



**NEW STRATUS ENERGY INC.  
(formerly RED ROCK ENERGY INC.)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

**NEW STRATUS ENERGY INC.**

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# Independent Auditor's Report

To the Shareholders of New Stratus Energy Inc.

## Opinion

We have audited the consolidated financial statements of New Stratus Energy Inc. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2019 and 2018, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of 2,046,619 during the year ended March 31, 2019 and, as of that date, the Company's current liabilities exceeded its total assets by 1,645,752. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists 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 Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement

of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Langlois.

/s/ Deloitte LLP

Chartered Professional Accountants

Calgary, Alberta

July 29, 2019

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in Canadian dollars)

	Note	March 31, 2019	March 31, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$29,429	\$561,929
Other receivables		29,219	22,616
Prepaid expenses		2,300	97,994
		<b>60,948</b>	<b>682,539</b>
<b>Non-current assets</b>			
Restricted Cash	5	400,867	-
Deposits		-	80,406
Exploration and evaluation	6	-	1,233,723
<b>Total assets</b>		<b>\$461,815</b>	<b>\$1,996,668</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	7	1,038,527	188,226
Term loan	8	-	1,304,050
Short term loan	9	400,890	-
Due to shareholders	14	668,150	575,389
		<b>2,107,567</b>	<b>2,067,665</b>
<b>Total liabilities</b>		<b>2,107,567</b>	<b>2,067,665</b>
<b>Shareholders' equity (deficiency)</b>			
Share capital	10	14,163,730	14,163,730
Warrants		398,265	398,265
Contributed surplus		657,055	619,975
Cumulative translation adjustment		4,636	(725)
Deficit		(16,869,438)	(15,252,242)
<b>Total equity (deficiency)</b>		<b>(1,645,752)</b>	<b>(70,997)</b>
<b>Total liabilities and equity</b>		<b>\$461,815</b>	<b>\$1,996,668</b>

Going concern (note 1)

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors

/s/ Krishna Vathyam

/s/ Bruce Cameron

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(in Canadian dollars)

		For the year ended	
		March 31,	
	Note	2019	2018
<b>Revenues</b>		\$ -	\$ -
		-	-
<b>Expenses</b>			
General and administrative		2,061,318	1,844,188
Interest expense		3,449	3,731
Stock-based compensation	10	37,080	854,388
Foreign exchange loss		16,509	93,306
Loss (Gain) on sale of assets	6	(501,160)	83,686
<b>Total expenses</b>		<b>1,617,196</b>	<b>2,879,299</b>
<b>Net loss</b>		<b>(1,617,196)</b>	<b>(2,879,299)</b>
<b>Other Comprehensive Loss</b>			
Translation reserve		5,361	(725)
<b>Comprehensive loss</b>		<b>(1,611,835)</b>	<b>(2,880,024)</b>
<b>Net loss per share</b>			
Basic and diluted	11	(.05)	(.09)

See accompanying notes to the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(in Canadian dollars)

	Shares issued	Share capital	Warrants	Contributed surplus	Accumulated deficit	Cumulative translation reserve	Net Shareholders' Equity
<b>As at March 31, 2017</b>	<b>51,137,679</b>	<b>\$11,146,365</b>	-	-	<b>(\$12,372,943)</b>	-	<b>(\$1,226,578)</b>
Shares issued for debt	9,037,322	722,986	-	-	-	-	722,986
Share consolidation	(55,675,001)	-	-	-	-	-	-
Issued shares at \$0.05	10,000,000	264,170	-	500,000	-	-	764,170
Issued warrants	-	-	213,852	-	-	-	213,852
Issued shares at \$0.10	20,770,332	1,982,485	-	-	-	-	1,982,485
Issued finders shares	500,000	47,724	-	-	-	-	47,724
Issued options	-	-	-	119,975	-	-	119,975
Warrant extension	-	-	184,413	-	-	-	184,413
Net loss for the period	-	-	-	-	(2,879,299)	-	(2,879,299)
Translation reserve	-	-	-	-	-	(725)	(725)
<b>As at March 31, 2018</b>	<b>35,770,332</b>	<b>\$14,163,730</b>	<b>\$398,265</b>	<b>\$619,975</b>	<b>(\$15,252,242)</b>	<b>(725)</b>	<b>(\$70,997)</b>
Issued options	-	-	-	37,080	-	-	37,080
Net loss for the period	-	-	-	-	(1,617,196)	-	(1,617,196)
Translation reserve	-	-	-	-	-	5,361	5,361
<b>As at March 31, 2019</b>	<b>35,770,332</b>	<b>\$14,163,730</b>	<b>\$398,265</b>	<b>\$657,055</b>	<b>(16,869,438)</b>	<b>4,636</b>	<b>(1,645,752)</b>

