VOLT ENERGY

Financial Statements

Years Ended
December 31, 2019 and 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Volt Energy Corp.

Opinion

We have audited the accompanying financial statements of Volt Energy Corp. (the "Company"), which comprise the statement of financial position as at December 31, 2019, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year 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. 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company has a deficit of $4,389,037 and ongoing losses. As stated in Note 1, these conditions 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 Matters

The financial statements of Volt Energy Corp. for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on April 30, 2019.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do 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 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 generally accepted auditing standards 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 generally accepted auditing standards, 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.

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 Guy Thomas.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

March 12, 2020

Volt Energy Corp.

Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2019	December 31, 2018
	($)	($)
ASSETS		
Current assets		
Cash	129,492	105,330
Prepaid expenses	1,696	2,012
GST receivable	2,336	7,977
	133,524	115,319
Exploration and evaluation assets (Notes 4 and 6)	10,501	1
	144,025	115,320
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Notes 5 and 6)	57,150	81,499
Shareholders' equity		
Share capital (Note 7)	4,025,206	3,848,206
Reserves (Note 7)	450,706	360,306
Deficit	(4,389,037)	(4,174,691)
	86,875	33,821
	144,025	115,320

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 13)

On behalf of the Board:

"Ken Brophy"
Ken Brophy - Director

"J. Lewis Dillman"
J. Lewis Dillman - Director

Volt Energy Corp.

Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Year Ended December 31, 2019 ($)	Year Ended December 31, 2018 ($)
EXPENSES		
Consulting fees (Note 6)	26,400	328,332
Director fees (Note 6)	17,000	48,000
General and administrative	11,760	15,905
Professional fees (Note 6)	90,915	205,504
Share-based compensation (Note 7)	90,400	-
Transfer agent and filing fees	19,098	18,341
	255,573	616,082
Gain on spin-off of Cannsun Medhel Bioscience Ltd. (Note 12)	-	289,221
Interest income	321	565
Write-off of exploration and evalaution assets (Note 4)	-	(726,125)
	321	(436,339)
Loss from continuing operations	(255,252)	(1,052,421)
Gain (loss) from discontinued operations (Note 12)	40,906	(118,639)
Loss and comprehensive loss for the year	(214,346)	(1,171,060)
Basic and diluted loss per share:		
Continuing operations	(0.02)	(0.11)
Discontinued operations	0.00	(0.01)
Weighted average common shares outstanding:		
Basic	13,439,493	9,484,150
Diluted	13,439,493	9,484,150

See accompanying notes to the financial statements

Volt Energy Corp.

Statement of Changes in Shareholders`Equity

(Expressed in Canadian Dollars)

	Share capital		Reserves			
	Number of Shares	Amount	Options	Warrants	Deficit	Total
		($)	($)	($)	($)	($)
Balance at December 31, 2017	7,597,849	3,914,384	333,776	26,530	(3,003,631)	1,271,059
Spin-off of Cannsun shares	-	(569,147)	-	-	-	(569,147)
Share issuance - private placement	4,500,000	506,250	-	-	-	506,250
Share issuance costs	-	(3,281)	-	-	-	(3,281)
Loss for the year	-	-	-	-	(1,171,060)	(1,171,060)
Balance at December 31, 2018	12,097,849	3,848,206	333,776	26,530	(4,174,691)	33,821
Share issuance - private placement	5,900,000	177,000	-	-	-	177,000
Stock options granted	-	-	90,400	-	-	90,400
Loss for the year	-	-	-	-	(214,346)	(214,346)
Balance at December 31, 2019	17,997,849	4,025,206	424,176	26,530	(4,389,037)	86,875

See accompanying notes to the financial statements

Volt Energy Corp.

Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year Ended December 31, 2019	Year Ended December 31, 2018
	($)	($)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss for the year from continuing operations	(255,252)	(1,052,421)
Items not affecting cash		
Loss (gain) on spin-off of Cannsun	-	(289,221)
Share-based compensation	90,400	-
Write-off of exploration and evaluation assets	-	726,125
Changes in non-cash working capital items:		
GST receivable	5,641	(6,523)
Prepaids	316	(46)
Accounts payable and accrued liabilities	(24,349)	37,772
	(183,244)	(584,314)
Discontinued operations	40,906	(18,509)
	(142,338)	(602,823)
INVESTING ACTIVITIES		
Cash disposed of from spin-out of Cannsun	-	(74,418)
Exploration and evaluation expenditures	(10,500)	(2,770)
Refund of reclamation deposit	-	33,058
	(10,500)	(44,130)
FINANCING ACTIVITIES		
Common shares issued for cash	177,000	506,250
Share issuance costs	-	(3,281)
	177,000	502,969
Change in cash during the year	24,162	(143,984)
Cash - beginning of year	105,330	249,314
Cash - end of year	129,492	105,330

Supplemental Cash Flow Information (Note 11)

1. Nature of Operations and Going Concern

Volt Energy Corp. (the "Company") was incorporated on November 20, 2000 under the laws of the province of Alberta, Canada and was continued into the province of British Columbia in 2010. The Company's offices are located at 1090 Hamilton Street, Vancouver, BC, Canada, V6B 2R9. The Company is engaged in the exploration of energy metals, such as cobalt, lithium and vanadium, and subsequently in oil and gas assets in Canada. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "VOLT".

In February 2018, Company transferred all of its oil properties to its wholly-owned subsidiary, Cannsun Medhel Bioscience Ltd. (formerly Roughrider Capital Corp.) ("Cannsun"), and then subsequently completed a plan of arrangement wherein it distributed all of the shares of Cannsun to the shareholders of the Company. As a result, the Company's business focus moving forward is to acquire and explore energy and metal properties of merit.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company has a deficit of $4,389,037 and ongoing losses. The Company has no current source of revenues. The above conditions cast significant doubt on the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to raise equity capital or borrowings sufficient to meet current and future obligations. If for any reason, the Company is unable to continue as a going concern, then this could result in adjustments to the amounts and classifications of assets and liabilities in the Company's financial statements and such adjustments could be material.

2. Basis of Preparation

Statement of compliance

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations from the International Financial Reporting Interpretations Committee ("IFRIC").

These audited annual financial statements were approved for issue by the Company's Board of Directors on March 12, 2020.

Basis of measurement

All references to dollar amounts in these financial statements and related notes are in Canadian dollars, unless otherwise indicated.

These financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information.

2. Basis of Preparation (continued)

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The following areas required a significant degree of estimation and judgment:

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

Share-based compensation

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model, which incorporates market data and involves uncertainty in estimates used by management in the assumptions. The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, and, as a result, changes in subjective input assumptions can materially affect the fair value estimate.

3. Summary of Significant Accounting Policies

Basis of consolidation

The financial statements include the accounts of the Company's wholly-owned subsidiary, Cannsun up until March 12, 2018 when the shares of Cannsun were spun-off to the shareholders of the Company. All intercompany transactions and balances were eliminated upon consolidation. As at December 31, 2019, the Company had no subsidiaries.

Foreign currency translation

The functional currency of the Company is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Canadian dollars which is also the functional currency of the Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in profit or loss.

3. Summary of Significant Accounting Policies (continued)

Oil properties

Oil properties are stated at cost, less accumulated depletion and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, and any costs directly attributable to bringing the asset into operation and decommissioning costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Where commercial production in an area of interest has commenced, oil properties are depleted on a unit-of-production basis over the proved reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved reserves of the relevant area. The unit-of-production rate for the depletion of field development costs takes into account expenditures incurred to date, together with future development expenditures to develop the proved reserves. Changes in factors such as estimates of proved reserves that affect unit-of-production calculations are dealt with on a prospective basis.

Loss per share

Basic loss per share is calculated by dividing the loss of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees. The calculation assumes that proceeds received from the exercise of in-the-money stock options are used to repurchase common shares at the average market price. For the years presented, this calculation proved to be anti-dilutive.

Exploration and evaluation assets

Costs related to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized by property. Costs incurred before the Company has obtained the legal rights to explore an area are recognized through profit or loss. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are first tested for impairment and then reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to their recoverable amount. Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

3. Summary of Significant Accounting Policies (continued)

Share based payments

The Company has a stock option plan. Share based payments are measured at the fair value of the instruments issued and recognized over the term of vesting. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the options granted shall be based on the number of options that eventually vest. If and when stock options are ultimately exercised, the amount of cash received as well as the applicable amount of the associated reserve is transferred to share capital. The value associated with expired options remains in reserves.

