

**EARNY RESOURCES LTD.**

**FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**

**APRIL 30, 2017**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Earny Resources Ltd.

We have audited the accompanying financial statements of Earny Resources Ltd., which comprise the statements of financial position as at April 30, 2017 and 2016 and the statements of operations and comprehensive loss, changes in shareholders' equity (deficiency) 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 auditors consider 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, these financial statements present fairly, in all material respects, the financial position of Earny Resources Ltd. as at April 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 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Earny Resources Ltd. to continue as a going concern.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

August 28, 2017

**EARNY RESOURCES LTD.**  
(An exploration stage company)  
**STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)  
AS AT APRIL 30

	2017	2016
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 6,130	\$ 214
Receivables	1,069	1,224
Prepaid expenses	<u>833</u>	<u>3,467</u>
	8,032	4,905
<b>Exploration and evaluation assets (Note 4)</b>	<u>1</u>	<u>199,123</u>
	<u>\$ 8,033</u>	<u>\$ 204,028</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 263,547	\$ 177,477
Short-term related party loan (Note 7)	<u>18,000</u>	<u>-</u>
	<u>281,547</u>	<u>177,477</u>
<b>Shareholders' equity (deficiency)</b>		
Capital stock (Note 5)	628,789	628,789
Reserves (Note 5)	49,615	41,802
Deficit	<u>(951,918)</u>	<u>(644,040)</u>
	<u>(273,514)</u>	<u>26,551</u>
	<u>\$ 8,033</u>	<u>\$ 204,028</u>

**Nature and continuance of operations (Note 1)**

**Approved and authorized for issue by the Board of Directors on August 28, 2017:**

<u>"Navin Varshney"</u>	Director	<u>"Leif Smither"</u>	Director
Navin Varshney		Leif Smither	

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

**EARNY RESOURCES LTD.**  
(An exploration stage company)  
**STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)  
**FOR THE YEARS ENDED APRIL 30**

	2017	2016
<b>EXPENSES</b>		
Administration fees (Note 7)	\$ 48,000	\$ 48,000
Investor communications	629	608
Office and miscellaneous	3,940	1,546
Professional fees	31,240	24,181
Regulatory fees	6,212	7,579
Rent (Note 7)	6,000	6,000
Share-based payments (Note 5)	7,813	-
Transfer agent fees	4,922	5,679
Write-down of exploration and evaluation assets (Note 4)	<u>199,122</u>	<u>-</u>
<b>Loss and comprehensive loss</b>	<u>\$ 307,878</u>	<u>\$ 93,593</u>
<b>Basic and diluted loss per common share</b>	<u>\$ 0.13</u>	<u>\$ 0.04</u>
<b>Weighted average number of common shares outstanding</b>	<u>2,378,333</u>	<u>2,378,333</u>

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

**EARNY RESOURCES LTD.**

(An exploration stage company)

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

(Expressed in Canadian Dollars)

	Capital Stock (Note 5)				Total Shareholders' Equity (Deficiency)
	Shares	Amount	Reserves	Deficit	
Balance, April 30, 2015	2,378,333	\$ 628,789	\$ 41,802	\$ (550,447)	\$ 120,144
Loss and comprehensive loss for the year	-	-	-	(93,593)	(93,593)
Balance, April 30, 2016	2,378,333	628,789	41,802	(644,040)	26,551
Share-based payments (Note 5)	-	-	7,813	-	7,813
Loss and comprehensive loss for the year	-	-	-	(307,878)	(307,878)
Balance, April 30, 2017	2,378,333	\$ 628,789	\$ 49,615	\$ (951,918)	\$ (273,514)

