



Financial Statements

December 31, 2017

INDEPENDENT AUDITOR'S REPORT

STATEMENTS OF FINANCIAL POSITION

STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

STATEMENTS OF COMPREHENSIVE LOSS

STATEMENTS OF CASH FLOW

NOTES TO FINANCIAL STATEMENTS



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Midasco Capital Corp:

We have audited the accompanying financial statements of Midasco Capital Corp., which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of changes in shareholders' deficit, comprehensive loss, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Midasco Capital Corp. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Midasco Capital Corp.'s ability to continue as a going concern.

A handwritten signature in black ink that reads 'DMCL'.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
February 13, 2018

MIDASCO CAPITAL CORP.
STATEMENTS OF FINANCIAL POSITION

Expressed in Canadian Dollars

	Note	December 31, 2017	December 31, 2016
ASSETS		\$	\$
Current assets			
Cash		85,353	5,960
Other receivables		-	1,192
TOTAL ASSETS		85,353	7,152
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		81,000	97,308
Due to related parties	6	46,500	8,855
		127,500	106,163
SHAREHOLDERS' DEFICIT			
Share capital	5	13,806,021	13,668,521
Reserves	5	1,838,157	1,838,157
Accumulated deficit		(15,686,325)	(15,605,689)
		(42,147)	(99,011)
TOTAL LIABILITIES & SHAREHOLDERS' DEFICIT		85,353	7,152

The accompanying notes are integral to these financial statements.

Nature and continuance of operations (Note 1)

Approved on Behalf of the Board of Directors:

/s/ William Pettigrew

Director

/s/ Ryan Cheung

Director

MIDASCO CAPITAL CORP.
STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIT
Expressed in Canadian Dollars

	Share Capital		Reserves			Accumulated Deficit	Total
	Number of Shares	Amount	Equity settled benefits	Warrants	Other		
		\$	\$	\$		\$	\$
Balance December 31, 2015	7,720,632	13,668,521	1,545,965	292,192	100,000	(15,512,571)	(5,893)
Loss for the year	-	-	-	-	-	(93,118)	(93,118)
Balance, December 31, 2016	7,720,632	13,668,521	1, 445,965	292,192	100,000	(15,605,689)	(99,011)
Private placement	2,500,000	137,500	-	-	-	-	137,500
Loss for the year	-	-	-	-	-	(80,636)	(80,636)
Balance, December 31, 2017	10,220,632	13,806,021	1, 445,965	292,192	100,000	(15,686,325)	(42,147)

The accompanying notes are integral to these financial statements.

MIDASCO CAPITAL CORP.
STATEMENTS OF COMPREHENSIVE LOSS
Expressed in Canadian Dollars

		For the years ended December 31	
	Note	2017	2016
		\$	\$
EXPENSES			
Business investigation fees	3	-	54,140
Consulting and management fees	6	39,744	1,707
Investor relations		2,770	1,592
Office and general		4,142	3,965
Professional fees	6	18,045	17,989
Transfer agent and filing fees		11,719	13,725
Travel and promotion		4,216	-
		(80,636)	(93,118)
TOTAL COMPREHENSIVE LOSS		(80,636)	(93,118)
Weighted Average Number of Shares Outstanding		9,426,111	7,720,632
Basic and Diluted Loss Per Share		(0.01)	(0.01)

The accompanying notes are integral to these financial statements.

MIDASCO CAPITAL CORP.
STATEMENTS OF CASH FLOW
Expressed in Canadian Dollars

	For the years ended	
	December 31	
	2017	2016
	\$	\$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the year	(80,636)	(93,118)
Changes in non-cash working capital items:		
Other receivables	1,192	3,270
Prepaid expenses	-	12,714
Accounts payable and accrued liabilities	21,337	51,692
	<u>(58,107)</u>	<u>(25,442)</u>
CASH FLOWS FROM IN FINANCING ACTIVITIES		
Gross proceeds from private placement	<u>137,500</u>	-
Net increase (decrease) in cash	79,393	(25,442)
Cash, beginning of the year	5,960	31,402
Cash, end of the year	85,353	5,960

The accompanying notes are integral to these financial statements.

