PEPCAP RESOURCES, INC.

Consolidated Financial Statements

September 30, 2018

(Expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pepcap Resources Inc.,

We have audited the accompanying consolidated financial statements of Pepcap Resources Inc., which comprise the statement of consolidated financial position as at September 30, 2018, and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for the year then, and a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Pepcap Resources Inc. as at September 30, 2018 and its financial performance and its cash flows for the year then ended is in accordance with International Financial Reporting Standards.

Emphasis of Matter
We draw attention to Note 1 to the financial statements, which indicates that the Company had negative cash flows from operations of $165,704 and has a deficit of $4,970,022 as at September 30, 2018. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter
The financial statements for the year ended September 30, 2017, were audited by another auditor whose report dated January 31, 2018 expressed an unqualified opinion.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
August 21, 2019

PEPCAP RESOURCES, INC.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at:		**September 30, 2018**		September 30, 2017
Assets				
Current assets				
Cash	$	**240**	$	33,416
Due from director- trustee (Notes 4 and 7)		**120,329**		-
GST receivable		**10,244**		5,037
Asset available for sale (Note 4)		**540,477**		-
Total current assets		**671,290**		38,453
Total assets	$	**671,290**	$	38,453
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities (Note 7)	$	**406,014**	$	275,605
Deposit received for property sale (Note 4)		**160,519**		-
Convertible debentures (Note 5)		**-**		583,109
Total current liabilities		**566,533**		858,714
Shareholders' equity (deficiency)				
Share capital (Note 6)		**4,197,016**		3,980,817
Share-based reserve (Note 6)		**309,013**		309,013
Equity portion of convertible debentures (Note 5)		**111,646**		111,646
Accumulated other comprehensive gain		**131,806**		159,797
Deficit		**(4,970,022)**		(5,449,497)
Total shareholders' deficiency attributable to Pepcap Resources Inc. shareholders		**(220,541)**		(888,224)
Non-controlling interest (Note 1)		**325,298**		67,963
Total shareholders' equity (deficiency)		**104,757**		(820,261)
Total liabilities and shareholders' equity (deficiency)	$	**671,290**	$	38,453

Nature of organization and continuance of operations (Note 1)

Subsequent events (Note 4)

The consolidated financial statements were authorized for issue by the Board of Directors on August 21, 2019.

"Margaret Wee"

Margaret Wee - Director

"Kwan Tek Sian"

Kwan Tek Sian (Alan Kwan) - Director

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

PEPCAP RESOURCES, INC.

Consolidated Statements of Operations and Comprehensive Income (Loss)
(Expressed in Canadian dollars)

For The Years Ended:		**September 30, 2018**		September 30, 2017
Expenses				
Financing and interest (Note 5)	$	**99,910**	$	151,702
General and administrative		**114,909**		138,159
Legal fees		**43,079**		14,782
Share-based compensation (Notes 6)		**-**		11,350
Transfer agent and regulatory fees		**22,263**		19,516
Travel		**360**		10,684
Net loss before the following:		**(280,521)**		(346,193)
Gain on settlement of debentures (Note 5)		**504,684**		-
Impairment on exploration and evaluation assets (Note 4)		**-**		(1,820,170)
Net loss from continuing operations		**224,163**		(2,166,363)
Net income from discontinued operations (note 4)		**512,647**		-
Net Income (loss)		**736,810**		(2,166,363)
Translation adjustment		**(27,991)**		(3)
Net and comprehensive income (loss)	$	**708,819**	$	(2,166,366)
Net income (loss) attributable to:				
Pepcap shareholders	$	**479,475**	$	(1,298,946)
Non-controlling interest		**257,335**		(867,417)
	$	**736,810**	$	(2,166,363)
Comprehensive income (loss) attributable to:				
Pepcap shareholders	$	**451,484**	**$**	(1,298,949)
Non-controlling interest		**257,335**		(867,417)
	$	**708,819**	**$**	(2,166,366)
Basic and diluted income (loss) per share attributable to Pepcap shareholders	$	**0.018**	$	(0.058)
Weighted average number of shares outstanding – basic and diluted		**39,555,781**		36,811,334