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

**EARNY RESOURCES LTD.**  
(An exploration stage company)  
**STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
**FOR THE YEARS ENDED APRIL 30**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (307,878)	\$ (93,593)
Adjustments for items not involving cash:		
Share-based payments	7,813	-
Write-down of exploration and evaluation assets	199,122	-
Changes in non-cash working capital items:		
Decrease in accounts receivable	155	70
Decrease in prepaid expenses	2,634	-
Increase in accounts payable and accrued liabilities	<u>86,070</u>	<u>88,163</u>
Net cash used in operating activities	<u>(12,084)</u>	<u>(5,360)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation assets, net of recoveries	<u>-</u>	<u>(350)</u>
Net cash used in investing activities	<u>-</u>	<u>(350)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short-term related party loan	<u>18,000</u>	<u>-</u>
Net cash provided by financing activities	<u>18,000</u>	<u>-</u>
<b>Increase (decrease) in cash for the year</b>	<b>5,916</b>	<b>(5,710)</b>
<b>Cash, beginning of year</b>	<u>214</u>	<u>5,924</u>
<b>Cash, end of year</b>	<u>\$ 6,130</u>	<u>\$ 214</u>
<b>Cash paid during the year for interest</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash paid during the year for income taxes</b>	<u>\$ -</u>	<u>\$ -</u>

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

## **1. NATURE AND CONTINUANCE OF OPERATIONS**

Earny Resources Ltd. (the "Company") was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the *British Columbia Business Corporations Act* on February 9, 2011. The shares of the Company were listed on the TSX Venture Exchange ("TSX-V") on September 26, 2011. The Company's share listing was transferred from the TSX-V to NEX on June 2, 2016. The Company's head office address is 1575 Kamloops Street, Vancouver BC, V5K 3W1, Canada. The registered and records office address is 1400 – 1125 Howe Street, Vancouver BC, V6Z 2K8, Canada.

On July 14, 2017, the Company consolidated its shares on a basis of one (1) post-consolidated share for three (3) pre-consolidated shares. In these financial statements, reference to common shares and per share amounts has been retroactively restated.

The Company's principal business activity is the acquisition, exploration and evaluation of mineral property interests in British Columbia. The Company is considered to be in the exploration stage and substantially all of the Company's efforts are devoted to financing and evaluating this property interest. There has been no determination whether the Company's interest in this unproven mineral property contains mineral reserves that are economically recoverable.

The Company continues to be dependent upon its ability to finance its operations and exploration programs through financing activities that may include issuances of additional debt or equity securities. The recoverability of the carrying value of exploration projects, and ultimately, the Company's ability to continue as a going concern, is dependent upon the existence and economic recovery of reserves, the ability to raise financing to complete the development of the properties and upon future profitable production, or alternatively, upon the Company's ability to dispose of its interest on an advantageous basis, all of which are uncertain. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

## **2. BASIS OF PREPARATION**

These financial statements have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These financial statements are presented in Canadian dollars unless otherwise stated.

### **Use of estimates**

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year.

**2. BASIS OF PREPARATION** (cont'd...)

**Use of estimates** (cont'd...)

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting the financial statements include:

*Carrying value and recoverability of exploration and evaluation assets*

The carrying amount of the Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's mineral properties.

To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

*Fair value of shares, stock options and warrants*

The valuation of shares issued in non-cash transactions is determined using fair value inputs from available market sources. Determining the fair value of stock options and warrants requires judgements related to the pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of shareholders' equity.

*Income taxes*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

**Critical judgments**

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1, as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined as the Canadian dollar.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **Exploration and evaluation assets**

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits or any option payments received are recorded as a reduction to the cumulative costs incurred and capitalized to the related property. If payments received exceed the capitalized cost of the exploration and evaluation asset, the excess is recognized as income in the year received.

Each of the Company's exploration and evaluation assets is considered to be a cash generating unit. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the property, or the property is abandoned or management deems there to be an impairment in value, the property is written down to its net realizable value

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation asset is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

#### **Impairment**

At each financial position reporting date the carrying amounts of the Company's long-lived 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, which is the present value of future cash flows expected to be derived from 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 profit or loss for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. 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. Where 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 so that the increased carrying amount 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.

