

**DRAGONFLY CAPITAL CORP.**

Financial Statements

Years Ended April 30, 2018 and 2017

(Expressed in Canadian dollars)

## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of Dragonfly Capital Corp.

We have audited the accompanying financial statements of Dragonfly Capital Corp., which comprise the statements of financial position as at April 30, 2018 and 2017 and the statements of operations and 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 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 involves evaluating the appropriateness of the 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, these financial statements present fairly, in all material respects, the financial position of Dragonfly Capital Corp. as at April 30, 2018 and 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 the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Dragonfly Capital Corp. to continue as a going concern.



Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

August 23, 2018

**DRAGONFLY CAPITAL CORP.**Statements of financial position  
(Expressed in Canadian dollars)

|   | April 30,<br>2018<br>\$ | April 30,<br>2017<br>\$ |
|---|-------------------------|-------------------------|
| Assets  |                         |                         |
| Current assets  |                         |                         |
| Cash  | 525,920                 | 126                     |
| <b>Total assets</b>   | <b>525,920</b>          | <b>126</b>              |
| Liabilities   |                         |                         |
| Current liabilities   |                         |                         |
| Accounts payable and accrued liabilities                    | 5,425                   | 89,385                  |
| Due to related parties (Note 3)                             | –                       | 210,857                 |
| <b>Total liabilities</b>                                    | <b>5,425</b>            | <b>300,242</b>          |
| Shareholders' equity (deficit)                              |                         |                         |
| Share capital   | 1,317,283               | 567,283                 |
| Share-based payment reserve                                 | 55,735                  | 55,735                  |
| Deficit   | (852,523)               | (923,134)               |
| <b>Total shareholders' equity (deficit)</b>                 | <b>520,495</b>          | <b>(300,116)</b>        |
| <b>Total liabilities and shareholders' equity (deficit)</b> | <b>525,920</b>          | <b>126</b>              |

Nature of operations (Note 1)

Approved and authorized for issuance by the Board of Directors on August 23, 2018:

/s/ "Kent Deuters"

Kent Deuters, Director

/s/ "Martin Bajic"

Martin Bajic, Director

(The accompanying notes are an integral part of these financial statements)

**DRAGONFLY CAPITAL CORP.**Statements of operations and comprehensive loss  
(Expressed in Canadian dollars)

|   | Year ended<br>April 30,<br>2018<br>\$ | Year ended,<br>April 30,<br>2017<br>\$ |
|---|---------------------------------------|--|
| Expenses  |                                       |  |
| Office and miscellaneous  | 831                                   | 3,410                                  |
| Professional fees   | 34,817                                | 11,005                                 |
| Rent and administrative fees (Note 3)                                 | 14,175                                | 18,900                                 |
| Transfer agent and regulatory fees                                    | 12,758                                | 10,883                                 |
| Travel and promotion  | 14,105                                | 13,828                                 |
| Recovery of expenses (Note 3)   | (14,725)                              | –                                      |
| <b>Total expenses</b>   | <b>61,961</b>                         | <b>58,026</b>                          |
| Net loss before other income  | (61,961)                              | (58,026)                               |
| Other income  |                                       |  |
| Gain on forgiveness of debt (Note 3)                                  | 132,572                               | –                                      |
| <b>Net income (loss) and comprehensive income (loss) for the year</b> | <b>70,611</b>                         | <b>(58,026)</b>                        |
| <b>Earnings (loss) per share, basic and diluted</b>                   | <b>0.01</b>                           | <b>(0.01)</b>                          |
| <b>Weighted average shares outstanding</b>                            | <b>7,406,890</b>                      | <b>6,311,000</b>                       |

(The accompanying notes are an integral part of these financial statements)

**DRAGONFLY CAPITAL CORP.**Statements of changes in equity  
(Expressed in Canadian dollars)

|  | Share capital       |              | Share-based<br>payment<br>reserve<br>\$ | Deficit<br>\$ | Total<br>shareholders'<br>equity (deficit)<br>\$ |
|--|---------------------|--------------|---|---------------|--|
|  | Number of<br>shares | Amount<br>\$ |   |               |  |
| Balance, April 30, 2016                          | 6,311,000           | 567,283      | 55,735                                  | (865,108)     | (242,090)  |
| Net loss for the year                            | –                   | –            | –                                       | (58,026)      | (58,026)   |
| Balance, April 30, 2017                          | 6,311,000           | 567,283      | 55,735                                  | (923,134)     | (300,116)  |
| Shares issued pursuant to a<br>private placement | 10,000,000          | 750,000      | –                                       | –             | 750,000  |
| Net income for the year                          | –                   | –            | –                                       | 70,611        | 70,611   |
| Balance, April 30, 2018                          | 16,311,000          | 1,317,283    | 55,735                                  | (852,523)     | 520,495  |