1. NATURE OF OPERATIONS

Midasco Capital Corp. is a Canadian resident company listed on the NEX board of the TSX Venture Exchange and trades under the symbol MGC.H. The Company's head office is at 12216 Boundary Drive North, Surrey, B.C., Canada.

The financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will continue its operations and will be able to realize the carrying value of its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business is dependent upon continued financial support from related parties, the ability of the Company to raise equity financing to continue operations, and successfully identifying a new business opportunity for the Company. These uncertainties may cast significant doubt on the ability of the Company to continue operations as a going concern. The financial statements do not reflect adjustments to the carrying values of assets, liabilities or reported results should the Company be unable to continue as a going concern. Different bases of measurement may be appropriate if the Company were not expected to continue operations for the foreseeable future.

The Company will seek additional financing through related party loans and equity raises. As at December 31, 2017, the Company had working capital deficit of \$42,147 (2016 – \$99,011) and accumulated losses of \$ 15,686,325 (2016 - \$15,605,689).

2. BASIS OF PRESENTATION

Statement of compliance with International Financial Reporting Standards

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements were authorized for issue by the Board of Directors on February 13, 2018.

Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

Use of Estimates and Judgments

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is risk of material adjustments to assets and liabilities in future accounting periods include estimates of the recoverability and measurement of deferred tax assets, and contingent liabilities.

MIDASCO CAPITAL CORP.
NOTES TO FINANCIAL STATEMENTS
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Expressed in Canadian Dollars

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the classification of financial instruments and the going concern basis of accounting.

Foreign currency transactions

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

MIDASCO CAPITAL CORP.
NOTES TO FINANCIAL STATEMENTS
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Expressed in Canadian Dollars

Share-based payments

The Company grants stock options to buy common shares of the Company through its stock option plan as described in Note 5. The Company accounts for share-based payments using the fair value method. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

The Company classifies its financial instruments in the following categories: financial assets at fair value through profit or loss (“FVTPL”), held to maturity, available for sale, loans and receivables, and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified as FVTPL when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. The Company does not have any financial assets measured through profit or loss

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Cash is included in loans and receivables as of December 31, 2017 and 2016.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets. The Company does not have and available-for-sale financial assets.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. The Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Financial liabilities classified as other financial liabilities include accounts payable and other short-term monetary liabilities.

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Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares, and warrants are recognized as a deduction from equity, net of tax.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of common shares issued in private placements was determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to attached warrants. Any fair value attributed to warrants is recorded to warrants reserves.

Income (loss) per share

Basic income (loss) per share is calculated by dividing the net earnings available to common shareholders divided by the weighted average number of common shares outstanding during the year. The diluted earnings per share are calculated based on the weighted average number of common shares outstanding during the year, plus the effects of the dilutive common share equivalents. This method requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. This method assumes that all common share equivalents have been exercised at the beginning of the year (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the year.

Accounting standards issued but not yet effective:

IFRS 9 "Financial Instruments" is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact this new standard will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

MIDASCO CAPITAL CORP.
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3. PROPOSED ACQUISITION OF SOFTAC SYSTEMS LTD.

On October 2, 2015, as amended January 11, 2016, the Company entered into a Letter of Intent (“LOI”) with SOFTAC Ltd. (“SOFTAC”) to complete a change of business through a business combination whereby the Company, subject to certain conditions and regulatory approval, would acquire all the issued and outstanding shares of SOFTAC. This LOI was terminated on May 9, 2016 as the Company and SOFTAC were unable to enter into a definitive agreement. The Company incurred \$54,140 in business investigation fees relating to this transaction for the year ended December 31, 2016.

4. FINANCIAL RISK AND CAPITAL MANAGEMENT

Classification of financial instruments

	Ref.	December 31, 2017	December 31, 2016
		\$	\$
Loans and receivables	a	85,353	7,152
Other financial liabilities	b	127,500	106,163

a. Comprises cash.

b. Comprises accounts payable and due to related parties.

The fair value of the Company’s financial assets and liabilities approximates the carrying amount.

Management of Industry and Financial Risk

The Company was engaged primarily in mineral exploration and managed related industry risk issues directly. The Company is currently inactive and seeking new business opportunities. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its prior operations.