#### **Future reclamation costs**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of evaluation and exploration assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Future reclamation costs (cont'd...)**

assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

For the years presented, the Company does not have any significant future reclamation costs.

**Share-based payments**

The Company grants stock options to directors, officers, employees and consultants. The fair value of options and other share-based awards issued or altered in the period are determined using the Black-Scholes option pricing model. Share-based payments are accrued and charged to the statement of operations and comprehensive loss, with an offsetting credit to reserves, using the graded vesting method. This includes a forfeiture estimate which is revised for actual forfeitures in subsequent periods. The fair value of stock options granted to non-employees is measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Options granted to non-employees are re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. Upon the exercise of stock options or agents warrants, the fair value of the share based award is allocated to capital stock.

**Income taxes**

Income tax expense is comprised of current and deferred tax. Income tax is recognized in statements of operations and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable

### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

#### **Income taxes (cont'd...)**

future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### **Basic and diluted loss per common share**

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. For diluted loss per share computations, assumptions are made regarding potential common shares outstanding during the year. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if, at the beginning of the year, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's common shares at their average market price during the year, thereby reducing the weighted average number of common shares outstanding. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

#### **Financial instruments**

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to-maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in the statement of operations and comprehensive loss. Financial assets available-for-sale are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss) ("OCI"), net of tax.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments (cont'd...)**

Financial assets and liabilities held-to-maturity, loans and receivables and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Company has classified its cash as fair value through profit and loss. Receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

See Note 8 for relevant disclosures.

**Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements**

The Company has applied the amendments to IFRS included in the Annual Improvements to IFRS 2012-2014 Cycle which were effective for annual periods beginning on or after January 1, 2016. The amendments did not have an impact on the Company's financial statements. The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but is not yet effective.

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2017. The following has not yet been adopted by the Company and is being evaluated to determine its impact:

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.
- IFRS 16: Leases - this standard specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.

**4. EXPLORATION AND EVALUATION ASSETS**

The Company entered into an option agreement dated February 27, 2012 (the “Option Agreement”) with Qualitas Holdings Corp. and Novus Gold Corp. (collectively the “Optionors”) and has earned a 100% interest in certain mining claims (the “PC Property”), located in the Spences Bridge Gold Belt of British Columbia. The Optionors have retained a 2.0% net smelter return royalty on the production from the Property. The Company has the option of purchasing the royalty from the Optionors for \$500,000 for each 0.5%.

During the year ended April 30, 2017, the Company wrote down the carrying value of the assets by \$199,122, due to a lack of exploration activity and as a result of management’s intention to pursue other business opportunities.

**5. CAPITAL STOCK AND RESERVES**

(a) **Authorized:**

Unlimited common shares with no par value.

(b) **Issued and outstanding:**

No shares were issued during the years ended April 30, 2016 or 2017. Subsequent to April 30, 2017, the Company consolidated its issued share capital on a 3:1 basis. In these financial statements, reference to common shares and per share amounts has been retroactively restated.

(c) **Stock options**

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company’s stock, less an applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors. Stock options outstanding to directors and officers of the Company to purchase 141,333 common shares at a price of \$0.30 per share expired on June 6, 2016 without being exercised.

On April 26, 2017, the Company granted 133,333 stock options to its directors at an exercise price of \$0.30 per share, for a period of one year. Using the Black-Scholes option pricing model, the stock options were recorded at fair value in the statements of operations and comprehensive loss in the amount of \$7,813.

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(An exploration stage company)  
NOTES TO THE FINANCIAL STATEMENTS  
(Expressed in Canadian Dollars)  
APRIL 30, 2017

**5. CAPITAL STOCK AND RESERVES (cont'd...)**

**(c) Stock options (cont'd...)**

Stock options outstanding and exercisable are as follows:

	Number	Weighted Average Exercise Price
Outstanding and exercisable at April 30, 2017	133,333	\$ 0.30

The following weighted average assumptions (using the Black Scholes option pricing model) were used for the valuation of the stock options granted during the year ended April 30, 2017.

