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**EAST WEST PETROLEUM CORP.**

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
MARCH 31, 2019 AND 2018

*(Expressed in Canadian Dollars)*

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
East West Petroleum Corp.

### *Opinion*

We have audited the accompanying consolidated financial statements of East West Petroleum Corp. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### *Basis for Opinion*

We conducted our audits 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 Consolidated 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 consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated 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 Consolidated Financial Statements***

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Grant P. Block.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

July 29, 2019

**EAST WEST PETROLEUM CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
*(Expressed in Canadian Dollars)*

	Note	March 31, 2019 \$	March 31, 2018 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		3,657,694	4,030,573
GST receivable		46,592	4,078
Amounts receivable	5	380,008	337,319
Prepaid expenses		<u>33,261</u>	<u>58,785</u>
<b>Total current assets</b>		<u>4,117,555</u>	<u>4,430,755</u>
<b>Non-current assets</b>			
Investments	6	960,774	2,120,236
Exploration and evaluation assets	7	1,696,906	1,681,691
Property, plant and equipment	8	<u>1,068,432</u>	<u>680,000</u>
<b>Total non-current assets</b>		<u>3,726,112</u>	<u>4,481,927</u>
<b>TOTAL ASSETS</b>		<u>7,843,667</u>	<u>8,912,682</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		655,254	312,301
<b>Non-current liabilities</b>			
Decommissioning liabilities	9	<u>1,357,434</u>	<u>1,364,784</u>
<b>TOTAL LIABILITIES</b>		<u>2,012,688</u>	<u>1,677,085</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	10	39,868,761	39,868,761
Share-based compensation reserve		5,251,003	5,251,003
Foreign currency translation reserve		(181,568)	(118,403)
Accumulated other comprehensive income		-	591,975
Deficit		<u>(39,107,217)</u>	<u>(38,357,739)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>5,830,979</u>	<u>7,235,597</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>7,843,667</u>	<u>8,912,682</u>

**Nature of Operations** - see Note 1

**Commitments** - see Note 14

**Events after the Reporting Period** - see Note 17

These consolidated financial statements were approved for issue by the Board of Directors on July 29, 2019 and are signed on its behalf by:

/s/ Mark Brown  
Mark Brown  
Director

/s/ Nick DeMare  
Nick DeMare  
Director

*The accompanying notes are an integral part of these consolidated financial statements.*

**EAST WEST PETROLEUM CORP.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
*(Expressed in Canadian Dollars)*

	Notes	Year Ended March 31,	
		2019	2018
		\$	\$
<b>Revenues and costs</b>			
Petroleum and natural gas sales		2,760,971	1,923,942
Production costs		(1,084,557)	(971,699)
Transportation and storage costs		(259,286)	(201,426)
Royalties		<u>(118,332)</u>	<u>(93,484)</u>
		<u>1,298,796</u>	<u>657,333</u>
<b>Expenses</b>			
General and administrative		764,400	601,353
General exploration		24,173	2,791
Depletion and depreciation	8	556,123	947,261
Impairment of property, plant and equipment	8	-	472,790
Finance expense of decommissioning liabilities	9	23,124	21,002
Share-based compensation	10(c)	-	40,000
		<u>1,367,820</u>	<u>2,085,197</u>
<b>Loss before other items</b>		<u>(69,024)</u>	<u>(1,427,864)</u>
<b>Other items</b>			
Interest income		74,164	49,811
Foreign exchange		109,811	(203,432)
Gain on sale of investments	6	49,815	657,272
Unrealized gain (loss) on investments	6	(1,369,997)	56,670
Terminated acquisition costs	4	<u>(136,222)</u>	<u>-</u>
		<u>(1,272,429)</u>	<u>560,321</u>
<b>Loss before deferred income tax</b>		<u>(1,341,453)</u>	<u>(867,543)</u>
<b>Deferred income tax</b>		<u>-</u>	<u>81,000</u>
<b>Net loss for the year</b>		<u>(1,341,453)</u>	<u>(786,543)</u>
<b>Other comprehensive (loss) income</b>			
Change in currency translation of foreign subsidiary		(63,165)	211,115
Change in fair value of investments		<u>-</u>	<u>544,782</u>
		<u>(63,165)</u>	<u>755,897</u>
<b>Comprehensive loss for the year</b>		<u>(1,404,618)</u>	<u>(30,646)</u>
<b>Basic and diluted loss per common share</b>		<u>\$(0.01)</u>	<u>\$(0.01)</u>
<b>Weighted average number of common shares outstanding</b>		<u>89,585,665</u>	<u>89,585,665</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**EAST WEST PETROLEUM CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
*(Expressed in Canadian Dollars)*