The Company’s financial instruments are exposed to certain financial risks, which include the following:

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company’s exposure to credit risk is on its cash and other receivables. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. Other receivables comprise refundable sales tax credits from the Canadian federal government.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company’s holdings of cash. Liquidity risk has been assessed as high.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not have any direct exposure to foreign exchange risk.

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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 is not exposed to significant interest rate risk.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, net of cash and cash equivalents. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

5. SHARE CAPITAL AND RESERVES

Share Capital

Authorized share capital of the Company consists of an unlimited number of fully paid common shares without par value.

For the year ended December 31, 2017

On April 27, 2017, the Company closed a private placement of 2,500,000 units at the price of \$0.055 per unit for gross proceeds of \$137,500. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.07 per share for a period of one year from the date of closing. The Company uses the residual method and as a result no value was assigned to the warrants.

For year ended December 31, 2016

There was no share activity during this year.

Stock Options

The Company has a fixed stock option plan, approved by the Board of Directors and by the shareholders at the annual general meeting held on May 8, 2009, that allows the Company to grant incentive stock options to its directors, officers, employees and consultants. Under the stock option plan, the number of shares reserved for issuance cannot exceed 681,955 common shares. The exercise price, term (not to exceed ten years) and vesting provisions are authorized by the Board of Directors at the time of the grant. Stock options granted are subject to various vesting terms. There were no stock options outstanding at December 31, 2017 or 2016.

Warrants

As at September 30, 2017, the Company had 2,500,000 warrants outstanding with an exercise price of \$0.07 per share expiring April 27, 2018.

Equity settled benefits and warrant reserve

MIDASCO CAPITAL CORP.
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Equity settled benefits reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount remains in reserves. Warrant reserve records the value of warrants until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount remains in reserves.

6. RELATED PARTY TRANSACTIONS

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

As at December 31, 2017, \$31,500 (2016 - \$8,855) is due to EINRA Capital Corp. a private company controlled by a director; this balance is included in amounts due to related parties. EINRA Capital Corp. charged \$22,500 in consulting, and \$9,000 administration charges to the Company for the year ended December 31, 2017 which is included in consulting expenses. In addition, the Company paid the director \$1,000 in consulting fees.

As at December 31, 2017, \$9,000 (2016 - \$NIL) is due to Midland Management Ltd., a private company controlled by a director for the consulting fees charged to the Company for the year ended December 31, 2017; this balance is included in amounts due to related parties. Midland Management Ltd charged \$14,000 (2016 - \$NIL) in professional fees, and \$500 (2016 - \$NIL) was charged as a consulting fee during the year ended December 31, 2017.

As at December 31, 2017, \$6,000 (2016 - \$NIL) is due to Burton Egger for the consulting fees charged to the Company for the year ended December 31, 2017; this balance is included in amounts due to related parties.

Amounts due to related parties are unsecured, non-interest bearing and without specified repayment terms.

7. DEFERRED INCOME TAX

A reconciliation of the expected income tax provision to the actual income tax provision is as follows:

	December 31, 2017	December 31, 2016
	\$	\$
Net loss	(80,636)	(93,118)
Statutory tax rate	26%	26%
Expected income tax recovery at the statutory tax rate	(20,965)	(24,211)
Non-deductible items and other	252	-
Temporary differences not recognized	20,713	24,211
Income tax provision	-	-

MIDASCO CAPITAL CORP.
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The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	December 31, 2017	December 31, 2016
	\$	\$
Non-capital loss carry-forwards	752,204	731,492
Exploration and evaluation assets	418,019	418,019
Tax basis of investments in excess of book value	333,719	333,719
Equipment	2,347	2,347
Capital losses	390,503	390,503
	1,896,793	1,876,080

The tax pools relating to these deductible temporary differences expire as follows:

	Non-capital losses	Net capital losses	Resource pools
	\$	\$	\$
2026	167,806	-	-
2027	290,652	-	-
2028	487,125	-	-
2029	401,784	-	-
2030	317,250	-	-
2031	472,652	-	-
2032	312,361	-	-
2033	134,334	-	-
2034	56,027	-	-
2035	80,323	-	-
2036	93,118	-	-
2037	79,661	-	-
No expiry	-	3,003,871	1,607,768
	2,893,093	3,003,871	1,607,768