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

PEPCAP RESOURCES, INC.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Share capital	Share-based reserve	Equity portion of convertible debenture	Other comprehensive loss	Deficit	Total shareholders' equity attributable to Pepcap shareholders	Non-controlling interest	Total shareholders' equity (deficiency)
Balance, September 30, 2016	$ 3,980,817	$ 297,663	$ 111,646	$ 159,800	$ (4,150,551)	$ 399,375	$ 935,380	$ 1,334,755
Stock-based compensation (Note 6)	-	11,350	-	-	-	11,350	-	11,350
Translation adjustment	-	-	-	(3)	-	(3)	-	(3)
Net loss for the year	-	-	-	-	(1,298,946)	(1,298,946)	(867,417)	(2,166,363)
Balance, September 30, 2017	3,980,817	309,013	111,646	159,797	(5,449,497)	(888,224)	67,963	(820,261)
Shares issued to settle debentures and accrued interest (Note 6)	216,199	-	-	-	-	216,199	-	216,199
Translation adjustment	-	-	-	(27,991)	-	(27,991)	-	(27,991)
Net income for the year	-	-	-	-	479,475	479,475	257,335	736,810
Balance, September 30, 2018	**$ 4,197,016**	**$ 309,013**	**$ 111,646**	**$ 131,806**	**$ (4,970,022)**	**$ (220,541)**	**$ 325,298**	**$ 104,757**

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

PEPCAP RESOURCES, INC.
Condensed Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

For the years ended:		**September 30, 2018**		September 30, 2017
Cash provided by (used in):				
Operating activities				
Net income (loss) for the year	$	**736,810**	$	(2,166,363)
Non-cash adjustments:				
Accretion of convertible debentures		**37,535**		49,980
Amortization of debenture issue costs		**29,356**		36,530
Gain on settlement of debentures		**(504,684)**		-
Net income from discontinued operations – reversal of impairment loss		**(540,477)**		-
Impairment on exploration and evaluation assets		**-**		1,820,170
Non-cash working capital items:				
GST receivable		**(5,207)**		(3,233)
Due from director - trustee		**(120,329)**		
Accounts payable and accrued liabilities		**201,292**		57,388
Net cash used in operating activities		**(165,704)**		(194,178)
Investing activities				
Deposit received for property sale		**160,519**		-
Exploration and evaluation assets		**-**		(29,264)
Net cash provided (used) in investing activities		**160,519**		(29,264)
Foreign exchange differences		**(27,991)**		-
Decrease in cash		**(33,176)**		(223,442)
Cash, beginning of the year		**33,416**		256,858
Cash, end of the year	$	**240**	$	33,416

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

1. Nature of organization and continuance of operations

Pepcap Resources Inc. (the "Company" or "Pepcap") was incorporated under the laws of the Alberta Business Corporations Act on January 31, 2012 and was continued into the Province of British Columbia on May 14, 2015.

In May 2015, the Company acquired of 51% of the total issued and outstanding common shares of Asia Mining Management B.V., a private company registered in the Netherlands ("Asia Mining"). As a result, the Company holds an indirect controlling interest in PT. Krida Darma Andika, a private company registered in Indonesia ("Andika"), a 99.6% owned subsidiary of Asia Mining that owns mining concessions in Sumatra, Indonesia divided into two coal blocks, including three coal concessions that are located in the Napal Putih and Putri Hijau districts of North Bengkulu Regency of Bengkulu Province, Indonesia (the "Properties").

Effective April 30, 2018, as the Company was not able to maintain the requirements for a TSX Venture Exchange Tier 2 company, the listing transferred from the TSX Venture Exchange to NEX. As of that date, the Company was subject to restrictions on share issuances and certain types of payments as set out in the NEX policies.