Forfeiture rate	0%
Risk-free interest rate	0.64%
Expected life	1 year
Annualized volatility	100%
Dividend rate	0%

**(d) Share purchase warrants**

Share purchase warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding as at April 30, 2017 and 2016	399,167	\$ 0.54

Number of Warrants	Exercise Price	Expiry Date
100,000	\$ 0.54	August 12 , 2017
<u>299,167</u>	<u>\$ 0.54</u>	<u>August 12 , 2017</u>
<u>399,167</u>		

**EARNY RESOURCES LTD.**  
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**6. INCOME TAXES**

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2017	2016
Loss before income taxes	\$ (307,878)	\$ (93,593)
Expected income tax recovery	\$ 80,000	\$ 24,000
Non-deductible and other items	(2,000)	1,000
Unrecognized benefit of non-capital losses	<u>(78,000)</u>	<u>(25,000)</u>
Net income tax recovery	\$ -	\$ -

The significant components of the Company's unrecorded deferred tax assets are as follows:

	April 30, 2017	April 30, 2016
Deferred tax assets (liabilities):		
Non-capital loss carry forwards	\$ 216,000	\$ 189,000
Share issuance costs	-	1,000
Exploration and evaluation assets	<u>21,000</u>	<u>(31,000)</u>
Total unrecognized deferred tax assets	\$ 237,000	\$ 159,000

The Company's deferred tax assets (liabilities) expire as follows:

	2017	Expiry Date Range	2016
Share issuance costs	\$ -	Not Applicable	\$ 2,000
Non-capital losses – Canada	\$ 830,000	2031 – 2037	\$ 726,000
Exploration and evaluation assets	\$ 79,000	Not Applicable	\$ (120,000)

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**7. KEY MANAGEMENT PERSONNEL COMPENSATION**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. Compensation of the Company's key management for the year ended April 30, 2017 is comprised of the following:

	2017	2016
Administrative and rent	\$ 54,000	\$ 54,000

Included in accounts payable and accrued liabilities as at April 30, 2017 is \$205,028 (April 30, 2016 - \$136,865) due to related parties, of which \$160,650 was payable for administrative services and rent (2016: \$103,950). A company controlled by a director of the Company provided a short-term loan to the Company of \$18,000 during the current year. The loan is non-interest bearing and due on demand.

**8. FINANCIAL INSTRUMENTS**

**Fair value**

Cash is carried at fair value using a level 1 fair value measurement. The recorded value of receivables and accounts payable and accrued liabilities approximate their fair values due to their demand nature and their short term to maturity.

**Financial risk factors**

The Company's risk exposures and the impact on the Company's financial statements are summarized below.

*Credit risk*

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and receivables. The Company limits its exposure to credit loss by placing its cash with major financial institutions. Receivables comprised primarily of GST receivable from the Canadian Government are a low credit risk.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at April 30, 2017, the Company's cash and receivables were exceeded by accounts payable and accrued liabilities. In order to meet its obligations as they become due, the Company will need to access funding from the issuance of equity securities, the exercise of stock options or through other sources. The Company's access to financing is uncertain and there is no assurance of continued access to equity funding.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

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**8. FINANCIAL INSTRUMENTS (cont'd...)**

**Financial risk factors (cont'd...)**

*Market risk (cont'd...)*

*a) Interest rate risk*

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

*b) Foreign currency risk*

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in a foreign currency. As at April 30, 2017 and 2016, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant.

*c) Price risk*

The Company has limited exposure 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.

**9. CAPITAL MANAGEMENT**

Capital is comprised of all the components of the Company's shareholders' equity. As at April 30, 2017 and 2016, the Company's shareholders' equity (deficiency) was \$(273,514) and \$26,551 respectively and there was no long term debt outstanding. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

**10. SEGMENT INFORMATION**

The Company operates in one reportable segment, being the acquisition and exploration of exploration and evaluation assets in Canada.