Decommissioning provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of well sites is capitalized to the exploration and evaluation assets or the oil and gas properties along with a corresponding increase in the restoration provision in the period incurred. The Company uses a pre-tax discount rate that reflects the time value of money to calculate the net present value of the decommissioning provisions. The restoration asset will be depreciated on the same basis as the exploration and evaluation assets or the oil and gas properties.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the exploration and evaluation assets or the oil and gas properties with a corresponding entry to the restoration provision, except when the related exploration and evaluation assets or oil and gas property is closed or the carrying value has been reduced to a $nil value. Changes in estimates of restoration costs for closed exploration and evaluation assets or oil and gas properties are recorded in profit or loss. The Company's estimates are reviewed each reporting date for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

The restoration provisions are accreted to full value over time through charges to finance expenses in profit or loss. The Company has no asset retirement obligations.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the jurisdictions where the Company operates and generates taxable income.

3. Summary of Significant Accounting Policies (continued)

Income taxes *(continued)*

Deferred income tax is provided based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred. The costs of restoration projects that were included in the provision are recorded against the provision as incurred.

Impairment of long-lived assets

The carrying amount of the Company's assets is reviewed for indicators of impairment each reporting date. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal ("FVLCD").

FVLCD is defined as the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The Company calculates FVLCD by reference to the after-tax future cash flows expected to be derived, less estimated selling costs. The estimated after-tax future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. If an impairment loss exists, then it is recorded as an expense immediately.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss cannot be reversed to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

3. Summary of Significant Accounting Policies (continued)

Financial instruments

IFRS 9 provides three different measurement categories for non-derivative financial assets – subsequently measured at amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income – while all non-derivative financial liabilities are classified as subsequently measured at amortized cost. The category into which a financial asset is placed and the resultant accounting treatment is largely dependent on the nature of the business of the entity holding the financial asset. All financial instruments are initially recognized at fair value.

Financial assets

The Company initially recognizes financial assets at fair value on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies all of its financial assets as subsequently measured at amortized cost. All financial assets that do not meet the criteria to be recognized as subsequently measured at amortized cost or subsequently measured at fair value through other comprehensive income are classified as FVTPL.

Financial liabilities

The Company classifies all of its financial liabilities as subsequently measured at amortized cost. Financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

Impairment

An "expected credit loss" impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(Expressed in Canadian dollars)

3. Summary of Significant Accounting Policies (continued)

Newly adopted accounting standards

IFRS 16, Leases

This new standard replaces the existing leasing guidance in IAS 17, Leases.

IFRS 16 distinguishes between leases and service contracts on the basis of whether the customer controls the asset being leased. For those contracts determined to meet the definition of a lease, IFRS 16 requires a lessee to recognize on the statement of financial position a lease asset along with the associated lease liability which reflects future lease payments, similar to current finance lease accounting. There are limited exceptions for leases with a term of less than 12 months or leases of assets which have a low value. As a result of the adoption of IFRS 16, operating leases which were previously only recognized in profit or loss will be recognized on the statement of financial position.

The purpose of the standard is to provide users of the financial statements with a more accurate picture of a company's leased assets and associated liabilities, while also improving the comparability of companies that lease assets to those that purchase them.

The adoption of this standard did not have an impact on the Company's financial statements.

4. Exploration and Evaluation Assets

A schedule of deferred acquisition costs during the years ended December 31, 2019 and 2018 is as follows:

	Temiskaming and Fabre	**Lac Saint Simon**	**Total**
	($)	**($)**	**($)**
Balance at January 1, 2018	398,192	325,164	723,356
Additions	692	2,078	2,770
Impairment	(398,884)	(327,241)	(726,125)
Balance at December 31, 2018	-	1	1
Additions	-	10,500	10,500
Balance at December 31, 2019	-	10,501	10,501

<u>Temiskaming and Fabre, Quebec</u>

On April 6, 2017, the Company acquired a 100% interest in the Temiskaming and Fabre Cobalt - Silver property ("TFC Property") located in Quebec's Fabre township.

During the year ended December 31, 2018, the Company decided to abandon the TFC Property. Accordingly, the Company recorded a write-off of exploration and evaluation assets of $398,884.