**Year Ended March 31, 2019**

	<b>Share Capital</b>		<b>Reserves</b>			<b>Deficit</b>	<b>Total Equity</b>
	<b>Number of Shares</b>	<b>Amount \$</b>	<b>Share-Based Compensation \$</b>	<b>Foreign Currency Translation \$</b>	<b>Investments Revaluation \$</b>		
<b>Balance at March 31, 2018</b>	89,585,665	39,868,761	5,251,003	(118,403)	591,975	(38,357,739)	7,235,597
Currency translation adjustment	-	-	-	(63,165)	-	-	(63,165)
Impact of adoption of IFRS 9 on April 1, 2018	-	-	-	-	(591,975)	591,975	-
Net loss for the year	-	-	-	-	-	(1,341,453)	(1,341,453)
<b>Balance at March 31, 2019</b>	<b>89,585,665</b>	<b>39,868,761</b>	<b>5,251,003</b>	<b>(181,568)</b>	<b>-</b>	<b>(39,107,217)</b>	<b>5,830,979</b>

**Year Ended March 31, 2018**

	<b>Share Capital</b>		<b>Reserves</b>			<b>Deficit</b>	<b>Total Equity</b>
	<b>Number of Shares</b>	<b>Amount \$</b>	<b>Share-Based Compensation \$</b>	<b>Foreign Currency Translation \$</b>	<b>Investments Revaluation \$</b>		
<b>Balance at March 31, 2017</b>	89,585,665	39,868,761	5,211,003	(329,518)	47,193	(37,571,196)	7,226,243
Share-based compensation	-	-	40,000	-	-	-	40,000
Currency translation adjustment	-	-	-	211,115	-	-	211,115
Unrealized gain on available-for-sale investments	-	-	-	-	711,082	-	711,082
Deferred income tax on unrealized gain on available-for-sale investments	-	-	-	-	(81,000)	-	(81,000)
Reclassification on sale of investments	-	-	-	-	(85,300)	-	(85,300)
Net loss for the year	-	-	-	-	-	(786,543)	(786,543)
<b>Balance at March 31, 2018</b>	<b>89,585,665</b>	<b>39,868,761</b>	<b>5,251,003</b>	<b>(118,403)</b>	<b>591,975</b>	<b>(38,357,739)</b>	<b>7,235,597</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**EAST WEST PETROLEUM CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(Expressed in Canadian Dollars)*

	<b>Year Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net loss for the year	(1,341,453)	(786,543)
Adjustments for:		
Depletion and depreciation	556,123	947,261
Impairment of property, plant and equipment	-	472,790
Finance expense of decommissioning liabilities	23,124	21,002
Share-based compensation	-	40,000
General exploration	-	(69,846)
Gain on sale of investment	(49,815)	(657,272)
Unrealized (gain) loss on investments	1,369,997	(56,670)
Deferred income tax	-	(81,000)
Changes in non-cash working capital items:		
Amounts receivable	(49,571)	159,359
GST receivable	(8,654)	(42,615)
Prepaid expenses	24,545	17,814
Accounts payable and accrued liabilities	614,216	7,424
<b>Net cash provided by (used in) operating activities</b>	<b><u>1,138,512</u></b>	<b><u>(28,296)</u></b>
<b>Investing activities</b>		
Expenditures on exploration and evaluation assets	(53,151)	(1,531,756)
Expenditures on property, plant and equipment	(1,258,053)	(1,670,723)
Proceeds from sale of investment	921,935	1,924,851
Investment purchases	(1,082,655)	(755,531)
<b>Net cash used in investing activities</b>	<b><u>(1,471,924)</u></b>	<b><u>(2,033,159)</u></b>
<b>Effect of exchange rate changes on cash</b>	<b><u>(39,467)</u></b>	<b><u>179,293</u></b>
<b>Net change in cash</b>	<b>(372,879)</b>	<b>(1,882,162)</b>
<b>Cash at beginning of year</b>	<b><u>4,030,573</u></b>	<b><u>5,912,735</u></b>
<b>Cash at end of year</b>	<b><u>3,657,694</u></b>	<b><u>4,030,573</u></b>

