

Austpro Energy Corporation

FINANCIAL STATEMENTS

**YEARS ENDED
JUNE 30, 2017 AND 2016
(In Canadian Dollars)**

Management's Responsibility

To the Shareholders of Austpro Energy Corporation:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

October 30, 2017

"Edward Odishaw"

Chief Executive Officer

"Michael Altman"

Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Austpro Energy Corporation:

We have audited the accompanying financial statements of Austpro Energy Corporation, which comprise the statements of financial position as at June 30, 2017 and 2016, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Austpro Energy Corporation as at June 30, 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 of these financial statements, which states that Austpro Energy Corporation incurred significant losses from operations, has a working capital deficiency and has an accumulated deficit. These conditions, along with other matters described in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of Austpro Energy Corporation to continue as a going concern.



Vancouver, British Columbia
October 30, 2017

Chartered Professional Accountants

Austpro Energy Corporation

Statement of Financial Position

(Expressed in Canadian Dollars)

	June 30, 2017	June 30, 2016
Notes	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	452	3,412
GST receivable	3,550	2,891
Prepaid expenses	3,675	5,545
Total assets	<u>7,677</u>	<u>11,848</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Account payable and accrued liabilities	146,847	154,825
Advances repayable to shareholders	11,292	25,172
Total liabilities	<u>158,139</u>	<u>179,997</u>
Shareholders' deficit		
Share capital	3,525,242	3,517,195
Deficit	(3,675,704)	(3,685,344)
Total equity	<u>(150,462)</u>	<u>(168,149)</u>
Total liabilities and shareholder's equity	<u>7,677</u>	<u>11,848</u>

The accompanying notes are an integral part of these financial statements

Austpro Energy Corporation

Statement of Comprehensive Income (Loss)

(Expressed in Canadian Dollars)

	Year ended June 30, 2017	Year ended June 30, 2016
	\$	\$
Expenses		
Administration	3,500	3,500
Audit and legal	8,867	8,025
Office and miscellaneous	6,182	9,270
Rent	32,322	29,868
Regulatory and shareholder costs	12,024	13,998
Loss before other items	(62,895)	(64,661)
Other items		
Exchange (loss) gain	109	(1,830)
Gain on settlement of debt	72,426	42,738
Net Income (loss) and Comprehensive income (loss) for the year	9,640	(23,753)
Basic and diluted loss per share	0.00	(0.00)
Weighted average number of shares outstanding	21,570,107	20,689,492

The accompanying notes are an integral part of these financial statements

Austpro Energy Corporation

Statement of Changes in Equity

(Expressed in Canadian Dollars)

	Common shares		Deficit	Total
	Number	Amount		
		\$	\$	\$
Balance, June 30, 2015	20,391,078	3,512,446	(3,661,590)	(149,144)
Debt conversion	949,736	4,749	-	4,749
Comprehensive loss for the year	-	-	(23,754)	(23,754)
Balance, June 30, 2016	21,340,814	3,517,195	(3,685,344)	(168,149)
Debt conversion	1,604,460	8,047	-	8,047
Comprehensive income for the year	-	-	9,640	9,640
Balance, June 30, 2017	22,945,274	3,525,242	(3,675,704)	(150,462)

The accompanying notes are an integral part of these financial statements

Austpro Energy Corporation

Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year ended June 30, 2017	Year ended June 30, 2016
	\$	\$
OPERATING ACTIVITIES		
Net income (loss) for the year	9,640	(23,754)
Adjustments to reconcile net loss to net cash:		
Gain on settlement of debt	(72,426)	(42,738)
Working capital adjustments:		
Account receivable	(659)	230
Accounts payable and accrued liabilities	(7,979)	22,111
Prepaid expenses	1,870	(3,745)
Cash flows used in operating activities	(69,553)	(47,896)
FINANCING ACTIVITIES		
Advances from shareholders	66,593	51,237
Cash flows from financing activities	66,593	51,237
Increase (decrease) in cash and cash equivalents	(2,960)	3,341
Cash and cash equivalents, beginning of year	3,412	71
Cash and cash equivalents, end of year	452	3,412

The accompanying notes are an integral part of these financial statements

Austpro Energy Corporation

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended June 30, 2017 and 2016

1. GENERAL BUSINESS DESCRIPTION AND GOING CONCERN

The financial statements of the Austpro Energy Corporation (the “Company”) for the year ended June 30, 2017 were approved and authorized for issue by the Board of Directors on October 30, 2017.

