
PETROCORP GROUP INC.
UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of PetroCorp Group Inc. ("**Corporation**") have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's independent auditor.

PETROCORP GROUP INC.

FINANCIAL STATEMENTS

JUNE 30, 2018

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Management's Responsibility

To the Shareholders of PetroCorp Group Inc. (the "**Corporation**):

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safe guarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed of Directors who may be neither management nor employees of the Corporation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving financial information. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Corporation's external auditors.

/s/ Andrew Lindzon

Andrew Lindzon
Chief Executive Officer and President

Toronto, Ontario
August 23, 2018

PETROCORP GROUP INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 (All Amounts are in Canadian Dollars)

As at **June 30, 2018** **March 31, 2018**

ASSETS

CURRENT

| | | |
|--------------------------|--------------------------|--------------------------|
| Cash and cash equivalent | \$ 230,722 | \$ 258,770 |
| Sundry receivables | 12,165 | 12,339 |
| Prepaid expenses | <u>3,500</u> | <u>---</u> |
| | <u>\$ 246,482</u> | <u>\$ 271,109</u> |

LIABILITIES

CURRENT

| | | |
|---|-------------------|-------------------|
| Accounts payable and accrued liabilities (Note 8) | \$ <u>142,482</u> | \$ <u>138,135</u> |
|---|-------------------|-------------------|

SHAREHOLDERS' EQUITY (DEFICIENCY)

| | | |
|------------------------------|--------------------------|--------------------------|
| CAPITAL STOCK (Note 4) | | |
| Issued and Outstanding | 4,786,772 | 4,786,772 |
| CONTRIBUTED SURPLUS (Note 6) | 8,064,759 | 8,064,759 |
| ACCUMULATED DEFICIT | <u>(12,718,557)</u> | <u>(12,718,557)</u> |
| | <u>132,974</u> | <u>(132,974)</u> |
| | <u>\$ 271,109</u> | <u>\$ 271,109</u> |

Nature of Organization (Note 1)
 Commitments (Note 9)
 Contingency (Note 10)
 Subsequent Events (Note 15)

APPROVED ON BEHALF OF THE BOARD:

 /s/ "Andrew Lindzon"
 Andrew Lindzon, Director

 /s/ "David Bernholtz"
 David Bernholtz, Director

PETROCORP GROUP INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(All Amounts are in Canadian Dollars)

| | Number of Common Shares | Amount of Common Shares | Contributed Surplus | Accumulated Deficit | Shareholders' Equity |
|-------------------------|-------------------------------|-------------------------------|------------------------|------------------------|-------------------------|
| Balance, April 1, 2017 | 82,323,254 | \$ 4,505,706 | \$ 8,064,759 | \$(12,684,527) | \$ (114,062) |
| Net loss for the period | --- | --- | --- | (10,033) | (10,033) |
| Balance, June 30, 2017 | <u>82,323,254</u> | <u>\$ 4,505,706</u> | <u>\$ 8,064,759</u> | <u>\$(12,694,560)</u> | <u>\$ (124,095)</u> |
| Balance, April 1, 2018 | 574,126,529 | \$ 4,786,772 | \$ 8,064,759 | \$(12,718,557) | \$ 132,974 |
| Net loss for the period | --- | --- | --- | (11,069) | (11,069) |
| Balance, June 30, 2017 | <u>574,126,529</u> | <u>\$ 4,786,772</u> | <u>\$ 8,064,759</u> | <u>\$(12,729,626)</u> | <u>\$ 121,905</u> |