The trading symbol for the Company changed from WAV to WAV.H. There was no change in the Company's name, no change in its Cusip number and no consolidation of share capital. The Company's head office is located at 101-1500 Howe Street, Vancouver, BC V6Z 2N1, Canada.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. During the year ended September 30, 2018, the Company generated a net income of $736,810 (2017 - net loss of $2,166,363) and had negative cash flows from operations of $165,704 (2017 - $194,178). As of September 30, 2018, the Company had an accumulated deficit of $4,970,022. These events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Company as a going concern is dependent upon the ability of the Company to obtain necessary equity or other financing to develop its mineral properties, and/or to attain sufficient profitable operations. The ability of the Company to be successful in obtaining financing cannot be predicted at the present time. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Significant accounting policies

Basis of preparation

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated financial statements have been prepared on an accrual basis, based on historical costs, except for items carried at fair value and are presented in Canadian dollars, which is also the Company's functional currency.

The consolidated financial statements include the financial statements of the Company, it's 51% owned subsidiary Asia Mining and Asia Mining's 99.6% owned subsidiary, Andika. All intercompany transactions and balances have been eliminated.

Use of estimates and judgments

The preparation of consolidated financial statements in conformity with 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 the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates and judgements are significant to the consolidated financial statements are disclosed in Note 3.

2. Significant accounting policies *(continued from previous page)*

Share-based compensation

The Company applies a fair value based method of accounting to all share-based compensation. Employee and director stock options are measured at their fair value of each tranche on the grant date and recognized over its respective vesting period. Non-employee stock options are measured based on the service provided to the reporting date and at their then current fair values. The cost of stock options is presented as share-based compensation expense when applicable. On the exercise of stock options share capital is credited for consideration received and for fair value amounts previously credited to share-based reserve. The Company uses the Black-Scholes Option Pricing Model to estimate the fair value of share-based compensation.

Translation of foreign currency

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each operating entity within the corporate group. The functional currency of the Company is the Canadian dollar. The functional currency of Asia Mining and Andika is the Euro. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates. Accordingly, the accounts of Asia Mining and Andika are translated into Canadian dollars as follows: Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in other comprehensive income as translation adjustment within the consolidated statements of operations and comprehensive loss. Translation gains and losses relating to the foreign operations are included in accumulated other comprehensive loss as a separate component of equity.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Cash

The Company considers all highly liquid instruments with a maturity of year or less at the time of issuance to be cash equivalents. Cash comprises cash at the bank.

Exploration and evaluation expenditures

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 charged to operations.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

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 and equipment.

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

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at managements' best estimate of the present value of the expenditure required to settle the obligation at the reporting date.

2. Significant accounting policies *(continued from previous page)*

Decommissioning costs

Provision for decommissioning costs is recognized in the period the liability arises and a reasonable estimate of the future cost can be determined. The decommissioning cost is calculated as the net present value of the Company's share of the expenditure expected to be incurred at the end of the producing life of the facility in the removal and decommissioning of the production, storage and transportation facilities. The cost of recognizing the liability is included as part of the cost of the relevant asset and is thus charged to operations in accordance with the Company's policy for depreciation of property and equipment. The increase in the provision due to the passage of time is recognized as finance costs whereas increases or decreases due to changes in the estimated cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning liability are charged against the provision to the extent the provision was established.

Taxes

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 differences between the carrying amounts of assets in the statements of financial position and their corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which unused tax losses, tax credits and deductible temporary differences can be utilized.

Deferred tax 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.

Non-derivative financial instruments

Non-derivative financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method. Due from director -trustee is included in this category.

2. Significant accounting policies *(continued from previous page)*

Financial assets at fair value through profit or loss

An instrument is classified as fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Cash is included in this category.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Accounts payable and deposit received for property sale are included in this category.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted into common shares of the Company. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Impairment of financial assets

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in profit or loss. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in profit or loss.