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in Canadian dollars)

	Note	For the year ended	
		2019	March 31, 2018
<b>Operating activities</b>			
Net loss and comprehensive loss		(\$1,617,196)	(\$2,879,299)
Adjustments:			
Stock based compensation	10	37,080	854,388
(Gain) Loss on sale of assets	6	(501,160)	83,686
Deposits		5,419	(98,343)
Other receivables		56,043	(1,963)
Accounts payable and accrued liabilities		819,274	140,299
Unrealized foreign exchange loss		-	98,793
		(\$1,200,540)	(1,802,439)
<b>Financing activities</b>			
Issue of common shares, net of costs	10	-	2,244,379
Issue of common share purchase warrants	10	-	213,852
Cash received on acquisition of subsidiary		-	1,011
Investment in restricted cash account	5	(400,867)	-
Issue short term debt	9, 14	1,069,040	-
		668,173	2,459,242
<b>Net increase (decrease) in cash</b>		<b>(532,367)</b>	<b>656,803</b>
<b>Impact of foreign exchange on foreign currency-denominated cash balances</b>		<b>(133)</b>	<b>(99,581)</b>
<b>Cash, beginning of period</b>		<b>561,929</b>	<b>4,707</b>
<b>Cash, end of period</b>		<b>\$29,429</b>	<b>\$561,929</b>

See accompanying notes to the consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019 and 2018

(in Canadian dollars except as otherwise noted)

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### NOTE 1 - GENERAL INFORMATION AND GOING CONCERN

New Stratus Energy Ltd. and its subsidiary ("the Company") are in the business of acquisition, exploration and development of properties for the purpose of producing uranium and oil and gas.

New Stratus Energy Inc. is a publicly traded company, incorporated and domiciled in Canada. Its registered office is located at 1000, 250 2nd St SW, Calgary, Alberta T2P 0C1. The Company was incorporated on April 12, 2005, pursuant to the Business Corporations Act (Alberta). The Company's principal assets are mineral properties located in Saskatchewan.

At March 31, 2019, the Company had working capital deficit of \$2,046,619 (March 31, 2018 – deficit of \$1,385,126) and an accumulated deficit of \$16,869,438 (March 31, 2018 – \$15,252,242). The Company's ability to continue its operations is dependent on the Company's success in developing its mineral and oil and gas interests, obtaining required funds to continue exploration activities and attaining profitable operations. The Company plans to meet its future expenditures and obligations by raising funds through a combination of private placements and asset sales while controlling expenditures over the next twelve months.

On October 3, 2017, the Company acquired 100% of the common shares of Petrolia SARL ("the Subsidiary") for USD \$1.00. The Subsidiary is a Luxembourg company incorporated on February 22, 2016.

These consolidated financial statements (the "financial statements") have been prepared on the basis that the Company will be able to discharge its obligations and realize its assets in the normal course of business at the values at which they are carried in these financial statements, and that the Company will be able to continue its business activities. The ability of the Company to realize the costs it has incurred to date on these and other properties is dependent upon the discovery of economically recoverable reserves, the preservation of the Company's interest in the underlying mining claims, the ability to obtain necessary financing and attain profitable operations, or alternatively, upon the disposal of properties, or the Company's interests therein, on an advantageous basis. Management believes that steps being taken will enable the Company to obtain additional capital as its commitments become due. These conditions indicate the existence of material uncertainties that may cast significant doubt regarding the applicability of the going concern assumption. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. These adjustments could be material.

The Board of Directors approved these financial statements for issuance on July 29, 2019.

### NOTE 2 - BASIS OF PREPARATION

The financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS").

#### **Basis of Measurement**

These financial statements have been prepared on a historical cost basis except for where the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### **Functional and presentation currency:**

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

#### **Stock options and warrants:**

The fair values of stock options and warrants are measured based on a Level 2 fair value measurement using a Black Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, forfeiture rate, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds).