PETROCORP GROUP INC.
UNAUDITED CONDENSED INTERIM
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(All Amounts are in Canadian Dollars)

| For the period ended June 30, | April 1 | |
|---|--------------------|--------------------|
| | 2018 | 2017 |
| REVENUES | \$ --- | \$ --- |
| EXPENSES | | |
| Administrative (Note 7 and 8) | <u>11,069</u> | <u>10,033</u> |
| INCOME (LOSS) BEFORE INCOME TAXES | (11,069) | (10,033) |
| Recovery of (provision for) income taxes | <u>---</u> | <u>---</u> |
| NET LOSS FROM OPERATIONS AND COMPREHENSIVE LOSS | <u>\$ (11,069)</u> | <u>\$ (10,033)</u> |
| NET INCOME (LOSS) PER COMMON SHARE | | |
| Basic | <u>\$ 0.00</u> | <u>\$ 0.00</u> |
| Diluted | <u>\$ 0.00</u> | <u>\$ 0.00</u> |
| Weighted Average Common Shares Outstanding | <u>574,126,529</u> | <u>82,323,254</u> |

PETROCORP GROUP INC.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(All Amounts are in Canadian Dollars)

| For the period ended June 30, | April 1, 2018 | 2017 |
|--|-------------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) for the year | \$ (11,069) | \$ (55,538) |
| Change in non-cash working capital items: | | |
| Sundry receivables and prepaid | (3,326) | (3,727) |
| Accounts payable and accrued liabilities | <u>(13,653)</u> | <u>50,634</u> |
| CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>(28,048)</u> | <u>(8,631)</u> |
| DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR | (28,048) | (8,631) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of the year | <u>258,770</u> | <u>9,653</u> |
| End of the year | <u>\$ 230,722</u> | <u>\$ 1,022</u> |
| CASH AND CASH EQUIVALENTS, represented as follows: | | |
| Cash | \$ 230,722 | \$ 1,022 |
| Short-term deposit | — | — |
| SUPPLEMENTAL INFORMATION | | |
| Interest received | \$ — | \$ — |
| Interest paid | — | — |
| Income taxes paid | — | — |

PETROCORP GROUP INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018
(All Amounts are in Canadian Dollars)

1. Nature of Organization

Description of the Business

PetroCorp Group Inc. (“**Corporation**”) was incorporated under the Alberta Business Corporations Act on March 25, 1993. Its registered head office is 38 Edmund Seager Drive, Thornhill, Ontario. On December 15, 2009, the Corporation sold its operating business through a sale of substantially all of its assets and liabilities, and as a result, does not have an operating business at this time.

The Corporation does not currently have any operations and is seeking to identify an operating company to acquire or merge with.

These financial statements of the Corporation were authorized for issue in accordance with a resolution of the directors on August 23, 2018.

Basis of Operations and Going Concern

These financial statements have been prepared in accordance with IFRS applied on a going concern basis, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. As at March 31, 2018, the Corporation had no sources of operating cash flows. The Corporation will therefore may require additional funding which, if not raised, would result in the curtailment of activities and delays in its ability to merge with or acquire an operating entity. The Corporation had working capital of \$121,905 as at June 30, 2018 (March 31, 2018 – working capital of \$132,974), and has incurred losses since inception, resulting in an accumulated deficit of \$12,729,626 as at March 31, 2018 (March 31, 2018 - \$12,718,557). The Corporation’s ability to continue as a going concern is uncertain and is dependent upon its ability to continue to raise adequate financing. There can be no assurances that the Corporation will be successful in this regard, and therefore, there is doubt regarding the Corporation’s ability to continue as a going concern, and accordingly, the use of accounting principles applicable to a going concern. These financial statements do not reflect adjustments that would be necessary if the “going concern” assumption were not appropriate. If the “going concern” assumption were not appropriate for these financial statements, then adjustments to the carrying values of the assets and liabilities, the expenses and the balance sheet classifications, which could be material, would be necessary.

As an entity with no operations, funding to meet its operating expenses as well as working capital is dependent on the Corporation’s ability to issue common shares or borrow funds. While the Corporation currently has sufficient funds on hand to meet its current budget for the foreseeable future, there is no certainty that the Corporation will be able to raise sufficient funds beyond this period.

The business of identifying and acquiring an operating entity entails a high degree of risk and capital commitment and there can be no assurance that if successful would provide positive cash flows. Therefore, the Corporation will have to rely on its ability to raise additional funds by way of share issuances from its treasury and short-term advances of capital from its directors and officers.

