	3,913	-	<b>3,913</b>
Write-off	-	-	(5,090)	-	<b>(5,090)</b>
Balance as at August 31, 2017	<u>629,898</u>	<u>-</u>	<u>21,823</u>	<u>-</u>	<u><b>651,721</b></u>
<b>Accumulated amortization and write-off</b>					
Balance as at September 1, 2016	629,898	-	23,000	-	<b>652,898</b>
Amortization	-	-	130	-	<b>130</b>
Write-off	-	-	(5,090)	-	<b>(5,090)</b>
Balance as at August 31, 2017	<u>629,898</u>	<u>-</u>	<u>18,040</u>	<u>-</u>	<u><b>647,938</b></u>
<b>Carrying amount as at August 31, 2017</b>	<u>-</u>	<u>-</u>	<u>3,783</u>	<u>-</u>	<u><b>3,783</b></u>

**ABE Resources Inc.**  
Notes to Consolidated Financial Statements  
August 31, 2017 and 2016

(in Canadian dollars)

**7. PROPERTY AND EQUIPMENT (continued)**

	Camps (for exploration and evaluation)	Leasehold improvements	Equipment	Mobile equipment	Total
	\$	\$	\$	\$	\$
<b>Gross carrying amount</b>					
Balance as at September 1, 2015	629,898	203,726	130,169	55,613	1,019,406
Disposals	-	-	-	(55,613)	(55,613)
Write-off	-	(203,726)	(107,169)	-	(310,895)
Balance as at August 31, 2016	<u>629,898</u>	<u>-</u>	<u>23,000</u>	<u>-</u>	<u>652,898</u>
<b>Accumulated amortization and write-off</b>					
Balance as at September 1, 2015	629,898	203,726	130,169	51,905	1,015,698
Amortization	-	-	-	3,708	3,708
Disposals	-	-	-	(55,613)	(55,613)
Write-off	-	(203,726)	(107,169)	-	(310,895)
Balance as at August 31, 2016	<u>629,898</u>	<u>-</u>	<u>23,000</u>	<u>-</u>	<u>652,898</u>
<b>Carrying amount as at August 31, 2016</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

During the year, all amortization are capitalized as exploration and evaluation assets (amortization of property, plant and equipment recognized in net income as amortization of property, plant and equipment as at August 31, 2016).

**8. EXPLORATION AND EVALUATION ASSETS**

The carrying amount can be analyzed as follows:

**MINING RIGHTS**

	Balance as at September 1, 2016	Additions	Tax credits and credit on duties	Write-off	Balance as at August 31, 2017
	\$	\$	\$	\$	\$
Dôme Lemieux (Qc)	-	2,310,043	-	-	<b>2,310,043</b>
St-Stephen (NB)	-	2,675	-	(2,675)	-
<b>TOTAL</b>	<u>-</u>	<u>2,312,718</u>	<u>-</u>	<u>(2,675)</u>	<u><b>2,310,043</b></u>

**EXPLORATION AND EVALUATION EXPENSES**

Dôme Lemieux (Qc)	-	43,489	-	-	43,489
Epsilon (Qc)	-	5,787	(2,074)	-	3,713
	<u>-</u>	<u>49,276</u>	<u>(2,074)</u>	<u>-</u>	<u>47,202</u>
<b>TOTAL</b>	<u>-</u>	<u>2,361,994</u>	<u>(2,074)</u>	<u>(2,675)</u>	<u>2,357,245</u>

**ABE Resources Inc.**  
Notes to Consolidated Financial Statements  
August 31, 2017 and 2016

(in Canadian dollars)

**8. EXPLORATION AND EVALUATION ASSETS (continued)**

The carrying amount can be analyzed as follows:

**MINING RIGHTS**

	Balance as at September 1, 2015	Additions	Tax credits and credit on duties	Write-off	Balance as at August 31, 2016
	\$	\$	\$	\$	\$
St-Stephen (NB)	-	2,675	-	(2,675)	-
Epsilon (Qc)	-	7,050	-	(7,050)	-
	-	9,725	-	(9,725)	-

Impairment charges are presented in profit or loss in Write-off of exploration and evaluation assets.

During the year 2017, management wrote-off all of its St-Stephen's property (St-Stephen and Epsilon in 2016) for the following reasons : no exploration and evaluation expenses were planned and/or inconclusive results obtained following the exploration work.