**Supplemental cash flow information** - See Note 15

*The accompanying notes are an integral part of these consolidated financial statements.*

**EAST WEST PETROLEUM CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**  
*(Expressed in Canadian Dollars)*

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**1. Nature of Operations**

East West Petroleum Corp. (the “Company”) was incorporated on October 23, 1987 under the provisions of the Company Act (British Columbia). The Company is listed and trades on the TSX Venture Exchange (“TSXV”) under the symbol “EW”. The Company’s principal office is located at Suite 1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7 Canada.

The Company is in the process of exploring, developing and producing from its oil and gas properties. As at March 31, 2019 the Company has one producing oil and gas property in New Zealand. The success of the Company’s exploration and development of its oil and gas properties requires significant additional exploration and development activities to establish additional proved reserves and to commercialize its oil and gas exploration properties. The Company is also influenced by significant financial risks as well as commodity prices. In addition, the Company will use cash and operating cash flow to further explore and develop its properties towards planned principal operations. The Company monitors its cash and cash equivalents and adjusts its expenditure plans to conform to available funding. The Company plans to fund exploration and development activities through existing cash resources and sales of investments.

On July 16, 2018 the Company entered into a non-binding agreement to conduct an acquisition and a corporate restructuring, as described in Note 4. This non-binding agreement was cancelled on April 2, 2019.

On June 24, 2019 the Company entered into an agreement to dispose of its oil and gas interests in New Zealand, as described in Note 17(a).

**2. Basis of Preparation**

*Statement of Compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

*Basis of Presentation*

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. The consolidated financial statements are presented in Canadian dollars unless otherwise stated.

*Significant Accounting Estimates*

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingencies. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. These estimates are subject to measurement uncertainty. Actual results could differ from and affect the results reported in these consolidated financial statements. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are described below:

- (i) Fair values of petroleum and natural gas properties, depletion and depreciation and amounts used in impairment calculations are based on estimates of crude oil and natural gas reserves, oil and gas prices and future costs required to develop those reserves. By their nature, estimates of reserves and the related future cash flows are subject to measurement uncertainty, and the impact of differences between actual and estimated amounts on the consolidated financial statements of future periods could be material.
- (ii) Petroleum and natural gas properties, exploration and evaluation assets and other corporate assets are aggregated into cash-generating-units (“CGUs”) based on their ability to generate largely independent cash flows and are used for impairment testing. The determination of the Company’s CGUs is subject to management’s judgment.



**EAST WEST PETROLEUM CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**2. Basis of Preparation** (continued)

- (iii) The decision to transfer exploration and evaluation assets to property, plant and equipment is based on management's determination of an area's technical feasibility and commercial viability based partially on proved and probable reserves.
- (iv) The calculation of decommissioning liabilities includes estimates of the future costs to settle the liability, the timing of the cash flows to settle the liability, the risk-free rate and the future inflation rates. The impact of differences between actual and estimated costs, timing and inflation on the consolidated financial statements of future periods may be material.
- (v) The estimated fair value of the Company's financial assets and liabilities, are by their nature, subject to measurement uncertainty.
- (vi) The calculation of income taxes requires judgment in applying tax laws and regulations, estimating the timing of the reversals of temporary differences, and estimating the realizability of deferred tax assets. These estimates impact current and deferred income tax assets and liabilities, and current and deferred income tax expense (recovery).
- (vii) The calculation of share-based compensation requires estimates of volatility, forfeiture rates and market prices surrounding the issuance of share options. These estimates impact share-based compensation expense and share-based compensation reserve.
- (viii) The determination of a subsidiary's functional currency often requires significant judgment where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation methods used.
- (ix) Classification of investments requires judgment on whether the Company controls, has joint control or significant influence over the strategic financial and operating decisions relating to the activity of the investee. In assessing the level of control or influence that the Company has over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. If an investor holds 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.
- (x) Contingencies are resolved only when one or more events transpire. As a result, the assessment of contingencies inherently involves estimating the outcome of future events.