(Expressed in Canadian dollars)

4. Exploration and Evaluation Assets (continued)

Lac Saint Simon, Quebec

On June 1, 2017, the Company acquired a 100% interest in the Lac Saint Simon lithium property located in west-central Quebec in exchange for 625,000 common shares of the Company which were valued at $325,000.

During the year ended December 31, 2018, the Company reviewed the carrying value of its exploration and evaluation assets and determined there were impairment indicators present. The Company was unable to raise sufficient capital with which to explore the properties and as a result was unable to advance the development of the properties in any meaningful way. Accordingly, the Company recorded an impairment loss of $327,241 to reduce the carrying value to a nominal amount of $1.

The Company incurred $10,500 (2018 - $2,078) in exploration expenditures during the year ended December 31, 2019.

5. Accounts Payables and Accrued Liabilities

	2019	2018
	($)	($)
Trade payables	-	11,770
Related party payables (Note 6)	41,150	55,229
Accrued liabilities	16,000	14,500
	57,150	81,499

6. Related Party Transactions

Key management includes the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), directors and companies controlled by them. The Company incurred the following transactions with key management of the Company during the years ended December 31, 2019 and 2018.

Key management compensation

	2019	2018
	($)	($)
Consulting fees	3,000	74,812
Director fees	17,000	54,000
Exploration and evaluation consulting	10,500	-
Professional fees	57,500	63,774
Royalties	-	398
Stock-based compensation	90,400	-
	178,400	192,984

As at December 31, 2019, a total of $41,150 (2018 - $55,229) was included in accounts payable and accrued liabilities as owing to related parties (Note 5).

(Expressed in Canadian dollars)

7. Share Capital

Authorized share capital

The Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preference shares without par value.

Issued share capital

There are no preferred shares issued or outstanding.

Year ended December 31, 2019

On October 10, 2019, the Company issued 5,900,000 common shares at $0.03 per share pursuant to a non-brokered private placement for gross proceeds of $177,000.

Year ended December 31, 2018

On August 1, 2018, the Company issued 4,500,000 common shares at $0.1125 per share pursuant to a non-brokered private placement for gross proceeds of $506,250. The Company paid $3,281 in share issuance costs in connection with the placement.

Stock options

The Company has adopted a fixed 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 TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock 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 of the Company. Such options will be exercisable for a variable period from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 60 days following cessation of the optionee's position with the Company.

On May 3, 2019, the Company granted 1,000,000 stock options with a fair value of $58,200. The options were fully vested on the grant date, and the Company expensed $58,200 as share-based compensation.

On October 10, 2019, the Company granted 775,000 stock options with a fair value of $32,200. The options were fully vested on the grant date, and the Company expensed $32,200 as share-based compensation.

The options granted during the year were valued using the Black-Scholes option pricing model under the following weighted average assumptions:

	2019	**2018**
Risk-free interest rate	1.52%	-
Expected life of options	5 yrs	-
Volatility	121%	-
Expected Dividend yield	Nil	-
Forfeiture rate	Nil	-
Weighted average fair value	$0.05	-

(Expressed in Canadian dollars)

7. Share Capital (continued)

A continuity schedule of the Company's stock options is as follows:

	Number of Options	Weighted Average Exercise Price
		($)
Balance, December 31, 2018 and 2017	155,000	0.40
Issued	1,775,000	0.06
Expired	(555,000)	0.16
Balance, December 31, 2019	1,375,000	0.06

There was no stock option activity during the year ended December 31, 2018.

The following table summarizes the stock options outstanding and exercisable as at December 31, 2019:

Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
		($)		(yrs)
600,000	600,000	0.07	May 2, 2024	4.34
775,000	775,000	0.05	October 10, 2024	4.78
1,375,000	1,375,000	0.06		4.59

8. Financial Instruments and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company prepares general operating budget to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company uses its best efforts to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

8. Financial Instruments and Risk Management (continued)

The Company's financial liabilities consist of accounts payable and accrued liabilities, all of which are due within twelve months.

