

# **Austpro Energy Corporation**

## **FINANCIAL STATEMENTS**

**YEARS ENDED  
JUNE 30, 2018 AND 2017  
(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 29, 2018

*"Scott Ackerman"*

Chief Executive Officer

*"Doug McFaul"*

Director

## 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, 2018 and June 30, 2017, and the statements of comprehensive income, 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, 2018, and June 30, 2017, 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 has a working capital deficiency and 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 29, 2018



Chartered Professional Accountants

# Austpro Energy Corporation

Statements of Financial Position

(Expressed in Canadian Dollars)

		June 30, 2018	June 30, 2017
	Notes	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,423	452
GST receivable		2,835	3,550
Prepaid expenses		5,626	3,675
<b>Total assets</b>		<b>9,884</b>	<b>7,677</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	6	49,277	146,847
Advances repayable to shareholders		81,892	11,292
<b>Total liabilities</b>		<b>131,169</b>	<b>158,139</b>
<b>Shareholders' deficit</b>			
Share capital	7	3,525,242	3,525,242
Deficit		(3,646,527)	(3,675,704)
<b>Total equity</b>		<b>(121,285)</b>	<b>(150,462)</b>
<b>Total liabilities and shareholder's equity</b>		<b>9,884</b>	<b>7,677</b>

Basis of presentation and going concern (Note 1 and 2)

The financial statements were approved and authorized by the Board of Directors on October 29, 2018 and were signed on behalf by:

Signed

*"Scott Ackerman"*

\_\_\_\_\_  
Director

*"Doug McFaul"*

\_\_\_\_\_  
Director

The accompanying notes are an integral part of these financial statements

**Austpro Energy Corporation**  
 Statements of Comprehensive Income  
 (Expressed in Canadian Dollars)

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	Year ended June 30, 2018	Year ended June 30, 2017
	\$	\$
<b>Expenses</b>		
Administration	3,262	3,500
Audit and legal	10,433	8,867
Office and miscellaneous	6,077	6,182
Rent	34,586	32,322
Regulatory and shareholder costs	11,152	12,024
Loss before other items	(65,510)	(62,895)
<b>Other items</b>		
Exchange (loss) gain	8 (653)	109
Write off of accounts payable	95,340	72,426
<b>Net income and comprehensive income for the year</b>	<b>29,177</b>	<b>9,640</b>
Basic and diluted earnings per share	0.00	0.00
Weighted average number of shares outstanding – basic and diluted	22,950,274	21,570,107

The accompanying notes are an integral part of these financial statements

## Austpro Energy Corporation

### Statements of Changes in Equity

(Expressed in Canadian Dollars)

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	Common shares		Deficit	Total
	Number	Amount		
		\$	\$	\$
Balance, June 30, 2016	21,340,814	3,517,195	(3,685,344)	(168,149)
Debt conversion	1,609,460	8,047	-	8,047
Comprehensive income for the year	-	-	9,640	9,640
Balance, June 30, 2017	22,950,274	3,525,242	(3,675,704)	(150,462)
Comprehensive income for the year	-	-	29,177	29,177
Balance, June 30, 2018	22,950,274	3,525,242	(3,646,527)	(121,285)

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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, 2018	Year ended June 30, 2017
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net income for the year	29,177	9,640
Adjustments for non-cash items:		
Write off of accounts payable	(95,340)	(72,426)
Working capital adjustments:		
GST receivable	715	(659)
Accounts payable and accrued liabilities	(2,229)	(7,978)
Prepaid expenses	(1,952)	1,870
Cash flows used in operating activities	(69,629)	(69,553)
<b>FINANCING ACTIVITIES</b>		
Advances from shareholders	70,600	66,593
Cash flows from financing activities	70,600	66,593
<b>Increase (decrease) in cash and cash equivalents</b>	971	(2,960)
<b>Cash and cash equivalents, beginning of year</b>	452	3,412
<b>Cash and cash equivalents, end of year</b>	1,423	452

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, 2018 and 2017

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## 1. GENERAL BUSINESS DESCRIPTION AND GOING CONCERN

The financial statements of the Austpro Energy Corporation (the “Company”) for the year ended June 30, 2018 were approved and authorized for issue by the Board of Directors on October 29, 2018.