Austpro Energy Corporation (the “Company”) was incorporated under the *Business Corporations Act* (British Columbia) on November 1, 1990. The principal business of the company is identification and evaluation of business opportunities of alternative energy sources. The company is listed on the TSX Venture Exchange’s NEX board, having the symbol AUS.H. The address of the Company’s corporate office and principal place of business is Suite 2300, 1066 West Hastings Street, Vancouver, British Columbia, Canada V6E 3X2.

The Company was inactive during the time period covered by these financial statements.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2017, the Company had a working capital deficit of \$150,462 (2016 - \$168,149), a history of net losses and no source of revenue. Furthermore, the Company does not have sufficient cash to sustain operations for the next twelve months without additional financing. The continued operations of the Company are dependent on its ability to generate future cash flows and/or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due; however, they may not be at terms that are favourable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. BASIS OF PREPARATION

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

The financial statements have been prepared on the historical cost convention, except for financial assets classified as fair value through profit and loss (“FVTPL”) which are measured at fair value. These financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and are presented in Canadian dollars, which is also the Company’s functional currency, unless otherwise indicated.

3. SIGNIFICANT ACCOUNT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Austpro Energy Corporation

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended June 30, 2017 and 2016

3. SIGNIFICANT ACCOUNT JUDGMENT, ESTIMATES AND ASSUMPTIONS, continued

In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements is described below:

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

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

Significant Judgments

Significant judgments used in the preparation of these financial statements relate to the assessment of the Company's ability to continue as a going concern. Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the year ended June 30, 2017. Management prepares the financial statements on a going concern basis unless Management either intends to liquidate the entity or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, Management concluded the going concern basis of accounting is appropriate based on its profit and cash flow forecasts and access to replacement financing for the future twelve months.

Austpro Energy Corporation

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended June 30, 2017 and 2016

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in preparation of these financial statements are as follows:

Foreign Currency Translation

The financial statements are presented in Canadian dollars, which is the Company's functional currency. The Company does not have any foreign operations.

Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position are comprised of cash and short-term deposits held at major financial institutions with an original maturity of three months or less, which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested in business and savings accounts which are available on demand by the Company for its operations.

Impairment of Non-Financial Assets

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial Instruments

i. Financial assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Austpro Energy Corporation

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended June 30, 2017 and 2016

4. SIGNIFICANT ACCOUNTING POLICIES, continued

a. Financial assets and liabilities at fair value through profit and loss

Financial assets and liabilities at fair value through profit and loss are either 'held-for-trading' or classified at fair value through profit or loss. They are initially and subsequently recorded at fair value and changes in fair value are recognized in profit or loss for the period. The Company classifies cash and cash equivalents at fair value through profit and loss.

b. Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized a fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

c. Held-to-maturity

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are initially recorded at fair value and subsequently measured at amortized cost. The Company currently holds no held-to-maturity investments.

d. Available-for-sale

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. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses. The Company currently holds no available-for-sale assets.

ii. Impairment on financial assets

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

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

Austpro Energy Corporation

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended June 30, 2017 and 2016

4. SIGNIFICANT ACCOUNTING POLICIES, continued

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding accounts receivable, is directly reduced by the impairment loss. The carrying amount of trade receivable is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

iii. Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

i. Financial liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities and advances repayable to shareholders. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Accounts payable represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Accounts payable amounts are unsecured and are usually paid within days of recognition.