PETROCORP GROUP INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018
(All Amounts are in Canadian Dollars)

1. Nature of Organization - continued

Statement of Compliance

These unaudited condensed interim consolidated financial statements for the six-month period from April 1, 2018 to June 30, 2018 have been prepared by management in accordance International Accounting Standards (“IAS”) 34 – Interim Financial Reporting under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and incorporated into Canadian Generally Accepted Accounting Principles (“CGAAP”). Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements have not been reviewed by the Corporation’s external auditors.

These financial statements have been prepared on a historical cost basis except for certain financial assets, which are recorded at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

2. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Basis of Consolidation

The unaudited condensed interim consolidated financial statements of the Corporation include the accounts of its wholly-owned subsidiaries 1198073 Alberta Ltd. and 1444297 Alberta Ltd. All inter-company transactions have been eliminated.

Basis of Measurement

These unaudited condensed interim consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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 reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the financial statements are disclosed in note 3.

Functional and presentation currency

These unaudited condensed interim consolidated financial statements are presented in Canadian dollars, which is the Corporation’s functional currency.

Cash and Cash Equivalents

Cash and cash equivalents may include demand deposits with banks, money market accounts, and other short-term investments with original maturities of 90 days or less.

PETROCORP GROUP INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018
(All Amounts are in Canadian Dollars)

2. Summary of Significant Accounting Policies - continued

Transactional Costs

The costs incurred relating to transactional costs are expensed as incurred.

Deferred Financing Costs

Financing costs related to the Corporation's proposed financing are recorded as deferred financing costs. These costs will be deferred until the financing is completed, at which time the costs will be charged against the proceeds received. If the financing does not close, the costs will be charged to statements of operations and comprehensive loss.

Incremental costs incurred in respect of raising capital are charged against equity or debt proceeds raised. Costs associated with the issuance of common share are charged to capital stock upon the raising of equity. Costs associated with the issuance of debt are amortized using the effective interest method over the life of the debt.

Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statements of operations and comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current Income Tax

Current tax is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and tax laws that were enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences; and
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise upon initial recognition of goodwill or arise on initial recognition of assets and liabilities acquired other than in a business combination where at the time of transaction effects neither accounting profit or taxable income (tax loss).

PETROCORP GROUP INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018
(All Amounts are in Canadian Dollars)

2. Summary of Significant Accounting Policies - continued

Earnings (Loss) Per Share

Earnings (loss) per share is calculated by dividing the net loss applicable to common shares by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is computed by dividing the net loss applicable to common shares by the diluted weighted average number of shares which assumes that all outstanding stock options granted with an exercise price below the average market value are exercised during the period. The difference between the number of shares assumed and the number of shares assumed purchased is then included in the denominator of the diluted earnings per share computation.

Non-derivative Financial Instruments

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

Financial assets are classified into the following categories: financial assets “at fair value through profit or loss” (“**FVTPL**”), “held-to-maturity investments”, “available-for-sale” financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

Fair Value Through Profit or Loss

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of operations. Gains and losses arising from changes in fair value are presented in the statement of operations within other gains and losses in the period in which they arise.

Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

Loans and Receivables

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

Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Impairment of financial assets

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

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NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018
(All Amounts are in Canadian Dollars)

2. Summary of Significant Accounting Policies - continued

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

The following is a summary of significant categories of financial instruments outstanding at June 30, 2018:

| | |
|--|------------------------------------|
| Cash and cash equivalents | Fair value through profit and loss |
| Sundry receivables | Loans and receivables |
| Accounts payable and accrued liabilities | Other financial liabilities |

Carrying value and fair value of financial assets and liabilities are summarized as follows:

| Classification | Carrying Value | Fair value |
|------------------------------------|----------------|------------|
| Fair value through profit and loss | \$ 230,722 | \$ 230,722 |
| Loans and receivables | 12,165 | 12,165 |
| Other financial liabilities | 124,482 | 124,482 |

Fair Value Hierarchy

The Corporation classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation technique used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

As of June 30, 2018 and March 31, 2018, cash and cash equivalents are measured at fair value and are classified within Level 1 of the fair value hierarchy.