#### **Use of estimates and judgments:**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019 and 2018

(in Canadian dollars except as otherwise noted)

Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 4 - Determination of fair values;
- Note 6 - Exploration and evaluation assets;
- Note 10 - Share capital
- Note 13 - Income Taxes

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimates, which may have the most significant effect on the amounts recognized in the financial statements.

### **Impairment indicators and calculation of impairment:**

At each reporting date, the Company assesses whether or not there are circumstances that indicate a possibility that the carrying values of exploration and evaluation assets and property and equipment are not recoverable, or impaired. Such circumstances include incidents of physical damage, deterioration of commodity prices, changes in the regulatory environment, or increases in estimates of costs required to reach technical feasibility and related estimates of proved and probable reserves.

### **Income taxes:**

The Company recognizes deferred income tax assets to the extent that it is probable that taxable profit will be available to allow the benefit of that deferred income tax asset to be utilized. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred income tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

### **Stock-based Compensation:**

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date they are granted. Estimating the fair value requires the determination of the most appropriate valuation model for a grant, which is dependent on the terms and conditions of the grant. This also requires the determination of the most appropriate inputs to the valuation model including the expected life of the option, risk free interest rates, volatility and dividend yield.

### **Contingencies:**

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

## **NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

### **Non-derivative financial instruments:**

Non-derivative financial instruments are comprised of cash, other receivables, trade and other payables, term loan and due to shareholders. 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:

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

An instrument is classified at 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 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. The Company has classified cash as fair value through profit or loss.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019 and 2018

(in Canadian dollars except as otherwise noted)

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### Other

Other non-derivative financial instruments, such as other receivables, trade and other payables, term loan and due to shareholders are measured at amortized cost using the effective interest method, less any impairment losses. Due to the short-term nature of other receivables and accounts payable, their carrying values approximate fair value.

### Derivative financial instruments:

The Company has not entered into any financial derivative contracts.

### Share capital:

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

### Exploration and evaluation assets:

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the acquisition date fair value of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized as exploration and evaluation (“E&E”) assets. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the consolidated statements of operations and comprehensive loss.

Acquisition costs, including general and administrative costs, are only capitalized to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Where the Company’s exploration commitments for a mineral or oil and gas property are performed under option agreements with a third party, the proceeds of option payments under such agreements are applied to the mineral property to the extent costs are incurred. The excess, if any, is recorded to the statement of loss. Provincial government mining credits are applied against the related mineral properties.

### Impairment:

E&E assets are assessed for impairment only when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount. Industry specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure on further E&E activities is neither budgeted nor planned;
- Title to the asset is compromised;
- Adverse changes in the taxation and regulatory environment; and
- Adverse changes in variations in commodity prices and markets.

Once the technical feasibility and commercial viability of the extraction of mineral resources and oil and gas properties in an area of interest are demonstrable, E&E assets attributable to that area of interest are first tested for impairment and then reclassified to mining or oil and gas property and development assets within property and equipment. To date, none of the Company’s mineral or oil and gas properties has demonstrated technical feasibility and commercial viability.

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

### Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019 and 2018

(in Canadian dollars except as otherwise noted)

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All impairment losses are recognized in the consolidated statements of operations and comprehensive loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the consolidated statements of operations and comprehensive loss.

### **Non-financial assets:**

The carrying amounts of the Company's non-financial assets, other than E&E assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The Company does not have any other non-financial assets.

### **Share based payments:**

As the fair value of the services rendered cannot be estimated reliably, the Black-Scholes option valuation model has been used to estimate the fair value of equity instruments granted. The grant date fair value of options granted to employees, warrants, and non-employees is recognized as compensation expense, within general and administrative expenses, with a corresponding increase in contributed surplus over the vesting period.

A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

### **Decommissioning obligation:**

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. The Company's asset retirement obligation is measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized or expensed. Actual costs incurred upon settlement of the asset retirement obligation are charged against the provision to the extent the provision was established.

To date, the Company's mineral properties have not advanced past the exploration stage and, accordingly, all site restoration costs are expensed as incurred. Mineral property security deposits have been paid to the Government of Saskatchewan and are refundable upon completion of required expenditures.

On May 1, 2017, the Company sold its oil and gas assets including the decommissioning liabilities.

### **Income tax:**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019 and 2018

(in Canadian dollars except as otherwise noted)

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### Per share amounts

The Company presents basic and diluted earnings per share data for its common shares. Earnings per share are calculated by dividing the net earnings attributable to equity holders of the Company by the weighted average number of common shares outstanding.