The Company 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 within which to acquire or invest in. 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 1600 – 609 Granville Street, P.O. Box 10068 Pacific Centre, Vancouver, BC V7Y 1C3, and the registered and records office address is 2200 – 885 West Georgia Street, Vancouver, BC V6C 3E8.

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, 2018, the Company had a working capital deficit of \$121,285 (2017 - \$150,462), 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, 2018 and 2017 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 and 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, 2018 and 2017

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### 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:

#### 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 years ended June 30, 2018 and 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, 2018 and 2017

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## 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.

### 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:

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

Financial assets 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. The Company currently holds no loans and receivables.

# Austpro Energy Corporation

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended June 30, 2018 and 2017

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## 4. SIGNIFICANT ACCOUNTING POLICIES, *CONTINUED*

### 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.

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.

# Austpro Energy Corporation

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended June 30, 2018 and 2017

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## 4. SIGNIFICANT ACCOUNTING POLICIES, *CONTINUED*

### 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.

### iv. Financial liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of account 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. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Accounts payable and accrued liabilities represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Accounts payable and accrued liabilities amounts are unsecured and are usually paid within days of recognition. The advances repayable to shareholders are due on demand, non-interest bearing and have no specific assets pledged as security.

### 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.

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.

# Austpro Energy Corporation

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended June 30, 2018 and 2017

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## 4. SIGNIFICANT ACCOUNTING POLICIES, *CONTINUED*

### 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 (loss) 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 for unused tax losses, tax credits and deductible temporary differences 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.

### Earnings (Loss) Per Share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (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.

# Austpro Energy Corporation

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended June 30, 2018 and 2017

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## 5. RECENT ACCOUNTING PRONOUNCEMENTS

### Financial instruments: classification and measurement

The IASB issued IFRS 9, Financial Instruments, which will replace IAS 39, Financial Instruments: Recognition and Measurement, on November 12, 2009. The new standard provides guidance on the classification and measurement of financial assets and financial liabilities. In November 2013, the IASB amended IFRS 9, IAS 39 and IFRS 7, Financial Instruments: Disclosures, to include the new hedge accounting requirements. In July 2014, the IASB completed the final element – hedge accounting with enhance disclosures about risk management activities. The new standard will be effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company has assessed the impact of IFRS 9 on its financial statements and expect any impact to be immaterial.

### Revenue recognition

The IASB issued IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) in May 2014. The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company has assessed the impact of IFRS 15 on its financial statements and expect any impact to be immaterial.

### 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 for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, has also been applied. The Company is currently assessing the impact of the adoption of these standards.

# Austpro Energy Corporation

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended June 30, 2018 and 2017

## 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2018	June 30, 2017
Accounts payable	\$ 35,016	\$ 137,322
Accrued liabilities	14,261	9,525
<b>Total</b>	<b>\$ 49,277</b>	<b>\$ 146,847</b>

During the year ended June 30, 2018, the Company had written down accounts payable of \$95,340 that have become statute barred obligations at the year end. During the year ended June 30, 2017, the Company had settled debt \$72,426 with issuance of shares (Note 7).

## 7. ISSUED SHARE CAPITAL

*Authorized, issued and outstanding common shares*

Unlimited common shares without par value

	Number of Shares	Issue Price	Amount
Balance, June 30, 2016	21,340,814	-	\$ 3,517,195
Shares issued to repay debt	1,609,460	\$ 0.005	\$ 8,047
<b>Balance, June 30, 2017 and 2018</b>	<b>22,950,274</b>	<b>-</b>	<b>\$ 3,525,242</b>

### a) Shares issued to repay debt

During the year ended June 30, 2017, the Company issued 1,609,460 shares as repayment of certain debt obligations including advances payable to a shareholder. The shares were issued at a price of \$0.05 per share for a total settlement of \$80,473. As the market value of the shares at this time was \$0.005, a gain of \$72,426 was recorded in the statement of comprehensive income.

## 8. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted income per share for the year ended June 30, 2018 was based on the income attributable to common shareholders of \$29,177 (2017 – 9,640) and the weighted average number of common shares outstanding of 22,950,274 (2017 – 21,570,107) respectively.