*Details of the Group*

In addition to the Company, these consolidated financial statements include all subsidiaries. The Company's significant subsidiary, East West Petroleum (NZ) Limited ("EWNZ"), is engaged in the exploring and producing oil and gas operations. On July 10, 2018 the Company incorporated East West Oil & Gas Limited ("EW Oil & Gas") under the provisions of the Company Act (British Columbia). See Note 4. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

***Cash and Cash Equivalents***

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. The Company did not have any cash equivalents as at March 31, 2019 and 2018.

**EAST WEST PETROLEUM CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**  
*(Expressed in Canadian Dollars)*

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**3. Summary of Significant Accounting Policies**

***Amounts Receivable***

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as amortized cost. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

***Accounts Payable and Accrued Liabilities***

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are classified as other financial liabilities initially at fair value and subsequently measured at amortized cost using the effective interest method.

***Exploration and Evaluation Expenditures***

Pre-license costs are recognized in the statement of comprehensive loss as incurred. Exploration and evaluation expenditures directly attributable to the exploration for petroleum and natural gas reserves are capitalized as exploration and evaluation assets on a field-by-field basis. These costs include, but are not limited to: lease acquisition either directly or by business combination, lease rentals on undeveloped properties, acquisition of rights to explore, geological, and geophysical costs, exploratory drilling of both productive and unproductive wells and overhead charges. No depletion or amortization is charged during the exploration and evaluation phase.

Exploration and evaluation expenditures are capitalized until reserves are evaluated and determined to be commercially viable and technically feasible. If reserves are not identified, these costs are expensed. The balance of exploration and evaluation expenditures is carried forward as an exploration and evaluation asset in the statement of financial position where the resource rights are current and it is considered probable that costs will be recovered through the future development or sale of the property.

If it is determined that a commercial discovery of reserves will not be achieved, the capitalized exploration and evaluation assets are written down to their recoverable amounts. Where commercial discovery of reserves has been made, the exploration and evaluation assets are tested for impairment and transferred to property, plant and equipment as petroleum and natural gas properties.

***Property, Plant and Equipment***

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Where commercial production in an area has commenced, petroleum and natural gas properties are depreciated on a unit-of-production basis over the proved and probable reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. The unit-of-production rate for the amortization of field development costs takes into account expenditures incurred to date, plus future development expenditures to develop the proved and probable reserves. Changes in factors such as estimates of proved reserves that affect unit-of-production calculations do not give rise to prior year financial period adjustments and are accounted for on a prospective basis.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**  
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**3. Summary of Significant Accounting Policies (continued)**

Office equipment and leasehold improvements are depreciated annually on a straight-line basis over the estimated useful life of the assets, at a rate of between 20% and 30% commencing when the related asset is available for use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

***Joint Operations***

A portion of the Company's operations are conducted jointly with others and, accordingly, these consolidated financial statements reflect only the Company's proportionate interest in such activities.

***Impairment of Assets***

***Non-Financial Assets***

The Company reviews the carrying amounts of its non-financial assets, other than exploration and evaluation assets and deferred tax assets, at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. For goodwill and other intangible assets that have indefinite lives or that are not yet available for use, an impairment test is completed annually. Exploration and evaluation assets are tested for impairment when reclassified to property, plant and equipment as petroleum and natural gas properties, and also if facts and circumstances suggest that the carrying value exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the lowest level at which there is identifiable cash flows that are largely independent of the cash flows of other groups of assets, known as a cash-generating unit ("CGU"). Exploration and evaluation assets are grouped on an area basis for impairment assessment purposes. The goodwill acquired in a business combination, for the purposes of impairment testing, is allocated to the CGU's that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the asset or CGU's carrying amount exceeds its recoverable amount determined as the higher of: its fair value less costs to sell, and its value in use. In assessing value in use, the estimated future after-tax cash flows are adjusted for the risks specific to the asset group and are discounted to present value using a discount rate that reflects current market assessments of the time value of money. Fair value less costs to sell is based on discounted cash flow forecasts using market assumptions, including market assessment of reserves, future prices and a risk-adjusted discount rate appropriate to the asset by reference to general market conditions, market expectations of current and future development, and the costs of future development. Impairment losses are recognized in the statement of comprehensive loss.

