PETROCORP GROUP INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

DECEMBER 31, 2019

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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
January 17, 2020

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

As at	**Dec.31, 2019**	**March 31, 2019**
ASSETS		
CURRENT		
Cash and cash equivalent	$ 9,651	$ 62,878
Sundry receivables	24	18,502
Loan receivable (Note 15)	199,601	136,233
	$ 209,276	$ 217,613
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	$ 160,104	$ 132,897
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	(12,802,359	(12,766,815)
	49,172	84,716
	$ 209,276	$ 217,613

Nature of Organization (Note 1)
Commitments (Note 9)
Contingency (Note 10)

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, 2018	574,126,529	$ 4,786,772	$ 8,064,759	$(12,718,557)	$ 132,974
Net loss for the period	—	—	—	(35,144)	(35,144)
Balance, December 31, 2018	574,126,529	$ 4, 786,772	$ 8,064,759	$(12,753,701)	$ 97,830
Balance, April 1, 2019	574,126,529	$ 4,786,772	$ 8,064,759	$(12,766,815)	$ 84,716
Net loss for the period	—	—	—	(35,544)	(35,544)
Balance, December 31, 2019	574,126,529	$ 4, 786,772	$ 8,064,759	$(12,802,359)	$ 49,172

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

For the Period from to December 31,	October 1		April 1	
	2019	2018	2019	2018
REVENUES	$ —	$ —	$ —	$ —
EXPENSES				
Administrative (Note 7 and 8)	11,286	8,853	35,544	35,144
INCOME (LOSS) BEFORE INCOME TAXES	(11,286)	(8,853)	(35,544)	(35,144)
Recovery of (provision for) income taxes	—	—	—	—
NET LOSS FROM OPERATIONS AND COMPREHENSIVE LOSS	$ (11,286)	$ (8,853)	$ (35,544)	$ (35,144)
NET INCOME (LOSS) PER COMMON SHARE				
Basic	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Diluted	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Weighted Average Common Shares Outstanding	574,126,529	574,126,529	574,126,529	574,126,529

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

For the Period from to December 31,	October 1		April 1 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss) for the year	$ (11,286)	$ (8,853)	$ (35,544)	$ (35,144)
Change in non-cash working capital items:				
Sundry receivables and prepaid	(24)	(2,204)	18,478	(5,566)
Accounts payable and accrued liabilities	11,253	(5,893)	27,207	(19,582)
CASH FLOWS USED IN OPERATING ACTIVITIES	(57)	(16,950)	10,141	(60,292)
CASH FLOWS FROM FINANCING ACTIVITIES				
Common shares issued for cash	—	—	—	—
Issuance costs	—	—	—	—
CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES	—	—	—	—
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in loans receivable	(13,377)	(45,200)	(63,368)	(135,600)
CASH FLOWS USED IN INVESTING ACTIVITIES	(13,377)	(45,200)	(63,368)	(135,600)
DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	(13,434)	(62,150)	(53,227)	(195,892)
CASH AND CASH EQUIVALENTS				
Beginning of the year	23,085	125,028	62,878	258,770
End of the year	$ 9,651	$ 62,878	$ 9,651	$ 62,878
CASH AND CASH EQUIVALENTS, represented as follows:				
Cash	$ 9,651	$ 62,878	$ 9,651	$ 62,878
Short-term deposit	—	—	—	—
SUPPLEMENTAL INFORMATION				
Interest received	$ —	$ —	$ —	$ —
Interest paid	—	—	—	—
Income taxes paid	—	—	—	—

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, the Corporation does not have an operating business at this time 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 January 17, 2020.

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 September 30, 2019, the Corporation had no sources of operating cash flows. The Corporation 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 $60,458 as at September 30, 2019 (March 31, 2019 – working capital of $84,716), and has incurred losses since inception, resulting in an accumulated deficit of $12,791,073 as at September 30, 2019 (March 31, 2019 - $12,766,815). 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.

Statement of Compliance
These unaudited condensed interim consolidated financial statements for the period ended December 31, 2019 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.

1. Nature of Organization - continued

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.

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.

2. Summary of Significant Accounting Policies - continued

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).

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.

Financial Instruments
Financial assets
Financial assets are classified as either financial assets at fair value through profit or loss ("**FVTPL**"), fair value through other comprehensive income ("**FVTOCI**") or amortized cost. The Corporation determines the classification of financial assets at initial recognition.

2. Summary of Significant Accounting Policies - continued

Financial assets at Fair-value through profit or loss
Financial instruments classified as fair value through profit and loss are reported at fair value at each reporting date, and any change in fair value is recognized in the statement of operations in the period during which the change occurs. Realized and unrealized gains or losses from assets held at FVPTL are included in losses in the period in which they arise.