**Austpro Energy Corporation**  
Notes to the Financial Statements  
(Expressed in Canadian Dollars)  
For the Years Ended June 30, 2018 and 2017

**9. RELATED PARTY TRANSACTIONS**

At June 30, 2018 and June 30, 2017, related party balances are as follows:

	2018	2017
Balance at beginning of the year	\$ 11,292	\$ 25,172
Advances received from shareholder during year	70,600	51,894
Shares issued to repay debt	-	(6,578)
Gain on settlement of debt	-	(59,196)
Balance at year-end	\$ 81,892	\$ 11,292

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.

**10. INCOME TAXES**

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive income for the years ended June 30, 2018 and 2017:

	2018	2017
	\$	\$
Income (loss) before taxes	29,177	9,640
Statutory tax rate	26.5%	26.0%
Expected income tax (recovery)	7,732	2,506
Change in deferred tax asset not recognized	(7,732)	(2,506)
Total income tax expense (recovery)	-	-

The statutory combined federal and provincial tax rate increased from 26% to 26.5% due to an increase in the provincial tax rate on January 1, 2018.

The unrecognized deductible temporary differences at June 30, 2018 and 2017 are as follows:

	2018	2017
	\$	\$
Equipment	6,646	6,646
Mineral Properties	130,476	130,476
Cumulative Eligible Capital	5,647	5,647
Net capital loss carryforwards	392,956	392,956
Non-capital loss carryforwards	631,453	660,630
Total unrecognized deductible temporary differences	1,167,178	1,196,355

# Austpro Energy Corporation

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended June 30, 2018 and 2017

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As at June 30, 2018, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately \$631,453 (2017: \$660,630) 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:

	\$
2029	29,087
2030	69,494
2031	64,954
2032	64,032
2033	68,895
2034	69,236
2035	71,249
2036	66,493
2037	62,786
2038	65,227
\$	631,453

As at June 30, 2018, the Company has not recognized a deferred tax asset in respect of net capital loss carryforwards of approximately \$392,956 (2017: \$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.

## 11. 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.

## 12. 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:

# Austpro Energy Corporation

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended June 30, 2018 and 2017

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## 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, *CONTINUED*

- 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.

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 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, 2018 are as follows:

	1 year	2 years	3 years	Total
Accounts payable and accrued liabilities	\$ 49,277	\$ -	\$ -	\$ 49,277
Advances repayable to shareholders	81,892	-	-	81,892
	\$ 131,169	\$ -	\$ -	\$ 131,169

### 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.

# Austpro Energy Corporation

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended June 30, 2018 and 2017

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## 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, *CONTINUED*

### *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. The foreign currency risk on accounts payable and accrued liabilities is not considered significant.

### *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.

## 13. SUBSEQUENT EVENTS

The Company has announced that it intends to complete a non-brokered private placement to raise up to \$400,000 through the issuance of up to eight million subscription receipts at a price of five cents per subscription receipt. It is expected that the Emprise Special Opportunities Fund (2017) LP will subscribe for the eight million subscription receipts, which will result in Emprise owning a control position in the Company. The proceeds of the financing will be held in escrow, subject to the satisfaction of the following conditions:

- Consolidation of the Company's common shares on a one-new-for-four-old basis;
- The Company obtaining final TSX Venture Exchange approval to the financing;
- The Company obtaining shareholder approval to the change of control contemplated in the offering;
- Changes to the board and senior officers of the Company with persons acceptable to Emprise;
- The satisfactory settlement of the Company's liabilities.

Upon the satisfaction of the escrow release conditions, each subscription receipt will automatically convert into one unit of the Company for no additional consideration. Each unit will consist of one post-consolidated common share and one share purchase warrant with each share purchase warrant entitling the holder to acquire one additional post-consolidated common share and one share purchase warrant, with each share purchase warrant entitling the holder to acquire one additional post-consolidated common share at a price of six cents per share for a period of 12 months from the date the warrants are issued.

The Company intends to use the proceeds of the financing for repayment of debt and for general working capital purposes. Closing of the offering remains subject to the approval of the TSX Venture Exchange.