For other assets, impairment losses recognized in prior years are assessed at each reporting date for indications that previously recognized impairment losses may no longer exist or may have decreased. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The impairment loss is reversed only to the extent that the asset's or CGU's carrying amount does not exceed the carrying amount that would have been determined, net of depletion, had no impairment loss been recognized in prior years. An impairment loss in respect of goodwill is not reversed.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**  
*(Expressed in Canadian Dollars)*

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**3. Summary of Significant Accounting Policies (continued)**

*Financial Assets*

Financial assets are assessed for impairment at each reporting date to determine whether there is any objective evidence that they are impaired. Objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset and will not be realized. For financial assets measured at amortized cost the amount of impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

If there is impairment, the carrying amount of the financial asset is reduced by the impairment loss, except for trade receivables where an "expected credit loss" impairment model applies and the loss allowance is recognized in the statement of comprehensive loss. When a trade receivable is credit impaired, an expected credit loss is recognized against the trade receivable. Subsequent recoveries of amounts previously written off are credited against the statement of comprehensive loss.

*Decommissioning Liabilities*

Liabilities for decommissioning costs are recognized when the Company has an obligation to dismantle or remove a facility and to restore the site on which it is located, and when a reliable estimate of that liability can be made. Cost is estimated upon current regulation and technology. Normally an obligation arises for a new facility or well during the construction or installation phase. Obligations may also be created through a change in legislation. The amount recognized is the fair value of the estimated future cost determined in accordance with local conditions and requirements.

Fair value is determined using the present value of the estimated future cash outflows to abandon the asset and restore the site, discounted using a pre-tax risk-free rate. Costs and the discount rate are updated at each reporting date to reflect current market assessments of the time value of money. The provision is reviewed regularly by the Company's management based on current regulations, costs, technologies and industry standards.

The corresponding amount is capitalized to petroleum and natural gas assets and is amortized on a unit-of-production basis as part of depletion and depreciation. Any adjustments arising from the reassessment of estimated costs or the current estimate of the discount rate used are reflected as an adjustment to the cost of petroleum and natural gas assets. The unwinding of the discount is recognized as a finance cost in income. Actual restoration expenditures are charged as reductions to the accumulated provision when incurred.

*Provisions*

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect of time is material.

*Financial Instruments*

The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at fair value through profit or loss ("FVTPL"); (ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI); and (iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are

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**3. Summary of Significant Accounting Policies (continued)**

expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

***Share Capital***

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

***Share-Based Compensation Transactions***

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based compensation transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based compensation transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

***Contingencies***

When a contingency is substantiated by confirming events, can be reliably measured and will likely result in an economic outflow, a liability is recognized in the consolidated financial statements as the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the consolidated financial statements.

***Current and Deferred Income Tax***

Income tax expense comprises current and deferred tax. Income tax is recognized separately in the statement of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case the income tax is also recognized in other comprehensive loss or directly in equity, respectively.

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**3. Summary of Significant Accounting Policies (continued)**

*Current Income Tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

*Deferred Income Tax*

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax relating to items recognized directly in equity or other comprehensive income ("OCI") is recognized in equity or OCI and not in the statement of comprehensive loss.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

*Earnings (Loss) Per Share*

Basic earnings (loss) per share is computed by dividing income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings (loss) per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings (loss) per share, when diluted earnings (loss) per share is presented.