(The accompanying notes are an integral part of these financial statements)

**DRAGONFLY CAPITAL CORP.**

Statements of cash flows

(Expressed in Canadian dollars)

|  | Year ended<br>April 30,<br>2018<br>\$ | Year ended<br>April 30,<br>2017<br>\$ |
|--|---------------------------------------|---------------------------------------|
| Operating activities                           |                                       |                                       |
| Net income (loss) for the year                 | 70,611                                | (58,026)                              |
| Items not involving cash:                      |                                       |                                       |
| Gain on forgiveness of debt                    | (33,347)                              | –                                     |
| Gain on forgiveness of related party debt      | (99,225)                              | –                                     |
| Changes in non-cash operating working capital: |                                       |                                       |
| Accounts payable and accrued liabilities       | (50,613)                              | (4,435)                               |
| Due to related parties                         | (127,432)                             | 20,213                                |
| Net cash used in operating activities          | (240,006)                             | (42,248)                              |
| Financing activities                           |                                       |                                       |
| Advances from related parties                  | 39,800                                | 42,000                                |
| Repayments to related parties                  | (24,000)                              | –                                     |
| Proceeds from the issuance of common shares    | 750,000                               | –                                     |
| Net cash provided by financing activities      | 765,800                               | 42,000                                |
| Change in cash                                 | 525,794                               | (248)                                 |
| Cash, beginning of year                        | 126                                   | 374                                   |
| Cash, end of year                              | 525,920                               | 126                                   |

(The accompanying notes are an integral part of these financial statements)

# **DRAGONFLY CAPITAL CORP.**

Notes to the financial statements

Years ended April 30, 2018 and 2017

(Expressed in Canadian dollars)

## **1. Nature of Operations**

Dragonfly Capital Corp. (the “Company”) was incorporated on March 19, 2010 under the Business Corporations Act (BC). On October 15, 2010, the Company completed its initial public offering and is now trading on the TSX Venture Exchange (the “Exchange”) as a Capital Pool Company. The Company is in the development stage and its principal business is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction as defined by the rules of the Exchange. The Company’s head office is located at Suite 2400, 745 Thurlow Street, Vancouver, BC, V6E 0C5.

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 April 30, 2018, the Company has not generated any revenues and has an accumulated deficit of \$852,523. The Company’s continuing operations are dependent upon its ability to identify, evaluate, and negotiate a Qualifying Transaction. If a Qualifying Transaction is identified or completed, additional funding may be required and there is no assurance that the Company will be able to obtain such financing, if any, on reasonable terms. These factors indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company 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. Significant Accounting Policies**

### **(a) Basis of Presentation**

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board on a going concern basis.

These financial statements have been prepared on a historical cost basis. These financial statements are presented in Canadian dollars, which is the Company’s functional currency.

### **(b) Use of Estimates and Judgments**

The preparation of these financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include unrecognized deferred income tax assets.

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company’s ability to continue as a going concern.

## **DRAGONFLY CAPITAL CORP.**

Notes to the financial statements

Years ended April 30, 2018 and 2017

(Expressed in Canadian dollars)

### **2. Significant Accounting Policies (continued)**

#### (c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value to be cash equivalents.

#### (d) Financial Instruments

##### (i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

##### *Financial assets at fair value through profit or loss*

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the statement of operations. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Cash is classified as fair value through profit or loss.

##### *Held-to-maturity investments*

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the statement of operations. The Company does not have any assets classified as available-for-sale financial assets.

## DRAGONFLY CAPITAL CORP.

Notes to the financial statements

Years ended April 30, 2018 and 2017

(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (d) Financial Instruments (continued)

##### (i) Non-derivative financial assets (continued)

###### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company does not have any assets classified as loans and receivables.

###### *Impairment of financial assets*

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to the statement of operations in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount 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 the statement of operations.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through the statement of operations are not reversed through the statement of operations. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

## DRAGONFLY CAPITAL CORP.

Notes to the financial statements

Years ended April 30, 2018 and 2017

(Expressed in Canadian dollars)

### 2. Significant accounting policies (continued)

#### (d) Financial instruments (continued)

##### (ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, and amounts due to related parties.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

##### (iii) Share Capital

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

#### (e) 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. 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 the statement of operations. 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 provided using the statement of financial position method on temporary differences at the reporting date 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 income 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.

## **DRAGONFLY CAPITAL CORP.**

Notes to the financial statements

Years ended April 30, 2018 and 2017

(Expressed in Canadian dollars)

### **2. Significant Accounting Policies (continued)**

#### **(f) Foreign Currency Translation**

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the statement of operations.

#### **(g) Loss Per Share**

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at April 30, 2018 and 2017, the Company has no potentially dilutive shares outstanding.

