
**PETROCORP GROUP INC.
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020**

PETROCORP GROUP INC.

FINANCIAL STATEMENTS

MARCH 31, 2021

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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 consolidated 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 the consolidated 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
July 16, 2021



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Petrocorp Inc.

Opinion

We have audited the consolidated financial statements of Petrocorp Inc. (the "**Company**"), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of changes in shareholders' equity (deficiency), operations and comprehensive loss, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "**financial statements**").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that for the year ended March 31, 2021 the Company has incurred continuing losses resulting in an accumulated deficit of \$12,859,064 at March 31, 2021. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended March 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on July 23, 2020.

Other Information

Management is responsible for the other information. The other information comprises the information included in 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, 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 International Financial Reporting Standards, 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 Otto Ehinger.

DMCL

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

July 16, 2021

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

As at March 31, **2021** **2020**

ASSETS

CURRENT

Cash and cash equivalent	\$ 4,456	\$ 4,594
Commodity tax receivables	283	711
Prepaid expenses	1,715	2,094
Loan receivable (Note 13)	<u>—</u>	<u>199,601</u>
	6,454	207,000

Loan receivable (Note 13)

	<u>186,601</u>	<u>—</u>
	<u>\$ 193,055</u>	<u>\$ 207,000</u>

LIABILITIES

CURRENT

Accounts payable and accrued liabilities (Note 7)	\$ <u>200,588</u>	\$ <u>167,010</u>
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SHAREHOLDERS' EQUITY (DEFICIENCY)

CAPITAL STOCK (Note 3)

Issued and Outstanding	4,786,772	4,786,772
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CONTRIBUTED SURPLUS (Note 5)

	8,064,759	8,064,759
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ACCUMULATED DEFICIT

	<u>(12,859,064)</u>	<u>(12,811,541)</u>
	<u>(7,533)</u>	<u>39,990</u>
	<u>\$ 193,055</u>	<u>\$ 207,000</u>

Nature of Organization and Going Concern (Note 1)
 Proposed Transaction (Note 13)

APPROVED ON BEHALF OF THE BOARD:

/s/ "Andrew Lindzon"
 Andrew Lindzon, Director

/s/ "David Bernholtz"
 David Bernholtz, Director

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

	Number of Common Shares	Amount of Common Shares	Contributed Surplus	Accumulated Deficit	Shareholders' Equity (Deficiency)
Balance, April 1, 2019	574,126,529	\$ 4,786,772	\$ 8,064,759	\$(12,766,815)	\$ 84,716
Net loss for the year	—	—	—	(44,726)	(44,726)
Balance, March 31, 2020	574,126,529	\$ 4,786,772	\$ 8,064,759	\$(12,811,541)	\$ 39,990
Balance, April 1, 2020	574,126,529	\$ 4,786,772	\$ 8,064,759	\$(12,811,541)	\$ 39,990
Net loss for the year	—	—	—	(47,523)	(47,523)
Balance, March 31, 2021	574,126,529	\$ 4,786,772	\$ 8,064,759	\$(12,859,064)	\$ (7,533)

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

For the Year Ended March 31,	2021	2020
REVENUES	\$ —	\$ —
EXPENSES		
Administrative (Note 6 and 7)	<u>47,523</u>	<u>44,726</u>
NET LOSS FROM OPERATIONS AND COMPREHENSIVE LOSS	<u>\$ (47,523)</u>	<u>\$ (44,726)</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>574,126,529</u>

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

For the Year Ended March 31,	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (47,523)	\$ (44,726)
Change in non-cash working capital items:		
Commodity tax receivables	428	17,791
Prepaid expenses	379	(2,094)
Accounts payable and accrued liabilities	<u>33,578</u>	<u>34,113</u>
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(13,138)</u>	<u>5,084</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Advance of (repayment of) loans receivable	<u>13,000</u>	<u>(63,368)</u>
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>13,000</u>	<u>(63,368)</u>
DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	(138)	(58,284)
CASH AND CASH EQUIVALENTS		
Beginning of the year	4,594	62,878
End of the year	<u>\$ 4,456</u>	<u>\$ 4,594</u>
CASH AND CASH EQUIVALENTS, represented as follows:		
Cash	\$ 4,456	\$ 4,594

PETROCORP GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021
(All Amounts are in Canadian Dollars)

1. Nature of Organization and Going Concern

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 consolidated financial statements (“**Financial Statements**”) of the Corporation were authorized for issue in accordance with a resolution of the directors on July 16, 2021.

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, 2021, 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. As at March 31, 2021, the Corporation had working capital deficit of \$194,134 (March 31, 2020 – working capital of \$39,990), and has incurred losses since inception, resulting in an accumulated deficit of \$12,859,064 (March 31, 2020 - \$12,811,541). 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.

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruptions to business globally in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time.

Statement of Compliance

The Financial Statements of the Corporation as at and for the period ended March 31, 2021 have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“**IASB**”) and interpretations of the International Financial Reporting Interpretations Committee (“**IFRIC**”) in effect as of that date.

PETROCORP GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021
(All Amounts are in Canadian Dollars)

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

These 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 Financial Statements have been prepared on an accrual basis of accounting except for cash flow information and are based on historical cost, 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 these Financial Statements are in conformity with IFRS which 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 2.