Historically and prior to the spin out of the oil and gas assets, the Company's main source of funding has been through revenue earned from its operating well interests and the issuance of equity securities for cash. The Company's access to financing in the public markets is always uncertain. The Company is exposed to liquidity risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

Foreign exchange risk

Foreign currency exchange rate risk is the risk that the fair value of assets and future cash flows will fluctuate as a result of changes in foreign currency exchange rates. However, the Company's functional currency is the Canadian dollar and the Company doesn't have any material assets or operations that are denominated in a foreign currency. Accordingly, the Company is not exposed to any material foreign exchange risk and has not hedged its limited exposure to currency fluctuations.

Classification of financial instruments

The Company classifies its other financial assets and other financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

The fair value of cash is measured using Level 1 of the fair value hierarchy. Financial liabilities included in the statement of financial position include accounts payable and accrued liabilities. The fair value of the Company's financial liabilities approximates the carrying amount due to their short term to maturity, and the effect of changes in the Company's credit risk do not have a significant impact on the fair value due to the short term to maturity.

(Expressed in Canadian dollars)

8. Financial Instruments and Risk Management (continued)

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of the components of shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets.

The Company is not subject to any externally imposed capital requirements.

There have been no changes to the Company's approach to capital management during the year ended December 31, 2019.

9. Segmented Information

The Company operates in two reportable operating segments being the acquisition, exploration and development of oil and gas and mineral resources properties.

The Company operates in one geographic segment located in Canada.

10. Income Tax

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before taxes. These differences result from the following items:

	2019	**2018**
	($)	**($)**
Loss before income taxes	(214,346)	(1,171,060)
Canadian federal and provincial income tax rates	27.00%	27.00%
Income tax recovery based on the above rates	(58,000)	(316,186)
Increase (decrease) due to:		
Adjustment to prior year's provision versus statutory tax returns	108,000	-
Non-deductible items	25,000	(69,453)
Deferred tax effect of Spin out	-	32,163
Differences in long term tax rates	(1,000)	(1,886)
Tax effect of tax losses and temporary differences not recognized	(74,000)	355,362
Income tax (recovery) expense	-	-

(Expressed in Canadian dollars)

10. Income Tax (continued)

The components of deferred income taxes are as follows:

	2019 ($)	2018 ($)
Deferred income tax assets		
Non-capital losses	692,000	650,944
Property, plant, equipment and other	266,000	381,391
Share issuance costs	1,000	709
Total deferred income tax assets	959,000	1,033,044
Unrecognized deferred tax asset	(959,000)	(1,033,044)

In assigning the realization of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

The Company has non-capital loss carry-forwards of approximately $2,562,268 that may be available for tax purposes. The loss carry-forwards are all in respect of its Canadian operations and expire as follows:

Year	Amount ($)
2029	245,116
2030	11,641
2031	401,114
2032	48,157
2033	281,888
2034	353,600
2035	164,572
2036	60,083
2037	147,493
2038	724,648
2039	123,956
	2,562,268

(Expressed in Canadian dollars)

11. Supplemental Cash Flow Information

	2019	2018
	($)	**($)**
Non-cash investing and financing activities:		
The Company distributed 15,195,698 common shares of Cannsun to the shareholders of the Company	-	569,147
Interest paid during the year	-	-
Income taxes paid during the year	-	-

12. Spin Off of Cannsun

In January 2018, the Company completed the spin out of the common shares of Cannsun to its shareholders and the net loss from the oil and gas assets being $118,639 that were transferred to Cannsun were reclassified to discontinued operations.

During the year ended December 31, 2019, the Company received $40,906 (2018 - $Nil) in historical cost recoveries in connection with the oil properties that were transferred to Cannsun.

13. Subsequent Events

Subsequent to December 31, 2019, the Company:

a) entered into an agreement to acquire two vanadium properties in Quebec in exchange for the issuance of 3,000,000 common shares.

b) entered into a demand promissory grid note (“Promissory Note”) with a corporation that is controlled by the CFO of the Company wherein it can borrow up to $40,000. The Promissory Note is unsecured, bears interest at 18% per annum, compounded monthly, and is due on or before December 31, 2020.

c) acquired 4 non-operating working interests in certain oil wells located in southeastern Saskatchewan from a corporation that shares directors and officers in common with the Company. The consideration for the acquisition was a cash payment of $5,000 and a contingent performance bonus of up to $40,000 payable after one year.