**Dôme Lemieux**

On May 11, 2017, the Company acquired this property following the acquisition of all of the issued and outstanding shares of Pioneer, which operates principally in Québec (note 2).

This 100% owned property is located near the town of Ste-Anne-des-Monts in the province of Quebec and comprises 217 claims covering 11,599.84 hectares.

**Epsilon**

This 100% owned property is located in the Otish Mountains region of Quebec. The Epsilon property consists of 51 claims covering 2,693.51 hectares. This property is subject to two 2% NSR on all mineral production. The Company can buy back up to 50% of the respective NSR interest for \$1,000,000 each.

**St-Stephen**

This 50% property owned by the Company and 50% by Indiana Inc. («Indiana») is located near the border town of St-Stephen in the southwest corner of the province of New Brunswick (NB), near the Canada-US border. At that time, both parties must participate pro rata to their respective share of ongoing expenditures or be diluted. Should either party dilute to less than 15% interest it will revert to a 3% Net smelter return ("NSR") royalty of which 2% can be purchased for \$2,000,000 at any time by the other party. During the year 2015, the property was written off.

**ABE Resources Inc.**  
Notes to Consolidated Financial Statements  
August 31, 2017 and 2016

(in Canadian dollars)

**9. LEASES**

The Company's future minimum operating lease payments are as follows:

	Minimum lease payments due		
	Within 1 year	1 to 5 years	Total
	\$	\$	\$
August 31, 2017	26,566	38,557	65,123

The Company leases its offices under a lease expiring in June 2019 and a Company's vehicle under a lease expiring in June 2021.

Lease payments recognized as an expense during the reporting year amount to \$5,142 (\$13,539 as at August 31, 2016) of which \$1,800 is capitalised in exploration and evaluation assets (nil as at August 31, 2016). These amounts consist of minimum lease payments.

**10. PROVISION FOR COMPENSATION**

Provisions relate to various taxation claims. The Company is not eligible for any reimbursement by third parties in this regard. As the timing of settlement of these claims is to a large extent dependent on the pace of negotiation with various counterparties and governmental authorities, the Company cannot reliably estimate the amounts that will eventually be paid in settlement after more than twelve months from reporting date. During the year ended in 2017, the Company paid an amount of \$133 to investors (nil as at August 31, 2016) and the provision was increased by an amount of \$31,300 (\$26,881 as at August 31, 2016).

Management, on the advice of counsel, does not expect that the outcome of any of the remaining cases will give rise to any significant loss beyond the amounts actually recognized. None of the provisions will be discussed here in further detail so as to not seriously prejudice the Company's position.

**11. EQUITY**

**11.1 Share capital**

The share capital issued of the Company consists only of fully paid common shares.

**Share capital authorized**

Unlimited number of common shares without par value.

Unlimited number of preferred shares class "A" and "B", without par value.

**Share issuance**

On May 11, 2017, the Company completed a private placement for a total amount of \$2,250,000. The Company issued 45,000,000 units after consolidation, with each unit consists of one ordinary share and one warrant. Each warrant entitles the holder to subscribe to an equivalent number of ordinary shares of the Company at a price of \$0.15 per share, expiring 24 months following the closing of the placement. An amount of \$1,052,664 related to issued warrants was recorded to Contributed surplus. Share issue costs of \$46,591 has reduced the deficit.

**ABE Resources Inc.**  
Notes to Consolidated Financial Statements  
August 31, 2017 and 2016

(in Canadian dollars)

**11. EQUITY (continued)**

**11.1 Share capital (continued)**

**Share issuance (continued)**

Pursuant to the terms of a share exchange agreement dated May 11, 2017, the Company issued a total of 5,500,000 common shares after consolidation at the price of \$0.37 per share for a total of \$2,035,000 in favor of the Pioneer's shareholders in exchange for all the outstanding shares of Pioneer's share capital issued and outstanding (note 2).

In addition, in connection with the acquisition, the Company issued an additional 2,918,080 common shares after a consolidation at the price of \$0.37 per share for a total of \$1,079,690 to settle outstanding debt Pioneer owed to some of its officers, directors and shareholders. An amount of \$933,783 was recorded in net loss as a loss on settlement of debts following this transaction.