Diluted earnings per share is determined by adjusting the net earnings attributable to equity holders of the Company and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares. The calculation of diluted earnings per share assumes that outstanding options which are dilutive to earnings per share are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share.

### Segment reporting:

As at March 31, 2019, the Company operated in one reportable operating segment – the exploration and evaluation of mineral resource properties in Canada.

### New standards and interpretations not yet adopted:

#### Recent accounting pronouncements

The following are the IFRS pronouncements that have been issued and adopted by the Company during the year-ended March 31, 2019. The adoption of these pronouncements did not have a material effect on the Company.

#### IAS 1 Amendment

On July 1, 2016, the Company adopted amendments to IAS 1 which involve applying professional judgment in determining what information to disclose in the financial statements. Furthermore, the amendments state that professional judgment should be used in determining where and in what order information is presented in the financial disclosures. The changes did not have a significant impact on disclosures in the Company's financial statements.

#### Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

On July 1, 2016, the Company adopted amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards. The changes did not have a significant impact on disclosures in the Company's financial statements

#### IFRS 11 “Joint Arrangements”

On July 1, 2016, the Company adopted the amendment to IFRS 11 “Joint Arrangements” for accounting for acquisitions of interest in joint operations. The amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11 and disclose the information required by IFRS 3 and other IFRSs for business combinations. The Company is in the process of assessing the impact of the above newly issued IFRS pronouncements. The changes are not expected to have a significant impact on disclosures in the Company's financial statements

#### IFRS 15 “Revenue from Contracts with Customers”

On April 1, 2018, the Company adopted IFRS 15, “Revenue from Contracts with Customers”. IFRS 15 was issued in May 2014 and replaces IAS 11, “Construction Contracts,” IAS 18, “Revenue Recognition,” IFRIC 13, “Customer Loyalty Programs,” IFRIC 15, “Agreements for the Construction of Real Estate,” IFRIC 18, “Transfers of Assets from Customers,” and SIC-31, “Revenue – Barter Transactions Involving Advertising Services.” IFRS 15 provides a single, principle-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17 and financial instruments and other contractual rights or obligations within the scope of IFRS 9 “Financial Instruments,” IFRS 10, “Consolidated Financial Statements” and IFRS 11, “Joint Arrangements.” In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. These changes did not

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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have any impact on the Company's financial position or comprehensive loss.

### IFRS 9 "Financial Instruments"

On April 1, 2018, the Company adopted IFRS 9 "Financial Instruments", which is the result of the first phase of the International Accounting Standards Board ("IASB") project to replace IAS 39 "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The adoption of this standard did not have any impact on the Company's financial position or comprehensive loss.

### Future accounting pronouncements

The following are new IFRS pronouncements that have been issued, although not yet effective and have not been early adopted. The Company is currently assessing the impact that these pronouncements will have.

### IFRS 16 "Leases"

In January 2016, the IASB issued IFRS 16, Leases (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on- balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. These changes are not expected to have any impact on the Company's financial position or comprehensive loss.

## NOTE 4 – DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

- Level 1 Fair Value Measurements – Level 1 fair value measurements are based on unadjusted quoted market prices.
- Level 2 Fair Value Measurements – Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.
- Level 3 Fair Value Measurements – Level 3 fair value measurements are based on unobservable information.

### Cash, other receivables, deposits and trade and other payables:

The fair value of cash, other receivables, deposits and trade and other payables approximated their carrying value due to their liquidity and relatively short terms to maturity, respectively.

### Stock options and warrants:

The fair values of stock options and warrants are measured based on a Level 2 fair value measurement using a Black Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, forfeiture rate, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds).

## NOTE 5 – RESTRICTED CASH

Restricted Cash of \$400,867 includes amount received and held for commitment on exploration block VMM18 in Colombia. Refer to Note 17 for subsequent transfer of this cash to the VMM18 Evaluation and Exploration expenditures.