Impairment of non-financial assets

The Corporation's assets are reviewed for indications of impairment at each statement of financial position's date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets the unit on a pro-rata basis.

PETROCORP GROUP INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018
(All Amounts are in Canadian Dollars)

2. Summary of Significant Accounting Policies - continued

Share-based Payments

Stock options issued by the Corporation are accounted for in accordance with the fair value-based method. The fair value of options issued to directors, officers, employees of and consultants to the Corporation is charged to earnings over the vesting period of each tranche (graded vesting) with the offsetting amount recorded to contributed surplus. The historical forfeiture rate is also factored in to the calculations. When options are exercised, the amount received together with the amount previously recorded in contributed surplus, are added to capital stock. The fair value of warrants issued to agents in conjunction with a public offering is charged to share issue costs with an offsetting amount recorded to contributed surplus. Fair value is measured using the Black-Scholes option pricing model.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs

Warrants

The Corporation measures the fair value of warrants issued using the Black-Scholes option pricing model. The fair value of each warrant is estimated based on their respective issuance dates taking into account volatility, expected life, the dividend rate, and the risk-free interest rate. The fair value of warrants issued in conjunction with an offering is charged to share issue costs with an offsetting amount recorded to contributed surplus. The fair value of warrants exercised is recorded as share capital, and the fair value of any expired warrants is recorded as contributed surplus general account.

Recent Accounting Pronouncements

Accounting standards issued and adopted

IAS 7 - Statement of Cash Flows ("IAS 7")

IAS 7 came in to effect for fiscal periods beginning on or after January 1, 2017 expand existing guidance by requiring companies to provide information about changes in their financing liabilities to provide investors with information that helps investors with a better understanding of changes in a company's debt. The adoption of IAS 7 did not have a material impact on the financial position of the Corporation.

Future Accounting standards issued and to be adopted

IFRS 7 - Financial Instruments ("IFRS 7")

IFRS 7 requires entities to provide disclosure in their financial statements that enable users to evaluate the significance of financial instrument and the nature and extent of risks arising from financial instruments to which an entity is exposed and how the entity manages those risks. It was amended to (i) add guidance on whether an arrangement to service a financial asset that has been transferred constitutes continuing involvement, and (ii) to clarify that the additional disclosure required by the amendments to IFRS 7 is not specifically required for interim periods, unless by IAS 34. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2018. The financial reporting impact of adopting IFRS 7 is not anticipated to have a material impact on the financial position of the Corporation.

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NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018
(All Amounts are in Canadian Dollars)

2. Summary of Significant Accounting Policies - continued

IFRS 9 – Financial Instruments (“IFRS 9”)

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments (“IFRS 9”) replacing IAS 39, Financial Instruments Recognition and Measurements. The Corporation intends to adopt IFRS 9 effective April 1, 2018.

(i) Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: (i) measured at amortized cost; (ii) fair value through other comprehensive income (FVOCI); and (iii) fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Upon completing the impact of the implementation of IFRS 9, the Corporation determined that there is no impact the financial position of the Corporation.

3. Summary of Accounting Estimates and Assumptions

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

Fair Value of Financial Instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Share-Based Payment Transactions

The Corporation measures the cost of share-based payment transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield and forfeiture rate of the share option. The assumptions and models used for estimating fair value for share-based payment transactions are determined at the time of the granting of such share-based compensation.

Income Taxes

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

PETROCORP GROUP INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(All Amounts are in Canadian Dollars)

4. Capital Stock

The Corporation is authorized to issue an unlimited number of common shares and preferred shares. The preferred shares are issuable in series. As at June 30, 2018 and March 31, 2018 no preferred shares are issued.

On June 1, 2017, the Corporation voluntarily delisted its common shares from the TSX Venture Exchange.

In December 2017, the Corporation issued 491,803,275 common shares for gross proceeds of \$300,000 and incurred issuance costs of \$18,934.