Interest-Bearing Loans and Other Borrowings

Interest-bearing loans and other borrowings including advanced repayable to shareholders are recognized initially at fair value less related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the statement of comprehensive income (loss) over the period of borrowings on an effective interest basis.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Austpro Energy Corporation

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended June 30, 2017 and 2016

4. SIGNIFICANT ACCOUNTING POLICIES, continued

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income (loss) except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on the difference between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of an asset to be recovered.

Austpro Energy Corporation

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended June 30, 2017 and 2016

4. SIGNIFICANT ACCOUNTING POLICIES, continued

Earnings (Loss) Per Share

The Company presents basic and diluted earnings/loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings/loss per share does not adjust the loss attributable to common shareholders or the weight average number of common shares outstanding when the effect is anti-dilutive.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

5. RECENT ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after July 1, 2016 or later periods. Some updates that are not applicable or are not consequential to the Company have not been disclosed.

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of these financial statements are disclosed below. Management anticipates that all of the pronouncements will be adopted in the accounting policy for the first period beginning after the effective date of the pronouncement.

The Company continues to evaluate the impact the implementation of these standards will have on the financial statements.

No new accounting standards adopted in 2017.

Accounting standards anticipated to be effective in future periods:

IFRS 9 - Financial Instruments. This IFRS introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39 - Financial Instruments: Recognition and measurement, derecognition of financial assets and financial liabilities. The required adoption date for IFRS 9 is January 1, 2018.

IFRS 15 - Revenue from Contracts with Customers. This IFRS establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will be effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

IFRS 16 – Leases. This IFRS, which supersedes IAS 17 – Leases, specifies how to recognize, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, has also been applied.

Austpro Energy Corporation

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended June 30, 2017 and 2016

6. CASH AND CASH EQUIVALENTS

	June 30, 2017	June 30, 2016
Cash at banks and on hand	\$ 452	\$ 3,412
Total	\$ 452	\$3,412

Cash at banks earn interest at floating rates based on daily bank deposit rates. The fair value of cash equals book value.

7. GST RECEIVABLE

	June 30, 2016	June 30, 2016
GST receivable	\$ 3,550	\$ 2,891
Total	\$ 3,550	\$ 2,891

GST receivables represent input tax credits arising from sales tax levied on the supply of goods purchased or services received in Canada.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2017	June 30, 2016
Accounts payable and accrued liabilities	\$ 146,847	\$ 154,825
Total	\$ 146,847	\$ 154,825

Austpro Energy Corporation

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended June 30, 2017 and 2016

9. ISSUED SHARE CAPITAL

Authorized, issued and outstanding common shares

Unlimited common shares without par value

	Number of Shares	Issue Price	Amount
Balance, June 30, 2015	20,391,078	-	\$ 3,512,446
Shares issued to repay debt	949,736	\$ 0.005	\$ 4,749
Balance, June 30, 2016	21,340,814	-	\$ 3,517,195
Shares issued to repay debt	1,609,460	\$ 0.005	\$ 8,047
Balance, June 30, 2017	22,950,274	-	\$ 3,525,242

a) Shares issued to repay debt

During the year ended June 30, 2017, the Company issued 1,609,460 shares (2016 – 949,736) as repayment of certain debt obligations including advances payable to shareholder. Shares were issued at a price of \$0.05 per share for total proceeds of \$80,473 (2016 – \$47,487). As the market value of the shares at this time was \$0.005, a gain of \$72,426 (2016 - \$42,738) was recorded in the statement of comprehensive income (loss).

10. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic loss per share for the year ended June 30, 2017 was based on the income attributable to common shareholders of \$9,640 (2016 – loss of \$23,754) and the weighted average number of common shares outstanding of 21,570,107 (2016 – 20,689,492) respectively.