Functional and presentation currency

These 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 a 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, however should the financing not close, the costs will be charged to the 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 consolidated 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.

PETROCORP GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021
(All Amounts are in Canadian Dollars)

2. Summary of Significant Accounting Policies - continued

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.

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 consolidated statement of operations in the period during which the change occurs.

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.

PETROCORP GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021
(All Amounts are in Canadian Dollars)

2. Summary of Significant Accounting Policies - continued

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 loan receivable is recorded at amortized cost as it 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. As at March 31, 2021, the following are the classifications of financial instruments;

Cash and cash equivalents	FVTPL
Loan receivable	Amortized cost
Accounts payables	Amortized cost

Impairment

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	\$ 4,456	\$ 4,456
Amortized cost (receivable)	186,601	186,601
Amortized cost (liabilities)	200,588	200,588

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 March 31, 2021 and 2020, cash and cash equivalents are measured at fair value and are classified within Level 1 of the fair value hierarchy.

PETROCORP GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021
(All Amounts are in Canadian Dollars)

2. Summary of Significant Accounting Policies - continued

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 into 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.

Critical Judgments and Estimates:

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.

PETROCORP GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021
(All Amounts are in Canadian Dollars)

2. Summary of Significant Accounting Policies - continued

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.

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 March 31, 2021 and 2020, there were no preferred shares 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 March 31, 2021 and 2020, 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, March 31, 2021 and 2020	\$ 8,064,759	\$ —	\$ —	\$ 8,064,759

6. General and Administrative Expenses

For the year ended March 31,	2021	2020
Bank charges	\$ 228	\$ 141
Interest expense	10	—
Management fees (note 7)	18,000	18,000
Professional fees	16,685	14,280
Premises (Note 7)	6,000	6,000
Regulatory and filing fees	6,600	6,708
	<u>\$ 47,523</u>	<u>\$ 44,726</u>

PETROCORP GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021
(All Amounts are in Canadian Dollars)

7. 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. The following table summarizes the related party transactions occurring the year.

For the year ended March 31,	2021	2020
Expenses		
Consulting and director fees	\$ 18,000	\$ 18,000
Premises	6,000	6,000
Included with accounts payable	165,598	140,818

Amounts due to related parties are unsecured, non-interest bearing without fixed terms of repayment.

8. Commitment

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

9. Income Taxes

The Corporation's effective income tax rate differs from the amount that would be computed by applying the combined federal and provincial statutory rate of 26.50% (2020 – 26.50%) to the net loss for the years. The reason for the difference is as follows:

For the year ended March 31,	2021	2020
Statutory Rate	26.50%	26.50%
Loss before income taxes	\$ (47,523)	\$ (44,726)
Recovery of income taxes based on statutory rate	(12,594)	(11,852)
Share Issuance costs	(1,004)	(1,004)
Change in deferred tax assets not recognized	13,598	12,856
Income tax recovery	\$ —	\$ —

The Corporation's deferred income tax asset, computed by applying a future federal and provincial statutory rate of 26.50% (2020 – 26.50%), comprises the following:

As at March 31,	2021	2020
Non-capital losses carried forward	\$ 227,135	\$ 213,537
Deferred tax assets not recognized	(227,135)	(213,537)
	\$ —	\$ —

Deferred tax assets have not been recognized because at this stage of the Corporation's development, it is not determinable that future taxable profit will be available against which the Corporation can utilize such deferred income tax asset.

At March 31, 2021, the Corporation has a non-capital loss of \$871,135 (2020 - \$816,038) available for carry-forward. In addition, the Company has \$450,000 of non-refundable investment tax credits, which may be carried forward to reduce future income taxes payable. The potential benefit of these non-capital loss carry-forwards and non-refundable tax credits have not been recognized in these Financial Statements and will expire as follows:

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9. Income Taxes - continued

	Non-Capital Loss Carry- Forward	Federal Investment Tax Credits
2026	\$ —	\$ 188,000
2027	—	118,000
2028	—	144,000
2033	306,000	—
2034	207,000	—
2035	64,806	—
2036	48,106	—
2037	55,538	—
2038	37,817	—
2039	52,045	—
2040	48,513	—
2041	51,310	—
	<u>\$ 871,135</u>	<u>\$ 450,000</u>

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 March 31, 2021 and 2020, 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.

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 not exposed to interest rate risk.

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

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11. Financial Instruments and Risk Management - continued

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 loan receivable related to the proposed transaction (see Note 13). Credit risk associated with the Government of Canada receivable is considered low. The credit risk associated with the loan receivable from First Lithium is considered high as First Lithium's current liabilities exceeds its current assets. First Lithium currently does not have sufficient current assets to repay the loan in full and is in the process of raising capital. The maximum credit risk associated with the loan receivable is \$186,601.

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 March 31, 2021, 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, loan 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.

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.

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12. Capital Management and Liquidity - continued

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 March 31, 2021:

	Total	Payments by Periods			
		< 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Accounts payable and accrued liabilities	\$ 200,588	\$ 200,588	\$ —	\$ —	\$ —

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.

The Transaction was further amended on December 30, 2019 and extended to March 15, 2021 and then to October 31, 2021.

To date, the Corporation has advanced First Lithium \$186,601, at 0% per annum as an unsecured demand loan.