## NOTE 6 – EXPLORATION AND EVALUATION ASSETS: MINERAL PROPERTIES

	March 31, 2019	March 31, 2018
Opening balance	\$1,233,723	\$1,233,723
Dispositions	1,233,723	-
Closing balance	-	\$1,233,723

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Allocation		
Mining claims	-	134,000
Mineral properties	-	1,099,723
Closing balance	-	1,233,723

On November 28, 2018 the Company exercised its option under its uranium put and sale agreement, originally signed on May 3, 2017, to divest all the Corporation's uranium assets in exchange for cancellation of outstanding debt in the aggregate amount of \$1,879,439. The outstanding debt includes the term loan of \$1,304,050 as further described in Note 8 and \$575,389 of shareholder loans as described in Note 14. The uranium assets are recorded in the statement of financial position in the mineral properties for \$1,233,722 and related deposits and prepaids of \$144,557 which also transferred upon exercise of the option. The result of the debt retirement was a gain of \$501,160 recorded in the income statement.

### NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include amounts due to related parties as further described in Note 14.

### NOTE 8 – TERM LOAN

On December 29, 2017 the Company negotiated an extension for the term loan to August 31, 2018. The term loan is secured against the Company's Saskatchewan mineral properties only, which are prospective for uranium. Interest is no longer accrued or payable on the loan per the extension agreement. The term loan of \$1,304,050 was fully cancelled upon divestment of the Uranium assets

### NOTE 9 – SHORT TERM LOAN

On March 29, 2019 the Company secured a \$400,890 loan from a non-arm's length lender. The proceeds of the loan are included as restricted cash. The loan bears interest at 12% and was due on April 29, 2019 and subject to accelerated maturity date to within 5 days of the release of funds to the Company from any private placement financing. In the event of non-payment of the principal and interest within the terms, the aggregate unpaid balance will accrue interest of 3% per month.

### NOTE 10 – SHARE CAPITAL

#### Authorized

The Company is authorized to issue an unlimited number of common shares.

#### Issued and Outstanding

	Number	Amount
Balance at March 31, 2017	51,137,679	\$ 11,146,365
Apr 10, 2017 common shares issued in exchange for debt	9,037,322	722,986
April 18, 2017 common share consolidation <sup>1</sup>	(55,675,001)	-
May 3, 2017 common shares issued in private placement at \$0.05 per unit	10,000,000	264,170
June 7, 2017 common shares issued in private placement at \$0.10 per share	20,770,332	1,982,485
June 7, 2017 common shares issued for services	500,000	47,724
Balance at March 31, 2018	35,770,332	14,163,730
<b>Balance at March 31, 2019</b>	<b>35,770,332</b>	<b>14,163,730</b>

<sup>1</sup> As part of the reorganization existing shares were consolidated on 13.37:1 basis resulting in 4,500,000 common shares held by the pre-reorganization shareholders.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Warrants

On May 3, 2017, the Company issued 10,000,000 units to certain directors and key management personnel at a discount to the fair market value of \$0.08 per share, each unit consisted of one common share and one common share purchase warrant. \$500,000 was recognized as share-based compensation in relation to the private placement. The warrants were valued based upon assumptions including stock volatility, a risk-free interest rate, an expected dividend rate and expected life of the warrants. The warrants originally expired on May 3, 2018. Upon approval to extend the warrant expiry to May 3, 2020, an additional 184,413 was recognized as share-based compensation in relation to the extension. The Company uses a Black-Scholes valuation methodology to value the warrants at the date of issuance for accounting purposes. The significant inputs into the model were share price of \$0.10, exercise price of \$0.10, volatility of 53%, dividend yield of 0%, an expected warrant life of one year and an annual risk-free interest rate of 1.08%. Volatility was estimated based on average volatility of a sample of peer companies with public pricing data available. A summary of share purchase warrants is presented below:

	Number	Amount
Balance at March 31, 2017	-	-
Issued	10,000,000	213,852
Extension of expiry date to May 3, 2020	-	184,413
<b>Balance at March 31, 2018</b>	<b>10,000,000</b>	<b>398,265</b>
<b>Balance at March 31, 2019</b>	<b>10,000,000</b>	<b>398,265</b>

### Stock Options

The Company has a stock option plan for employees, officers, directors and consultants. The Company calculates stock option expense using graded vesting. Stock options typically vest over a two-year period and expire five years from the date of grant. The determination of fair value for recording stock option expense is based upon assumptions including stock volatility, a risk-free interest rate, an expected dividend rate and expected life of the options. The Company uses a Black-Scholes valuation methodology to value the stock options at the date of award for accounting purposes. The maximum number of stock options reserved for issuance under the plan may not exceed 10 percent of the number of common shares issued and outstanding. As at March 31, 2019 3,500,000 stock options are outstanding or 9.8 percent of the number of common shares outstanding. The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was \$0.0463 per option. The significant inputs into the model were share price of \$0.10 at the grant date, exercise price shown below, volatility of 53%, dividend yield of 0%, an expected option life of five years and an annual risk-free interest rate of 1.08%. Volatility was estimated based on average volatility of a sample of peer companies with public pricing data available.