5. Stock Option Plan

On August 15, 2006, the Corporation established an incentive stock option plan for certain directors, executive officers, employees and consultants. The number of shares reserved for issuance under the incentive stock option plan is not to exceed 10,500,000 shares and the number of shares reserved for issuance to any one person shall not exceed 5% of the issued and outstanding shares of the Corporation. Each incentive stock option is exercisable into one common share of the Corporation at the price specified in the terms of the option.

As at June 30, 2018 and March 31, 2018, there were no incentive stock options outstanding and there was no activity during the fiscal years then ended.

6. Contributed Surplus

The Corporation's contributed surplus consists of the following:

| | General | Incentive Stock Option | Warrants | Total |
|-------------------------------------|--------------|---------------------------|----------|--------------|
| Balance, June 30 and March 31, 2018 | \$ 8,064,759 | \$ --- | \$ --- | \$ 8,064,759 |

7. General and Administrative Expenses

| | 2018 | 2017 |
|----------------------------|------------------|------------------|
| Bank charges | \$ 38 | \$ 57 |
| Interest expense | 110 | --- |
| Miscellaneous | | --- |
| Professional fee | 3,300 | 2,500 |
| Management fees | 4,500 | 4,500 |
| Regulatory and filing fees | 1,621 | 1,476 |
| Premises | 1,500 | 1,500 |
| | <u>\$ 11,069</u> | <u>\$ 10,033</u> |

PETROCORP GROUP INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(All Amounts are in Canadian Dollars)

8. Related Party Transactions

Related party transactions include transactions with parties related by common directors and transactions with other private entities owned or controlled by officers and directors. All transactions are provided in the normal course of business and are measured at exchange amounts agreed upon by the related parties. The following table summarizes the related party transactions occurring the year.

| | 2018 | 2017 |
|--------------------------------|----------|----------|
| Expenses | | |
| Consulting and director fees | \$ 4,500 | \$ 4,500 |
| Premises | 1,500 | 1,500 |
| Included with accounts payable | 97,453 | 68,345 |

9. Commitment

The Corporation has not entered in to any contract that requires a minimum payment.

10. Contingencies

From time to time, the Corporation may be exposed to claims and legal actions in the normal course of business, some of which may be initiated by the Corporation. As of June 30, 2018 and 2017, the Corporation is not a party to any material claims that would have a significant impact, either individually or in the aggregate.

11. Financial Instruments and Risk Management

Risk Management

In the normal course of business, the Corporation is exposed to financial risk that arises from its indebtedness, including fluctuations in interest rates and in the credit quality of its customers. Management's involvement in operations helps identify risks and variations from expectations.

The Corporation does not manage risk through the use of hedging transactions. As a part of the overall operation of the Corporation, management takes steps to avoid undue concentrations of risk.

The Corporation manages its common shares, stock options and warrants as capital. The Corporation's objectives when managing capital is to safeguard the Corporation's ability to continue and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation manages the 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 the capital structure, the Corporation may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Corporation may prepare expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions

Liquidity Risk

Liquidity risk is the risk that the Corporation cannot meet its financial obligations associated with financial liabilities in full. The primary source of liquidity is debt and equity financing, which is used to fund additional operating and other expenses and retire debt obligations at their maturity. As the Company is dependent on debt and equity financing to finance operations, liquidity risk is considered high.

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11. Financial Instruments and Risk Management - continued

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk.

Obtaining long-term debt with fixed interest rates minimizes interest rate cash flow risk. The Company currently has no financial instruments that are interest bearing and therefore is currently no exposed to interest rate risk.

The Corporation does not trade in financial instruments and is not exposed to any significant interest rate price risk.

Market Risk

Market risk is the risk that changes in market price, such as foreign exchange rates, commodity prices, and interest rates will affect the Corporation's net income or the value of financial instruments. These risks are generally outside the control of the Corporation. The objectives of the Corporation are to mitigate market risk exposure within acceptable limits, while maximizing returns.

Credit Risk

Credit risk related to accounts receivable arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Corporation mitigates this risk by regularly monitoring the financial health and aging of any amounts due from its debtors.

As of the date of these financial statements the Corporation's only debtors are the government of Canada for the harmonized goods and services ("HST") receivable and therefore the Corporation does not believe it is currently exposed to any significant credit risk and related party balances.