*Revenue Recognition*

The Company adopted IFRS 15, *Revenue from Contracts with Customers*, ("IFRS 15") as of April 1, 2018. The adoption of IFRS 15 did not have a material effect on the consolidated financial statements. Comparative figures did not require restatement as a result of this adoption.

Applying the five step model required by IFRS 15, Revenue from Contracts with Customers, revenue is recognized as follows for these contracts:

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**3. Summary of Significant Accounting Policies (continued)**

Step in Model	Petroleum and Natural Gas Sales
Identify the Contract	The contractual arrangement executed with the customers, specifying the market price
Identify distinct performance obligations	Single performance obligation to provide crude oil and gas to the customers
Estimate transaction price	Transaction price is based on current commodity market prices
Allocate transaction price to performance obligations	Total revenue is allocated to the single performance obligation
Recognize revenue as performance obligations are satisfied	Revenue to be recognized at a point in time once control passes to the customers (i.e. when product is delivered)

***Foreign Currency Translation***

*Functional and Presentation Currency*

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's entities' functional currencies are the Canadian dollar and the New Zealand dollar. The consolidated financial statements are presented in Canadian dollars which is the Company's presentation currency.

(i) East West Petroleum (NZ) Limited ("EWNZ")

EWNZ has the New Zealand dollar as the functional currency. Assets and liabilities of EWNZ are therefore translated into Canadian dollars using the report date closing exchange rate. Income and expenses are translated into Canadian dollars at the average exchange rate over the reporting period. Exchange differences are presented in other comprehensive loss and recognized in the foreign currency translation reserve.

(ii) Other Subsidiaries

The financial statements of each of the Company's other subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of each subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. Each subsidiary's functional currency and the functional currency of the parent, being the currency of the primary economic environment in which the subsidiary and the parent operates, is the Canadian dollar.

*Foreign Currency Transactions*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive loss.

***Adoption of New Accounting Standards***

(i) IFRS 9 - *Financial instruments* ("IFRS 9")

The Company adopted all of the requirements of IFRS 9 as of April 1, 2018. IFRS 9 replaces IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9 management has changed its accounting policy for financial assets retrospectively for assets that continued to be recognized at the date of initial application.

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**3. Summary of Significant Accounting Policies (continued)**

	Original Under IAS 39		New Under IFRS 9	
Classification	Carrying Amount \$	Carrying Amount \$	Classification	Carrying Amount \$
Cash	FVTPL	4,030,573	FVTPL	4,030,573
Accounts receivable	Loans and receivables	337,319	Amortized cost	337,319
Investments - common shares	Available for sale	2,010,230	FVTPL	2,120,230
Investment - warrants	FVTPL	110,006	FVTPL	110,006
Accounts payable	Other financial liabilities	312,301	Amortized cost	312,301

As the standard permits on transition to IFRS 9, the Company has not restated prior periods with respect to the new amortized cost measurement for financial assets and impairment requirements.

On transition, the Company's investments previously classified as available-for-sale have been re-designated as FVTPL financial instruments. The Company has recorded an adjustment, to opening deficit and accumulated other comprehensive gain, on transition for cumulative gain on these instruments of \$591,975.

The adoption of IFRS 9 resulted in no further impact to the opening accumulated deficit or to the opening deficit on April 1, 2018.

(ii) IFRS 15 - *Revenue from Contracts with Customers* ("IFRS 15")

The Company adopted all of the requirements of IFRS 15 as of April 1, 2018. This new accounting pronouncement establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

There was no significant impact on the Company's consolidated financial statements upon the adoption of IFRS 15.

***Accounting Standards and Interpretations Issued but Not Yet Effective***

The standard and interpretation that has been issued, but are not yet effective, up to the date of the issuance of these consolidated financial statements is discussed below.

In January 2016 the IASB issued IFRS 16 - *Leases*, which replaces IAS 17 - *Leases* and its associated interpretative guidance. IFRS 16, *Leases*, specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019. Management is currently assessing the impact of this new standard on the Company's accounting policies and consolidated financial statement presentation.