**11.2 Warrants**

Outstanding warrants entitle their holders to subscribe to an equivalent number of common shares, as follows:

	2017		2016	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Balance, beginning of reporting period	1,000,000	0.20	1,000,000	0.20
Granted	45,000,000	0.15	-	-
Exercised	(345,000)	0.20	-	-
Balance, end of reporting period	45,655,000	0.15	1,000,000	0.20

All information presented in the table above, including comparative balances, has been adjusted and presented on a consolidated basis.

The fair value of \$0.33 for the warrants granted was estimated using the Black-Scholes option pricing model and based on the following assumptions:

	2017
Share price at date of grant	\$0.37
Expected dividends yield	0%
Expected volatility	182%
Risk-free interest rate	0.72%
Expected life	2 years
Exercise price at date of grant	\$0.15

The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected life of the warrants.

**ABE Resources Inc.**  
**Notes to Consolidated Financial Statements**  
**August 31, 2017 and 2016**

(in Canadian dollars)

**11.2 Warrants (continued)**

Outlined below are the outstanding warrants which could be exercised for an equivalent number of common shares:

Expiration date	2017	
	Number	Exercise price
		\$
March 30, 2018	655,000	0.20
May 10, 2019	45,000,000	0.15
	<u>45,655,000</u>	

All information presented in the table above, including comparative balances, has been adjusted and presented on a consolidated basis.

**12. EMPLOYEE REMUNERATION**

**12.1 Employee benefits expense**

Employee benefits expense recognized is analyzed below:

	2017	2016
	\$	\$
Salaries and benefits	<b>161,603</b>	107,699
Share-based payments	<b>202,870</b>	3,066
	<b>364,473</b>	110,765
Less: salaries capitalized and share-based payments in exploration and evaluation assets	<b>(30,266)</b>	-
Less: salaries reclassified to Exploration costs other properties in profit or loss	<b>(6,814)</b>	(13,383)
Employee benefits expense	<b>327,393</b>	97,382

**12.2 Share-based payments**

The Company has adopted a share-based payment plan under which members of the Board of Directors may award to directors, employees and consultants, options entitling its holder to purchase common shares of the Company. The maximum number of shares issuable under the plan is 10% of the outstanding shares (5,990,607 shares as at August 31, 2017 and 575,549 as at August 31, 2016).

The most important terms of the plan are as follows:

- The maximum number of common shares that can be granted for a beneficiary, other than a consultant or services supplier, is limited to 5% of issued and outstanding shares;
- The maximum number of common shares that can be granted for a consultant during any 12-month period is limited to 2% of issued and outstanding shares;

**ABE Resources Inc.**  
Notes to Consolidated Financial Statements  
August 31, 2017 and 2016

(in Canadian dollars)

**12.2 Share-based payments (continued)**

- The maximum number of common shares that can be granted for a supplier of investors' relation services during any 12-month period is limited to 2% of issued and outstanding shares. Moreover, the options granted will vest gradually on a 12-month period after the grant, 25% on grant, 25% 6 months from the date of grant and 50% 12 months from the date of grant.;
- The Board shall determine the manner in which an option shall vest and become exercisable to staff members. Options granted to consultants performing investor relations activities shall vest over a minimum of 12 months with no more than 1/4 of such options vesting in any 3 month period.

The exercise price per common share for an option shall not be less than the "Discounted Market Price", as calculated pursuant to the policies of the Exchange, or such other minimum price as may be required by the Exchange. Every option shall have a term not exceeding and shall therefore expire no later than eight years after the date of grant.

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

The Company share options are as follows for the reporting periods presented:

	2017		2016	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding, beginning of the reporting year	550,000	0.15	575,000	0.60
Granted	2,725,000	0.27	87,500	0.10
Exercised	(387,500)	0.14	-	-
Expired	-	-	(112,500)	2.42
Outstanding, end of the reporting year	2,887,500	0.26	550,000	0.15
Exercisable, end of the reporting year	862,500	0.25	506,250	0.16

All information presented in the table above, including comparative balances, has been adjusted and presented on a consolidated basis.

The weighted average share price at the date of exercise was \$0.31.