Financial assets at Fair-value through other comprehensive income
Financial assets carried at FVTOCI are initially recorded at fair value plus transaction costs with all subsequent changes in fair value recognized in other comprehensive income (loss). For investments in equity instruments that are not held for trading, the Corporation can make an irrevocable election (on an instrument-by-instrument bases) at initial recognition to classify them as FVTOCI. On the disposal of the investment, the cumulative change in fair value remains in other comprehensive income (loss) and is not recycled to profit or loss.

Financial assets at amortized cost
Financial assets are classified at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. The Corporation's accounts receivable are recorded at amortized cost as they meet the required criteria. A provision is recorded based on the expected credit losses for the financial asset and reflects changes in the expected credit losses at each reporting period.

Financial liabilities
Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost, unless they are required to be measured at FVTPL (such as derivatives) or the Corporation has elected to measure at FVTPL. The Corporation's financial liabilities include trade and other payables which are classified at amortized cost.

The Corporation has completed a detailed assessment of its financial instruments as of December 31, 2019. The following table shows the original classification under IAS 39 and the new classification under IFRS 9.

	IAS	IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
HST/QST receivable	Loans and receivable	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost

<u>Impairment</u>
IFRS 9 requires an 'expected credit loss' model to be applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in initial recognition.

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	$ 9,651	$ 9,651
Amortized costs (receivable)	199,601	199,601
Amortized costs (liabilities)	160,104	160,104

2. Summary of Significant Accounting Policies - continued

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 December 31, 2019 and March 31, 2019, 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.

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

2. Summary of Significant Accounting Policies - continued

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

IFRS 16 - Leases ("**IFRS 16**")

On January 13, 2016, the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The Corporation has adopted IFRS 16 in its financial statements for the period beginning on January 1, 2019. The adoption of IFRS 16 has no impact on the on the consolidated financial statements.

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.

(All Amounts are in Canadian Dollars)

3. 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 December 31, 2019 and March 31, 2019 no preferred shares are issued.

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

4. 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 December 31, 2019 and March 31, 2019, there were no incentive stock options outstanding and there was no activity during the fiscal years then ended.

5. Contributed Surplus

The Corporation's contributed surplus consists of the following:

	General	Incentive Stock Option	Warrants	Total
Balance, December 31, 2019 and March 31, 2019	$ 8,064,759	$ —	$ —	$ 8,064,759

6. General and Administrative Expenses

For the Period from to December 31,	October 1 2019	2018	April 1, 2019	2018
Bank charges	$ 57	$ —	$ 84	$ 57
Interest expense	—	—	—	157
Professional fee	4,776	2,400	11,430	9,991
Management fees	4,500	4,500	13,500	13,500
Regulatory and filing fees	453	453	6,030	6,939
Premises	1,500	1,500	4,500	4,500
	$ 11,286	$ 8,853	$ 35,544	$ 35,144

(All Amounts are in Canadian Dollars)

7. Related Party Transactions

Related party transactions include transactions with p[arties 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.

For the Period from	October 1		April 1,	
December 31,	2019	2018	2019	2018
Expenses				
Consulting and director fees	$ 4,500	$ 4,500	$ 13,500	$ 13,500
Premises	1,500	1,500	4,500	4,500
Included with accounts payable	128,428	103,648	134,623	109,843

8. Commitment

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

9. 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 December 31, 2019 and March 31, 2019, the Corporation Is not a party to any material claims that would have a significant impact, either individually or in the aggregate.

10. 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

10. Financial Instruments and Risk Management - continued

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 Corporation is dependent on debt and equity financing to finance operations, liquidity risk is considered high.

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 Corporation 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 December 31, 2019 and March 31, 2019, 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 any 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.

11. 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 December 31, 2019:

		Payments by Periods			
	Total	< 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Accounts payable and accrued liabilities	$ 160,104	$ 160,104	$ —	$ —	$ —

12. 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.

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:

(All Amounts are in Canadian Dollars)

12. Financial Instruments - continued

	Dec. 31, 2019	March 31, 2019
Financial assets		
Cash and cash equivalents	$ 9,651	$ 62,878
Sundry receivable	24	18,502
Loan receivables	199,601	136,233
Financial liabilities		
Accounts payable and accrued liabilities	160,104	132,897

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 December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 9,651	$ —	$ —	$ 9,651
Sundry receivables	—	24	—	24
Loan receivables	—	—	199,601	199,601
Total Assets	$ 9,651	$ 24	$ 199,601	$ 209,276
Liabilities				
Accounts payable and accrued liabilities	$ 160,104	$ —	$ —	$ 160,104
Total Liabilities	$ 160,104	$ —	$ —	$ 160,104

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.

13. Proposed Transaction

On January 8, 2018 (amended July 18, 2018), the Corporation signed a Letter of Intent with First Lithium Minerals Inc. ("**First Lithium**"), where the Corporation would acquire all of the issued and outstanding shares of First Lithium, 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 First Lithium via the issuance of 1 new common share of the Corporation for each common share of First Lithium, 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.

To date, the Corporation has advanced First Lithium CA$199,601, at 0% per annum as an unsecured demand loan.