Non-controlling interest

A non-controlling interest exists in a less than wholly-owned subsidiary of the Company through the principles of consolidation and represents the third-party interest’s share of the net assets of the subsidiary at the reporting date. The subsidiary’s earnings or losses are included in their entirety in the Company’s net operations and are then adjusted to reflect the portion attributable to the non-controlling interest.

Loss per share

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. The weighted average number of common shares outstanding is calculated by adjusting the shares issued at the beginning of the period by the number of shares issued during the period, multiplied by a time-weighting factor.

2. Significant accounting policies *(continued from previous page)*

Loss per share *(continued)*

Diluted loss per share is calculated by adjusting the number of common shares for the effects of dilutive options and other dilutive potential units. All options are considered anti-dilutive when the Company is in a loss position.

Shares held in escrow that are only released upon contingent events are not included in the calculation of the weighted average number of common shares outstanding.

Recent accounting pronouncements not yet adopted

New standard IFRS 9 "Financial Instruments"

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

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company has determined that adoption of IFRS 9 will not have material impact on the consolidated financial statements.

IFRS 15 "Revenue from Contracts with Customers"

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company has determined that adoption of IFRS 15 will not have material impact on the consolidated financial statements.

IFRS 16, "Leases"

In January 2016, the IASB issued IFRS 16, Leases. The objective of IFRS 16 is to bring all leases on-balance sheet for lessees. IFRS 16 requires lessees to recognize a "right of use" asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. Early adoption is permitted provided that IFRS 15, Revenue from Contracts with Customers, is also adopted. The Company has determined that adoption of IFRS 16 will not have material impact on the consolidated financial statements.

3. Significant accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Estimates and judgments 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. Actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

Exploration and evaluation assets are reviewed for changes in facts and circumstances suggesting the carrying amount exceeds the recoverable amount at each consolidated statement of financial position date. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in exploration and evaluation activities and significant drop in commodity prices. The Company's review considers the following:

- The period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources, and the entity has decided to discontinue such activities in the specific area; and,
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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 to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Functional currency

The determination of an entity's functional currency is a key judgment based on the primary economy environment in which each entity of the Company operates. In determining the functional currency, management considers the currency that most faithfully represents the economic effects of events, conditions, future direction and investment opportunities.

(Expressed in Canadian dollars)

3. Significant accounting estimates and judgments (*continued from previous page*)

Convertible debt

The estimated market rate used to fair value the note payable without a conversion option is subject to estimation.

Decommissioning obligations

Management has reviewed the Company's mining claims for any statutory, contractual, constructive or legal obligation with respect to potential environmental rehabilitation. Based on management's review, it has determined that the Company does not have any decommissioning obligations to record.

Share-based compensation

In determining share-based compensation expense, the Company uses the Black-Scholes Option Pricing Model, which requires a number of assumptions to be made, including the risk-free interest rate, volatility, dividend yield, forfeiture rate and expected option life.

Financial instruments

The Company is required to classify its various financial instruments into certain categories for the financial instruments' initial and subsequent measurement. This classification is based on management's judgement as to the purpose of the instrument and to which category is most applicable.

4. Exploration and evaluation assets

The Company, through Asia Mining and its 99.6% subsidiary Andika, hold Properties in Sumatra, Indonesia. The Properties are divided into two coal blocks located in the Napal Putih and Putri Hijau districts of the North Bengkulu Regency of Bengkulu Province, Indonesia. Andika holds a one hundred percent (100%) undivided interest in the Properties. The costs incurred to date are as follows:

Balance, September 30, 2016	$	1,790,760
Foreign translation adjustment		146
Claim maintenance fees		29,264
Impairment		(1,820,170)
Balance, September 30, 2017		-
Reversal of impairment based on potential sale		540,477
Balance, September 30, 2018	$	**540,477**

During the year ended September 30, 2017, management considered if there were changes in the facts and circumstances of the Indonesian exploration and evaluation assets that would suggest the carrying amount exceeded its recoverable amount. Due to the uncertainty in future planned expenditures on these assets, management performed an impairment test which resulted in an impairment of $1,820,170 being recorded in the consolidated statement of operations and comprehensive loss for the year ended September 30, 2017.