11. RELATED PARTY TRANSACTIONS

At June 30, 2017 and June 30, 2016, related party balances are as follows:

	2017	2016
Balance at beginning of the year	\$ 25,172	\$ 21,422
Advances received from shareholder during year	51,894	51,237
Shares issued to repay debt	(6,578)	(4,749)
Gain on settlement of debt	(59,196)	(42,738)
Balance at year-end	\$ 11,292	\$ 25,172

The balances are repayable on demand, are non-interest bearing, have no specific assets pledged as security and include amounts owing towards reimbursement of actual expenditures incurred by the directors on the Company's behalf.

Austpro Energy Corporation

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended June 30, 2017 and 2016

12. INCOME TAXES

The income tax provision differs from income taxes, which would result from applying the expected tax rate to net loss before income taxes. The difference between the expected income tax expense and the actual income tax provision are summarized as follows:

	2017	2016
	\$	\$
Income (loss) before taxes	9,640	(23,753)
Statutory tax rate	26%	26%
Expected income tax (recovery)	2,506	(6,176)
Change in deferred tax asset not recognized	(2,506)	6,176
Total income tax expense (recovery)	-	-

The unrecognized deductible temporary differences at June 30, 2017 and 2016 are as follows:

	2017	2016
	\$	\$
Equipment	6,646	6,646
Mineral Properties	130,476	71,084
Cumulative Eligible Capital	5,647	5,647
Net capital loss carryforwards	392,956	392,956
Non-capital loss carryforwards	660,630	713,007
Total unrecognized deductible temporary differences	1,196,355	1,189,340

As at June 30, 2017, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately \$660,630 (2016: \$713,007) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	\$
2028	12,128
2029	111,363
2030	69,494
2031	64,954
2032	64,032
2033	68,895
2034	69,236
2035	71,249
2036	66,493
2037	62,786
	660,630

As at June 30, 2017, the Company has not recognized a deferred tax asset in respect of net capital loss carryforwards of approximately \$392,956 (2016: \$392,956) which may be carried forward indefinitely to apply against future year capital gains for Canadian income tax purposes, subject to the final determination by taxation authorities.

Austpro Energy Corporation

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended June 30, 2017 and 2016

13. CAPITAL RISK MANAGEMENT

The Company manages its common shares as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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

To date, the Company has relied primarily upon the sale of its common shares and incurred loans to provide working capital for business activities and to fund the administration of the Company. Due to current market condition there can be no assurance that additional financials will be available to the Company when required.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. The Company is not subject to any externally imposed capital restrictions. There has been no change in the Company's capital management during the year.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- a. Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
- b. Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
and
- c. Level 3 – inputs that are not based on observable market data.

The Company's cash and cash equivalents are fair valued as Level 1.

Austpro Energy Corporation

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended June 30, 2017 and 2016

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, (continued)

The fair values of the Company's cash and cash equivalents, accounts payable and accrued liabilities and advances repayable to shareholders approximate their carrying values due to their short term nature.

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of counterparty limits, controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents. The Company limits its exposure to credit loss by placing its cash and cash equivalents with major financial institutions. The Company is not subject to significant credit risk as the cash is held on deposit with credit worthy financial institutions.

Liquidity risk

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period with the exception of notes payable and advances repayable to shareholders, which are due on demand but repayment demand is unknown at this time. The Company intends to settle these with funds from its working capital position and future financing.

Significant cash commitments in years subsequent to June 30, 2017 are as follows:

	1 year	2 years	3 years	Total
Accounts payable and accrued liabilities	\$ 146,847	\$ -	\$ -	\$ 146,847
Advances repayable to shareholders	11,292	-	-	11,292
	\$ 158,139	\$ -	\$ -	\$ 158,139

Market risk

Interest rate risk:

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

Foreign currency risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rate. As a portion of the balance of Company's accounts payable and accrued liabilities are denominated in US dollars, the Company is exposed to foreign currency exchange risk. Fluctuations in foreign currency exchange rates can impact marginally on the value of accounts payable and accrued liabilities.

Austpro Energy Corporation

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended June 30, 2017 and 2016

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, (continued)

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of raw materials, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

15. COMMITMENTS

The Company has a commitment to February 28, 2018 regarding rent totaling \$23,782 including GST.