#### **(h) Comprehensive Loss**

Comprehensive income (loss) is the change in the Company’s net assets that results from transactions, events and circumstances from sources other than the Company’s shareholders and includes items that are not included in the statement of operations.

#### **(i) Share-based Payments**

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

## **DRAGONFLY CAPITAL CORP.**

Notes to the financial statements

Years ended April 30, 2018 and 2017

(Expressed in Canadian dollars)

### **2. Significant Accounting Policies** (continued)

#### (j) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended April 30, 2018, and have not been applied in preparing these financial statements.

New standard IFRS 9, "Financial Instruments"

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the Company's 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.

### **3. Related Party Transactions**

- (a) As at April 30, 2018, the Company owed \$nil (2017 - \$56,350) to a company controlled by the former President and a former director of the Company, which was non-interest bearing, unsecured, and due on demand.
- (b) As at April 30, 2018, the Company owed \$nil (2017 - \$56,900) to a company controlled by the former President of the Company, which was non-interest bearing, unsecured, and due on demand. During the year ended April 30, 2018, a company controlled by the former President of the Company forgave \$57,700 (2017 - \$nil) owed by the Company.
- (c) As at April 30, 2018, the Company owed \$nil (2017 - \$95,750) to the spouse of the former President of the Company, which was non-interest bearing, unsecured, and due on demand. During the year ended April 30, 2018, the spouse of the former President of the Company forgave \$41,525 (2017 - \$nil) owed by the Company.
- (d) As at April 30, 2018, the Company owed \$nil (2017 - \$1,857) to the former President of the Company, which was non-interest bearing, unsecured, and due on demand.
- (e) For the year ended April 30, 2018, the Company incurred rent and administrative fees of \$14,175 (2017 - \$18,900) to a company controlled by two former directors of the Company.
- (f) For the year ended April 30, 2018, the Company recovered consulting fees of \$14,725 (2017 - \$nil) from a company with common officers and directors.

### **4. Share Capital**

Authorized: Unlimited common shares without par value

On March 21, 2018, the Company issued 10,000,000 common shares at \$0.075 per share for proceeds of \$750,000.

## DRAGONFLY CAPITAL CORP.

Notes to the financial statements

Years ended April 30, 2018 and 2017

(Expressed in Canadian dollars)

### 5. Financial Instruments and Risks

#### (a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at April 30, 2018 as follows:

|      | Fair value measurements using   |  |  | Balance,<br>April 30,<br>2018<br>\$ |
|------|---|--|--|-------------------------------------|
|      | Quoted prices in<br>active markets for<br>identical<br>instruments<br>(Level 1)<br>\$ | Significant other<br>observable<br>inputs<br>(Level 2)<br>\$ | Significant<br>unobservable<br>inputs<br>(Level 3)<br>\$ |                                     |
| Cash | 525,920   | –  | –  | 525,920                             |

The fair values of other financial instruments, which include accounts payable and accrued liabilities, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

#### (b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

#### (c) Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

#### (d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

### 6. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remained unchanged from the year ended April 30, 2017.

## DRAGONFLY CAPITAL CORP.

Notes to the financial statements

Years ended April 30, 2018 and 2017

(Expressed in Canadian dollars)

### 7. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

|   | 2018<br>\$ | 2017<br>\$ |
|---|------------|------------|
| Canadian statutory income tax rate                | 26.33%     | 26%        |
| Income tax provision (recovery) at statutory rate | 18,592     | (15,087)   |
| Tax effect of:                                    |            |            |
| Permanent differences and other                   | 406        | 561        |
| Change in enacted tax rates                       | (8,438)    | –          |
| Change in unrecognized deferred income tax assets | (10,560)   | 14,526     |
| Income tax provision                              | –          | –          |

The significant components of deferred income tax assets and liabilities are as follows:

|   | 2018<br>\$ | 2017<br>\$ |
|---|------------|------------|
| Deferred income tax assets              |            |            |
| Non-capital losses carried forward      | 213,678    | 224,522    |
| Resource pool                           | 7,667      | 7,383      |
| Unrecognized deferred income tax assets | (221,345)  | (231,905)  |
| Net deferred income tax asset           | –          | –          |

As at April 30, 2018, the Company has non-capital losses carried forward of \$791,399, which is available to offset future years' taxable income. These losses expire as follows:

|      | \$      |
|------|---------|
| 2032 | 64,405  |
| 2033 | 207,433 |
| 2034 | 113,333 |
| 2035 | 167,868 |
| 2036 | 182,490 |
| 2037 | 55,870  |
|      | 791,399 |

The Company also has available mineral resource related expenditure pools totalling \$28,398 which may be deducted against future taxable income on a discretionary basis.