4. Exploration and evaluation assets (cont'd)

Asia Mining entered into a sale and purchase agreement dated August 31, 2018, with an arm's-length party for all of the shares of Andika. Pursuant to the terms of the purchase agreement, the purchaser has agreed to purchase all 14,940 ordinary shares of Andika held by Asia Mining for $414,000 USD ($540,477) (the “Consideration”), payable in tranches.

Upon signing the Letter of Intent, an amount of $104,000 USD (the “Deposit”), and on the date of signing the purchase agreement, an amount of $20,000 (being the balance after deducting the Deposit from the first tranche of the Consideration, amounting to $124,000 USD), the purchaser advanced to the Company’s 51% owned subsidiary Asia Mining, a total of $124,000 USD ($160,519). The deposit received from the purchaser was deposited in the bank account of a director acting as a trustee on behalf of Asia Mining. The net amount due from this director related to the deposit received (“Trust Funds”), as at September 31, 2018 was $120,329 (Note 7) after paying for exploration and evaluation maintenance fees.

Subsequent to the year-end, the purchaser paid a further $207,000 USD to Asia Mining in exchange for delivery of the outstanding IUP licences held by Andika which was also deposited into the bank account of a director - trustee.

The final payment of $83,000 USD remains outstanding and will be paid by the purchaser to the Company’s 51% owned subsidiary Asia Mining, upon delivery of the remaining IUP licence, subject to the completion process stated below.

Completion of the transaction is subject to a number of conditions including, but not limited to, shareholder closing conditions customary to transactions of the nature of the transaction, shareholder approval and approvals of all regulatory bodies having jurisdiction in connection with the transaction, and final acceptance from the TSX Venture Exchange. As at September 30, 2018 the sale process had not completed and the carrying value of the exploration and evaluation asset of Andika was presented in the consolidated statement of financial position as asset available for sale. The carrying value of the asset available for sale is $540,477 which represents the proceeds that the Company’s 51% owned subsidiary Asia Mining has and will receive on the closing of the transaction less estimated costs which are expected to be nominal. This represents a reversal of the previous years impairments which were recognized in the consolidated statements for operations and comprehensive income for the year ended September 30, 2018 as net income from discontinued operations. Total net income from discontinued operations for the year ended September 30, 2018 includes the reversal of the impairment loss and also includes an amount of $27,830 for asset maintenance fees incurred in the year.

(Expressed in Canadian dollars)

5. Convertible debentures

As a condition to and prior to the closing of the Company's Qualifying Transaction that was completed during the year ended September 30, 2015, the Company completed a brokered private placement on April 29, 2015 of 6,500 subscription receipts of the Company ("Subscription Receipts") for gross proceeds of $650,000. Each Subscription Receipt was automatically exchanged immediately prior to the completion of the Qualifying Transaction (without any further action by the holder of such Subscription Receipt and for no further payment) for one 8% convertible secured debenture ("Convertible Debenture") with a par value of $100 per Convertible Debenture and a 36 month maturity period, convertible at the election of the debenture holder at any time into common shares at a conversion price of $0.15 per share, subject to conventional anti-dilution adjustments and to certain escrow release conditions. The Company incurred costs of $152,235 relating the private placement, including cash commissions of $52,000, legal fees and other costs.

As security for the Convertible Debentures, the Company entered into a General Security Agreement with Alliance Trust Company ("Alliance"), the indenture holder, on May 14, 2015 whereby the Company granted a general security over all of its undertakings, assets and property. The Company further entered into a Securities Pledge Agreement with Alliance on May 14, 2015, whereby the Company pledged as specific security the 9,180 shares held in Asia Mining.