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**4. Proposed Acquisition and Corporate Restructuring**

On July 16, 2018 the Company entered into a non-binding letter of intent (the “Juva LOI”) to acquire all of the issued and outstanding common shares in the capital of Juva Life Inc. (“Juva”), a cannabis company based in California, USA. On February 7, 2019 the Company and Juva executed the agreement and plan of merger (the “Merger Agreement”). The transaction contemplated the completion of the restructuring of the Company’s capital structure and a re-organization of the Company’s assets through a plan of arrangement. Under the terms of the proposed transaction, the Company would acquire from the shareholders of Juva all of the common shares of Juva. The Company had scheduled a meeting of its shareholders to be held on March 15, 2019 to approve the Merger Agreement. The meeting was cancelled on March 12, 2019 and the Merger Agreement was officially terminated April 2, 2019. During fiscal 2019 the Company had incurred \$136,222 in legal and other costs associated with the Merger Agreement.

In contemplation of the re-organization the Company had incorporated a wholly-owned subsidiary, EW Oil & Gas, and transferred all of the Company’s oil and gas assets and its investment portfolio to EW Oil & Gas.

**5. Amounts Receivable**

	March 31, 2019 \$	March 31, 2018 \$
Production receivable	363,916	301,982
Other	<u>16,092</u>	<u>35,337</u>
	<u>380,008</u>	<u>337,319</u>

**6. Investments**

	<u>As at March 31, 2019</u>		
	Number	Cost \$	Carrying Value \$
FVTPL investments:			
Common shares:			
(a) Advantage Lithium Corp. (“Advantage Lithium”)	1,719,000	1,067,586	876,690
(b) Seaway Energy Services Inc. (“Seaway”)	512,400	459,336	81,984
(c) American Helium Inc. (“American Helium”)	28,000	<u>20,867</u>	<u>2,100</u>
		<u>1,547,789</u>	<u>960,774</u>
	<u>As at March 31, 2018</u>		
	Number	Cost \$	Carrying Value \$
Available-for-sale investments:			
Common shares:			
(a) Advantage Lithium	1,533,000	888,592	1,640,310
(b) Seaway	462,400	448,662	369,920
FVTPL investment:			
(a) Warrants: Advantage Lithium	333,350	<u>66,670</u>	<u>110,006</u>
		<u>1,403,924</u>	<u>2,120,236</u>

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**6. Investments**

- (a) During fiscal 2019 the Company made open market purchases and sales of common shares of Advantage Lithium under which the Company purchased 1,539,000 (2018 - 550,000) common shares for \$1,039,936 (2018 - \$306,869) and sold 1,353,000 (2018 - 2,231,400) common shares for \$911,045 (2018 - \$1,267,580), resulting in a gain on sale of investments of \$50,103 (2018 - \$657,272). On February 17, 2019 the Advantage Lithium warrants expired without exercise.

The carrying values of the Advantage Lithium common shares have been directly referenced to published price quotations in an active market. As at March 31, 2018 the carrying value of the Advantage Lithium warrants was valued at fair value using the Black-Scholes option pricing model using a risk-free interest rate of 1.54%; an estimated volatility of 75%; an expected life of 10 months; an expected dividend yield of 0%; and an estimated forfeiture rate of 0%.

- (b) During fiscal 2019 the Company made open market purchases of common shares of Seaway under which the Company purchased 50,000 (2018 - 462,400) common shares for \$10,674 (2018 - \$448,662).
- (c) During fiscal 2019 the Company made open market purchases and sales of common shares of American Helium under which the Company purchased 43,000 common shares for \$32,045 and sold 15,000 common shares for \$10,890, resulting in a loss on sale of investments of \$288.
- (d) During fiscal 2019 the Company recorded an unrealized loss of \$1,369,997 (2018 - unrealized gain of \$56,670) on its investments.
- (e) Certain current and former directors and officers of the Company are also current and former directors and/or officers of Advantage Lithium, Seaway and American Helium.