Currency Risk

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. At June 30, 2018 and March 31, 2018, the Corporation did not have any foreign denominated currencies.

Other Price Risk

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Corporation are not exposed to other price risk.

Fair Values

Financial instruments include cash, sundry receivable, and accounts payable and accruals. The carrying values of these financial instruments approximate fair value due to the short-term nature of financial instruments.

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12. Capital Management and Liquidity

The Corporation manages its cash and common shares as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation manages the 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 the capital structure, the Corporation may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Corporation prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to preserve cash for business acquisitions, the Corporation does not pay out dividends. The Corporation's investment policy, in general, is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Corporation's strategy is to satisfy its liquidity needs using cash on hand and new debt or equity financings

The principal liquidity needs for periods beyond the next twelve months are for non-recurring capital expenditures and potential business acquisitions. The Corporation's strategy is to meet these needs with one or more of the following:

- common share and warrants offering;
- debt financing.

The following table presents the contractual maturities of the Corporation's financial liabilities as at June 30, 2018:

| | Total | Payments by Periods | | | |
|--|------------|---------------------|-------------|-------------|---------------|
| | | < 1 Year | 1 - 3 Years | 4 - 5 Years | After 5 Years |
| Accounts payable and accrued liabilities | \$ 124,482 | \$ 124,482 | \$ --- | \$ --- | \$ --- |

13. Financial Instruments

The Corporation's operations expose the Corporation to market risk, credit risk, and liquidity risk. The Corporation manages its exposure to these risks by operating in a manner that minimizes these risks. Senior management employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Corporation's business objectives and risk tolerance levels. The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board has established policies in setting risk limits and controls and monitors these risks in relation to market conditions.

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13. Financial Instruments - continued

Fair Value of Non-Derivative Financial Instruments

Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. The fair value of interest-bearing financial assets and liabilities is determined by discounting the contractual principal and interest payments at estimated current market interest rates for the instrument. Current market rates are determined by reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risk. The carrying value and fair value of financial instruments being of equal value are as follows:

| | June 30, 2018 | March 31, 2018 |
|--|---------------|----------------|
| Financial assets | | |
| Cash and cash equivalents | \$ 230,722 | \$ 258,770 |
| Sundry receivable | 12,165 | 12,339 |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 124,482 | 138,135 |

Fair Value Hierarchy

The Corporation values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Corporation maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

The following table outlines financial assets and liabilities measured at fair value in the consolidated financial statements and the level of the inputs used to determine those fair values in the context of the hierarchy as defined above:

| As at June 30, 2018 | Level 1 | Level 2 | Level 3 | Total |
|--|-------------------|------------------|---------------|-------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 230,165 | \$ --- | \$ --- | \$ 230,165 |
| Sundry receivables | --- | 12,165 | --- | 12,165 |
| Total Assets | <u>\$ 230,165</u> | <u>\$ 12,165</u> | <u>\$ ---</u> | <u>\$ 242,887</u> |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 124,482 | \$ --- | \$ --- | \$ 124,482 |
| Total liabilities | <u>\$ 124,482</u> | <u>\$ ---</u> | <u>\$ ---</u> | <u>\$ 124,482</u> |

Level 3 fair values are based on a number of valuation techniques other than observable market data. There are no level 3 values currently recorded on the balance sheet of the Corporation.

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14. Proposed Transaction

On January 8, 2018 (amended July 18, 2018), the Corporation signed a Letter of Intent with First Lithium Minerals Inc. (“**FLM**”), where the Corporation would acquire all of the issued and outstanding shares of FLM, by way of a three-corner amalgamation or other similar transaction (the “**Transaction**”). Immediately prior to the Transaction, the Corporation would consolidate its common shares on a basis of 82 old common shares for 1 new common share, and then acquire FLM via the issuance of 1 new common share of the Corporation for each common share of FLM, for which there were 73,050,334 outstanding as of that date. The Transaction is subjected to a number of conditions precedent which includes among other things regulatory approval.