The number and weighted-average exercise prices of stock options were as follows:

	Number	Weighted-Average Exercise Price
Balance at March 31, 2017	-	-
Granted on June 7, 2017	3,500,000	0.10
<b>Balance at March 31, 2018 &amp; 2019</b>	<b>3,500,000</b>	<b>0.10</b>

Information with respect to stock options outstanding at March 31, 2019 is presented below.

Stock Options Outstanding				Stock Options Exercisable	
Range of Exercise Prices	Number of Stock Options	Remaining Contractual Life Yrs	Weighted-Average Exercise Price	Number of Stock Options	Weighted-Average Exercise Price
\$0.10	3,500,000	5.0	0.10	1,166,666	0.10
	<b>3,500,000</b>	<b>5.0</b>	<b>0.10</b>	<b>1,166,666</b>	<b>0.10</b>

Stock-based compensation of \$37,080 was expensed during the year ended March 31, 2019 (March 31, 2018 – \$854,388).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 11 – NET (LOSS) INCOME PER SHARE

Basic and diluted net (loss) income per share is calculated as follows:

	For the year ended March 31,	
	2019	2018 <sup>(1)</sup>
Net (loss) income	(1,617,196)	(2,879,299)
<b>Weighted-average common share adjustments</b>		
Weighted-average common shares outstanding, basic	35,770,332	30,868,350
Effect of stock options	-	-
<b>Weighted-average common shares outstanding, diluted</b>	<b>35,770,332</b>	<b>30,868,350</b>
<b>Basic and diluted net loss per share</b>	<b>\$(0.05)</b>	<b>\$(0.09)</b>

(1) Pursuant to the common share consolidation on April 18, 2017 the number of common shares outstanding have been retroactively adjusted to affect the consolidation.

For the year ended March 31, 2019, stock options and warrants were anti-dilutive due to the net loss.

### NOTE 12 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's classification of financial instruments remains unchanged from March 31, 2018.

#### Fair Value of Financial Instruments

The carrying values and respective fair values of cash, other receivables and trade and other payables approximate their fair values at March 31, 2019, given the short-term nature of these financial instruments.

The Company classifies the fair value of financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's financial instruments have been assessed on the fair value hierarchy described above. Cash is classified as Level 1. There has been no reclassification of financial instruments into or out of each fair value hierarchy during the twelve months ended March 31, 2019. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level.

#### Market Risk

Market risk is the risk that changes in market factors, such as commodity prices and foreign exchange rates will affect the Company's cash flows, profit or loss, liquidity or the value of financial instruments. The objective of market risk management is to mitigate market risk exposures where considered appropriate and maximize returns.

##### (i) Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. Lower commodity prices can also impact the Company's ability to raise capital. Commodity prices for uranium and crude oil are impacted by world economic events that dictate the levels of supply and demand. From time to time the Company may attempt to mitigate commodity price risk through the use of financial derivatives. The Company had no commodity contracts in place during the twelve months ended March 31, 2019.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### (ii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. The Company is exposed to foreign currency fluctuations as certain expenditures are denominated in Colombian pesos and US dollars. As at March 31, 2019, the Colombian peso to the Canadian dollar exchange rate was 2389:1 (March 31, 2018 – 2372:1) and the United States dollar to Canadian dollar exchange rate was 0.7483:1 (March 31, 2018 – 0.7756:1). Cash held in US dollars at March 31, 2019 was USD \$316,468 and a change of 1% in the exchange rate would have impacted the Canadian dollar equivalent by +/- CAD \$4,229. The Company had no forward exchange rate contracts in place as at or during the twelve months ended March 31, 2019.

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, within reasonable means, sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions, without incurring unacceptable losses or jeopardizing the Company's business objectives.

### NOTE 13 – INCOME TAXES

The estimated taxable loss for the year ended March 31, 2019 is (\$1,580,632). The tax benefit of tax pools in excess of carrying values has not been recognized to the extent of the future tax renounced for the flow-through shares issued in fiscal 2006, fiscal 2008, fiscal 2009, fiscal 2010 and fiscal 2012. It cannot be reasonably estimated at this time, if it is more likely than not that the Company will realize the benefits from future income tax assets or the amounts owing from future income tax liabilities.