On August 21, 2017, the Company granted 300,000 options to a consultant at an exercise price of \$0.275 per share. The options have a contractual life of 8 years from the date of grant. 25% of the options are exercisable immediately, 25% are exercisable 6 months after the date of the grant and the remaining 50% will be exercisable 12 months from the date of the

On May 17, 2017, the Company granted 2,400,000 options to employees and consultants at an exercise price of \$0.27 per share. The options have a contractual life of 8 years from the date of grant. 25% of the options are exercisable immediately, 25% are exercisable 6 months after the date of the grant and the remaining 50% will be exercisable 12 months from the date of the grant.

## ABE Resources Inc.

### Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(in Canadian dollars)

#### 12.2 Share-based payments (continued)

On November 14, 2016, the Company granted 25,000 options to an employee at an exercise price of \$0.10 per share. At the grant date the options have a contractual life of 5 years. The options will vest over a period of 6 months, as a rate of 50% upon grant and 25% in subsequent quarters.

On July 20, 2016, the Company granted 175,000 options (87,500 after consolidated basis) to employees and consultants at an exercise price of \$0.05 per share (\$0.10 after consolidated basis). The options have a contractual life of 3.66 years. At the grant date, the Board of Directors of the Company decided by a resolution that 50% of the options issued to directors and employees will vest at the issuance, and 25% in subsequent quarters.

The table below summarizes the information related to outstanding share options as at August 31:

<u>Range of exercise price</u>	<u>2017</u>		<u>2016</u>	
	<u>Number</u>	<u>Weighted average remaining contractual life (years)</u>	<u>Number</u>	<u>Weighted average remaining contractual life (years)</u>
\$0.10 to \$0.20	<b>187,500</b>	<b>1.92</b>	550,000	2.62
\$0.21 to \$0.30	<b>2,700,000</b>	<b>7.74</b>	-	-
	<b>2,887,500</b>	<b>7.36</b>	550,000	2.62

All information presented in the table above, including comparative balances, has been adjusted and presented on a consolidated basis.

The average fair value of options granted of \$0.26 per option in 2017 (\$0.05 after consolidated basis per option in 2016) was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	<u>2017</u>	<u>2016</u>
Share price at the date of grant (after consolidated basis in 2016)	\$0.27	\$0.06
Expected dividends yield	0%	0%
Expected weighted volatility	151%	183%
Risk-free interest rate	1.32%	0.60%
Expected life	7.93 years	3.66 years
Exercise price at the date of grant (after consolidated basis in 2016)	\$0.27	\$0.10

The underlying expected volatility was determined by reference to historical data of Company's shares over the expected average life of the options. No special features inherent to the options granted were incorporated into measurement of fair value.

In total, \$386,051 of share-based payments (all of which related to equity-settled share-based payment transactions) which \$7,649 is capitalised in exploration and evaluation assets (nil as at August 31, 2016), \$195,221 were included in employee benefits expense and \$183,181 were included in professional fees and reported in profit or loss for the year ended August 31, 2017 (\$3,066 for the year ended August 31, 2016) and credited to contributed surplus.

**ABE Resources Inc.**  
Notes to Consolidated Financial Statements  
August 31, 2017 and 2016

(in Canadian dollars)

**13. FAIR VALUE MEASUREMENT**

**13.1 Financial instruments measured at fair value**

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly ; and
- Level 3: unobservable inputs for the assets or liabilities.

The fair value of the marketable securities in quoted mining exploration companies have been estimated by reference to their quoted prices at the reporting date.

Marketable securities in quoted mining exploration companies are measured at fair value in the consolidated statement of financial position as at August 31, 2017 and 2016, and are classified in Level 1.

**14. FINANCE COST**

Finance cost may be analyzed as follows for the reporting periods presented:

	<u>2017</u>	<u>2016</u>
	\$	\$
Net change in fair value of available-for-sale financial assets reclassified in profit or loss	<u>214,286</u>	<u>463,541</u>
Finance cost	<u>214,286</u>	<u>463,541</u>

**15. LOSS PER SHARE**

In calculating the diluted loss per share, dilutive potential common shares such as options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 11.2 and 12.2.