The Company valued the equity component of the debentures using the residual method and prorated the liability and equity portion accordingly. Under this method, the fair value of the debt component was calculated using an estimated market rate, 18%, for similar debt without warrants or a conversion feature. The liability component was $504,208 and the equity component was $145,792. Debenture issue costs pro-rated between the liability and equity components with $34,146 being applied to equity and the balance to the liability portion.

The Company received a waiver from the debentures holders to postpone the interest due on June 30, 2017 to September 30, 2017. The Company did not pay interest since June 2017 and was in default under the terms of the debenture.

		Liability component		Equity component
Balance, September 30, 2016	$	496,599	$	111,646
Accretion of debt component		49,980		-
Amortization of debenture issue costs		36,530		-
Balance, September 30, 2017		583,109		111,646
Accretion of debt component		37,535		-
Amortization of debenture issue costs		29,356		-
Accrued and unpaid interest		70,883		-
Gain on settlement of debentures		(504,684)		-
Settlement of debentures and accrued interest with shares		(216,199)		-
Balance, September 30, 2018	$	-	$	111,646

On May 14, 2018, the Company announced that holders of the 8% convertible debentures (the "Debentures") had accepted an offer to purchase, by the Company, all of the issued and outstanding Debentures, plus accrued and unpaid interest up to May 11, 2018 (the "Purchase Date"). Debentures with a face value of $650,000, plus accrued and unpaid interest of $70,883 to the Purchase Date were converted into common shares of the Company ("Common Shares") at a price of $0.10 per Common Share (or approximately 1,000 Common Shares for each $100 of the principal amount of the Debentures). As a result of the conversion, 7,206,642 common shares of were issued to the Debenture holders and gain on the settlement of these debentures of $504,684 was recognized in the consolidated statements of operations and comprehensive income for the year ended September 30, 2018.

(Expressed in Canadian dollars)

6. Share capital

Authorized

Unlimited number of common voting shares without nominal or par value

Unlimited number of preferred shares without nominal or par value

Issued

Common Shares	Number of shares		Amount
Balance, September 30, 2016 and 2017	36,811,334	$	3,980,817
Conversion of Debentures and accrued interest	7,206,642		216,199
Balance, September 30, 2018	44,017,976	$	4,197,016

As described in Note 5, the Debentures with a face value of $650,000, plus accrued and unpaid interest of $70,883 were converted into common shares of the Company ("Common Shares") at a price of $0.10 per Common Share (or approximately 1,000 Common Shares for each $100 of the principal amount of the Debentures). As a result of the conversion, 7,206,642 common shares of were issued to the Debenture holders.

Escrow shares

Upon closing of the Company's initial public offering, 3,216,000 common shares were deposited into escrow and will be released from escrow over a period of up to three years from the date of closing of the Qualifying Transaction. As at September 30, 2018 nil (2017 – 984,800) shares were in escrow related to the initial public offering.

Upon closing of the Company's Qualifying Transaction, an additional 28,560,000 common shares were deposited into escrow and will be released from escrow over a period of up to three years from the date of closing of the Qualifying Transaction. As at September 30, 2018 nil (2017 - 8,568,000) shares were in escrow related to the transaction.

Stock options

The Company has adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares.

Stock option transactions are summarized as follows:

	Number of options		Weighted average exercise price
Balance, September 30, 2016	2,260,910	$	0.11
Expired	(1,130,455)		0.11
Granted	300,000		0.10
Balance, September 30, 2017	1,430,455	$	0.11
Expired	(550,000)		0.11
Balance, September 30, 2018	880,455	$	0.11

(Expressed in Canadian dollars)

6. Share capital *(continued from previous page)*

The following table summarizes information about stock options outstanding and exercisable at September 30, 2018:

Number of stock options	Exercise price	Expiry date	Weighted average life	Vested
130,455	$0.10	Feb 20, 2023	4.3	130,455
300,000	$0.10	June 19, 2023	4.7	300,000
450,000	$0.11	May 19, 2025	6.6	450,000
880,455	$0.11			880,455

On June 19, 2017, the Company granted 300,000 stock options to a director of the Company at an exercise price of $0.10 per common share for a period of five years. The share-based compensation expense of $11,350 was recognized, being the fair value determined using the Black-Scholes Option Pricing model with following assumptions: Risk free interest rate of 1.032%; Expected life of 5 years; Expected volatility of 120% and dividend yield of nil. The options vested immediately.