Consequently, the future recovery or loss arising from differences in tax values and accounting values has been reduced by a valuation allowance. The estimated valuation allowance will be adjusted in the period that it is determined that it is more likely than not that some portion of or all of the future tax assets or future tax liabilities will be realized

The following table reconciles the income tax recovery at the Canadian statutory income tax rate of 27% (2018 – 27%) to the amounts recognized in the statement of loss:

	Year ending March 31, 2019	Year ending March 31, 2018
Loss before provision for current income taxes	1,580,632	2,859,309
Expected income tax recovery at Canadian statutory income tax rates - 27 % (2018 - 27 %)	426,771	772,013
Stock based compensation	(10,012)	(230,685)
Gain (Loss) on sale of assets	135,313	(22,595)
Effect of change in tax rates	-	-
Actual income tax recovery (expense)	552,072	518,733
Change in Unrecognized Deferred Income Tax Asset	(552,072)	(518,733)
Recovery of income taxes	-	-
	<b>March 31, 2019</b>	<b>March 31, 2018</b>
Non-capital losses	1,626,091	1,585,844
Equipment & Mineral and Oil and gas properties	1,061,806	728,701
Future income tax (liability) asset before valuation allowance	2,687,896	2,314,545
Unrecognized Deferred Income Tax Asset	(2,687,896)	(2,314,545)
Net future income tax liability	\$ -	\$ -

At March 31, 2019, the Company had non-capital losses in Canada of approximately \$6,022,558 (\$5,873,498 – March 31, 2018) which are available under certain circumstances to reduce future taxable income. These losses expire between 2026 and 2037.

### NOTE 14 – RELATED PARTY TRANSACTIONS

Short term loans totaling \$668,150 (USD \$500,000) were received from directors and shareholders of the Company bearing interest at 6% with USD \$50,000 maturing August 14, 2019 and USD \$450,000 due on December 5, 2019.

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A company controlled by an officer and director of the Company provides financial management services to the Company. During the year ended March 31, 2019 fees and disbursements incurred for amounts due to this officer totaled and \$90,000 (2018 - 82,500). As of March 31, 2019, \$52,500 (2018 – \$Nil) is outstanding in accounts payable.

A company controlled by a shareholder and director provides CEO services to the Company. During the year ended March 31, 2019 fees and disbursements incurred for amounts due to this director totaled \$120,000 (2018 – 110,000). As of March 31, 2019, \$70,000 (2018 – Nil) is outstanding in accounts payable.

Accounts payable includes \$93,467 due to directors of the company for incurred business development and related travel expenses.

Key management personnel were compensated as follows: The Company's key management personnel include its directors and officers.

	For the year ended March 31,	
	2019	2018
Short-term benefits	210,000	192,500
Share based payments	37,080	854,388
<b>Total</b>	<b>247,080</b>	<b>1,046,888</b>

A company controlled by a shareholder advanced \$575,389 to the Company bearing interest at 6% and repayable on demand. On May 3, 2017 the Company entered into an Amended and Restated Loan Agreement fixing the amount owing at \$575,389 and reducing the interest to nil with a maturity date of December 31, 2017. On December 29, 2017 the Company negotiated an extension for the shareholder loan to August 31, 2018. The shareholder loan is secured against the Company's Saskatchewan mineral properties only. Interest is not accrued or payable on the loan per the extension agreement. As further described in note 6, this loan was cancelled upon the exercise of the Put agreement on the Uranium assets.

All of the above transactions are in the normal course of operations and are measured at fair value which is the price agreed to by the related parties.

### NOTE 15 – CAPITAL DISCLOSURES

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued capital stock, warrants, contributed surplus and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to further exploration on its properties. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and warrants, or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the year ended March 31, 2019.

### NOTE 16 – COMMITMENTS

The Company's commitment under the VMM18 contract work program is USD \$3 million.

### NOTE 17 – SUBSEQUENT EVENTS

On April 1, 2019, the restricted cash of \$400,890 held at year end was delivered to the seller pursuant to the VMM18 farm-in agreement.

On July 19, 2019, a director of the Company advanced USD \$5,000 to the Company bearing interest at 6% starting October 19, 2019 and due on July 19, 2020.