Both the basic and diluted loss per share have been calculated using the net loss as the numerator, i.e. no adjustment to the net loss was necessary in 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Net loss	<b>\$(1,885,497)</b>	\$(725,288)
Weighted average number of shares	<b>22,329,942</b>	5,755,490
Basic and diluted loss per share	<b>\$(0.08)</b>	\$(0.13)

All information presented in the table above, including comparative balances, has been adjusted and presented on a consolidated basis.

**ABE Resources Inc.**  
**Notes to Consolidated Financial Statements**  
**August 31, 2017 and 2016**

(in Canadian dollars)

**15. LOSS PER SHARE (continued)**

There have been no other transactions involving ordinary shares between the reporting date and the date of authorization of these consolidated financial statements.

**16. INCOME TAX**

**Relationship between expected tax expense and accounting profit or loss**

The relationship between the expected tax expense based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the consolidated statement of comprehensive loss can be reconciled as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.83 % (26.9 % in 2016)	<b>(505,879)</b>	(195,102)
Difference between deferred and statutory tax rates	<b>84,361</b>	-
Tax effect of temporary differences not recognized	<b>282,595</b>	126,596
Share-based payments	<b>101,525</b>	825
Variation of non taxable fair value	<b>28,746</b>	62,346
Other non-deductible expenses	<b>8,652</b>	5,335
Deferred income tax income	<u>-</u>	<u>-</u>

**Major components of tax income**

The major components of tax income are outlined below:

	<u>2017</u>	<u>2016</u>
	\$	\$
Deferred tax income		
Origination and reversal of temporary differences	<b>(366,956)</b>	(126,596)
Difference between deferred and statutory tax rates	<b>84,361</b>	-
Variation of temporary differences unrecognized	<b>282,595</b>	126,596
Total deferred tax income	<u>-</u>	<u>-</u>

As at August 31, 2017 and 2016, the following unrecognized timing differences for which the Company didn't recognize deferred income tax are outlined below :

**ABE Resources Inc.**  
Notes to Consolidated Financial Statements  
August 31, 2017 and 2016

(in Canadian dollars)

**16. INCOME TAX (continued)**

	August 31, 2017		August 31, 2016	
	Federal	Provincial	Federal	Provincial
	\$	\$	\$	\$
Unrecognized deductible temporary differences and unused tax losses				
Exploration and evaluation assets	5,784,366	8,280,870	5,817,237	8,313,741
Property and equipment	1,154,665	1,156,870	1,154,402	1,156,607
Intangible asset	250,000	250,000	250,000	250,000
Investments	71,063	71,063	338,580	338,580
Issuance costs of units	42,490	42,490	10,447	10,447
Unused loss carry-forward	10,656,762	10,564,547	8,922,277	8,830,283
Capital loss	911,098	911,098	1,607,911	1,607,911
	<u>18,870,444</u>	<u>21,276,938</u>	<u>18,100,854</u>	<u>20,507,569</u>

The Company has non-capital losses which are available to reduce income taxes in future years, for which no deferred tax asset has been recorded in the consolidated statement of financial position, that can be carried over the following years:

	Federal	Provincial
	\$	\$
2026	236,127	200,707
2027	639,417	618,933
2028	1,100,448	1,094,602
2029	1,612,179	1,593,702
2030	1,472,378	1,468,309
2031	1,265,744	1,263,103
2032	992,873	989,343
2033	596,377	595,914
2034	480,405	479,828
2035	299,005	298,592
2036	654,004	653,930
2037	1,307,805	1,307,584
	<u>10,656,762</u>	<u>10,564,547</u>

As at August 31, 2017, capital losses for which no deferred tax asset were accounted represent \$1,822,196 (\$1,607,911 as at August 31, 2016). These losses may be carried forward indefinitely.

The Company has available investment tax credits of \$196,055 (\$196,055 as at August 31, 2016) that can be used to reduce future taxable income. Those investment tax credits have maturity dates between 2027 and 2034.

The Company has resource tax credits of \$108,305 (\$108,305 as at August 31, 2016) that may be used to reduce future taxable income. Those resource tax credits have maturity dates up to 2018.