Subsequent to September 30, 2018, all stock options were forfeited.

7. Related party transactions

Key management compensation

		Year ended September 30, 2018		Year ended September 30, 2017
Paid or accrued management fees	$	39,000	$	97,227
Paid or accrued director fees		22,500		-
Share-based payments (1)		-		11,350
	$	61,500	$	108,577

(1) Comprising the value of stock options granted.

Minority shareholders in Asia Mining were owed $69,954 at September 30, 2018 (2017- $71,753) and included in accounts payable and accrued liabilities is $130,292 payable to related parties for management and consulting fees (2017 - $94,304). As at September 30, 2018, due from director - trustee of $120,329 (2017 - $nil) is related to Trust Funds received by a director - trustee on behalf the Company's 51% owned subsidiary Asia Mining on sale of Andika net of expenditures paid on behalf the Company's subsidiary Asia Mining (Note 4).

8. Capital management

The Company's capital consists of share capital. The Company's objective for managing capital is to maintain sufficient capital to meet its exploration development plan and permitting in order to ensure growth of its operations.

The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

(i) to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,
(ii) to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements and there were no significant changes in the Company's approach to capital management for the year ended September 30, 2018 and 2017.

9. Financial instruments

The Company, as part of its operations, carries financial instruments consisting of cash, due from director and accounts payable and accrued liabilities and deposit received for property sale. It is management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash is determined using level 1 inputs. The carrying amount of cash, due from director - trustee and accounts payable and accruals and deposit received for property sale approximates their fair value due to the short-term maturities of these items.

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company believes it has no significant 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 September 30, 2018, the Company had a cash balance of $240 (2017 - $33,416) to meet current liabilities of $566,533 (2017 - $858,714). All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. Liquidity risk has been assessed as high.

(Expressed in Canadian dollars)

9. Financial instruments (cont'd)

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.

(i) Interest rate risk

The Company has cash balances that bear no significant interest.

(ii) Foreign currency risk

The Company has certain financial instruments that are impacted by exchange rate fluctuations of the US dollar and Euro. A 5% change in the exchange rate at September 30, 2018 of the US dollar or Euro is estimated to have a negligible effect on the net loss for the period.

(iii) Commodity price risk

The Company has not entered into the production phase and therefore the impact of commodity price fluctuations is limited to the Company's ability to raise funds to continue to explore and develop its coal concessions.

10. Income taxes

The provision for tax differs from that expected by applying a combined Canadian and Netherlands effective income tax rate of 27 % (2017– 27%) for the following reasons:

	2018	2017
Income (loss) before income tax	$ 736,810	$ (2,166,363)
Statutory tax rate	27 %	27%
Expected tax expense (recovery)	198,939	(584,919)
Tax rate adjustment attributed to other foreign jurisdictions	(10,504)	43,000
Permanent differences	(274,777)	-
Deferred tax benefits not recognized and others	86,342	541,919
	$ -	$ -

Tax assets are attributable to the following:

	Indonesia		Canada	
	2018	2017	2018	2017
	$	$	$	$
Share issue costs	-	-		39,000
Convertible debentures	-	-	-	21,000
Exploration and evaluation assets	4,327,830	4,300,000	-	-
Non-capital loss carry-forwards	224,210	142,000	1,391,132	1,387,000

As at September 30, 2018, the Company's Canadian non-capital losses will commence to expire in 2031 if not utilized and the Company's Indonesia non-capital loss carry-forwards will commence to expire fiscal 2020.