**ABE Resources Inc.**  
Notes to Consolidated Financial Statements  
August 31, 2017 and 2016

(in Canadian dollars)

**17. ADDITIONAL INFORMATIONS - CASH FLOWS**

The changes in the working capital items are detailed as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Consumption taxes receivable	(4,267)	(424)
Tax credits receivable <sup>(1)</sup>	-	23,457
Prepaid expenses	(25,513)	4,403
Trade and other payables	(19,412)	(20,432)
	<u>(49,192)</u>	<u>7,004</u>

<sup>(1)</sup> tax credit accounted in profit or loss in reduction of exploration costs other properties.

Non-cash financial position transactions are detailed as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Amortization of property and equipment asset included in exploration and evaluation assets	130	-
Share-based payments included in exploration and evaluation assets	7,649	-
Issuance of shares for Pioneer's acquisition (note 2)	2,035,000	-
Issuance of shares for settlement of debts	1,079,690	-
Trade and other payables included in exploration and evaluation assets	10,594	-
Tax credits receivable credited to exploration and evaluation assets	2,074	-

**18. RELATED PARTY TRANSACTIONS**

The Company's related parties include key management and two companies with common directors as describe below. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balance are usually settled in cash.

**18.1 Transactions with key management personnel**

Key management personnel of the Company are members of the Board of Directors and also the President and the CFO. Key management personnel remuneration includes the following expenses:

	<u>2017</u>	<u>2016</u>
	\$	\$
Short-term employee benefits	124,035	55,097
Share-based payments	195,221	-
Total remuneration	<u>319,256</u>	<u>55,097</u>

In 2017, three of the key management personnel exercised 142,500 options for a total amount of \$19,250. This amount was recorded as share capital in the consolidated statement of changes in equity. As at August 31, 2017, no amount was receivable.

**ABE Resources Inc.**  
Notes to Consolidated Financial Statements  
August 31, 2017 and 2016

---

(in Canadian dollars)

**18.1 Transactions with key management personnel (continued)**

In 2016, the Company sold mobile equipment to the President for an amount of \$6,000 in cash. This amount has been recorded as a gain on sale of property and equipment in the consolidated statement of comprehensive loss. As at August 31, 2016, no amount was receivable.

**19. CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern, to increase the value of the assets of the business, and to provide an adequate return to shareholders of the Company.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity.

The Company is not exposed to any externally imposed capital requirements except when the Company issues flow-through shares for which an amount should be used for exploration work.

The Company finances its exploration and evaluation activities principally by raising additional capital either through private placements or public offerings.

When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its exploration and evaluation activities or may slow its activities until conditions improve.

**20. FINANCIAL INSTRUMENT RISKS**

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Company focuses on actively securing short to medium-term cash flows by minimizing the exposure to financial markets. 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.

**20.1 Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to the following type of market risk: other price risk.

**Other price risk sensitivity**

The Company is exposed to fluctuations in the market prices of its marketable securities in quoted mining exploration companies. The fair value of the marketable securities represents the maximum exposure to price risk.

If the market price of these securities had fluctuated from + or - 20% as at August 31, 2017 and August 31, 2016, the other comprehensive loss and the equity would not have varied significantly (\$28,752 as at August 31, 2016).

**ABE Resources Inc.**  
Notes to Consolidated Financial Statements  
August 31, 2017 and 2016

(in Canadian dollars)

**20.2 Credit risk**

Credit risk is the risk that another party to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

	<u>2017</u>	<u>2016</u>
	\$	\$
Cash	<b>1,990,128</b>	41,908
Guaranteed investment certificate	<b>50,000</b>	-
	<u><b>2,040,128</b></u>	<u>41,908</u>

The Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

**20.3 Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

During the year, the Company has financed its exploration and evaluation programs, its working capital requirements and acquisitions of mining properties by the used of cash and through private placement.

The following table presents contractual maturities (including interest payments where applicable) of the Company's liabilities:

	<u>2017</u>	<u>2016</u>
	\$	\$
Less than 6 months :		
Trade and other payables	<b>23,320</b>	5,517

**21. CONTINGENCY**

On November 20, 2014, the Company received from the Ministry of sustainable Development, Environment and Fight against Climate Change a notice of non-compliance and an administrative sanction of \$10,000 in cash concerning drilling work done. On November 26, 2014, the Company requested a revision of this decision. This request was denied and the Company increased its call back to the Ministry. The Company is currently awaiting judgment from the Court following the trial on September 20, 2017. Management believes that this claim is without merit and that the case will be dismissed. No provision has been recorded.