**7. Exploration and Evaluation Assets**

	PEP 54877 \$
Balance at March 31, 2017	-
Capital expenditures	1,532,179
Revision of estimate for decommissioning liabilities	122,977
Foreign exchange movement	<u>26,535</u>
Balance at March 31, 2018	1,681,691
Capital expenditures	53,152
Foreign exchange movement	<u>(37,937)</u>
Balance at March 31, 2019	<u>1,696,906</u>

- (a) On December 11, 2012 the Government of New Zealand awarded the Company and its partner, TAG Oil Ltd. ("TAG"), interests in three onshore exploration blocks located in the Taranaki Basin, New Zealand. Under the terms of the agreements, the Company participated in the drilling of exploration wells. On January 7, 2014 commercial discovery was declared on petroleum exploration permit ("PEP") 54877 and the capitalized expenditures were transferred to property, plant and equipment. The Company has earned a 30% participation in PEP 54877. On September 17, 2017 New Zealand Petroleum and Minerals ("NZP&M") approved the petroleum mining permit ("PMP") for the Company's 30% working interest of PMP 60291, which has been carved out of PEP 54877 and part of the remaining acreage has been included in an application to extend the duration of PEP 54877. During fiscal 2018 the Company drilled an exploration well (the "Cheal D-1 Well") under PEP 54877. Drilling and testing of the Cheal D-1 Well was completed and tests concluded that gas was present but not in sufficient quantities to produce as an economic discovery. The Cheal D-1 Well has been suspended with a plan to potentially re-enter in the future. See also Note 17(a).

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**7. Exploration and Evaluation Assets (continued)**

(b) During fiscal 2010 the Company was informed by the government of Romania that it had been awarded four exploration blocks located in the Pannonian Basin, in western Romania. In May 2011 the Company signed petroleum concession agreements with the National Agency for Minerals and Hydrocarbons (“NAMR”) the government agency in Romania which regulates the oil and gas industry.

On May 20, 2011 the Company and Naftna Industrija Srbije j.s.c. Novi Sad (“NIS”), an arm’s length corporation, signed a memorandum of understanding to jointly explore the four exploration blocks in Romania. On October 27, 2011 the Company and NIS signed a farm-out agreement (the “Farm-out”). Under the terms of the Farm-out, NIS paid the Company a total of \$525,000 for the assignment of an 85% participation interest and operatorship of the Romania Work Programs to NIS. NIS has the obligation to fund the Romania Work Programs, including environmental work, 2D and 3D seismic acquisition and processing, and the drilling of 12 wells. The Company retains a 15% carried interest in each block through the obligatory two year Phase I work program and the optional one year Phase II work program. If a commercial discovery is made, the Company will be responsible for its 15% interest in development of the commercial discovery.

The four concessions have specific mandatory Phase 1 work programs (the “Romania Work Programs”), which are estimated at US \$62,741,000 for all four programs. Production from the concessions is also subject to royalties of between 3.5% to 13.5% based on quarterly gross production payable to the government.

**8. Property, Plant and Equipment**

	<b>Petroleum and Natural Gas Properties (PMP 60291) \$</b>
<b>Cost:</b>	
Balance at March 31, 2017	11,875,713
Capital expenditures	1,621,218
Revision of estimate for decommissioning costs	29,881
Foreign exchange movement	<u>(64,518)</u>
Balance at March 31, 2018	13,462,294
Capital expenditures	952,455
Foreign exchange movement	<u>(293,233)</u>
Balance at March 31, 2019	<u>14,121,516</u>
<b>Accumulated Depletion and Depreciation and Impairment:</b>	
Balance at March 31, 2017	(11,427,027)
Depletion and depreciation	(947,261)
Impairment	(472,790)
Foreign exchange movement	<u>64,784</u>
Balance at March 31, 2018	(12,782,294)
Depletion and depreciation	(556,123)
Foreign exchange movement	<u>285,333</u>
Balance at March 31, 2019	<u>(13,053,084)</u>
<b>Carrying Value:</b>	
Balance at March 31, 2018	<u>680,000</u>
Balance at March 31, 2019	<u>1,068,432</u>

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**8. Property, Plant and Equipment (continued)**

An impairment test is performed on capitalized property, plant and equipment costs at a CGU level when indicators of impairment exist. Impairment is calculated as the difference in the CGU's carrying value and its recoverable amount.

During fiscal 2018 the Company recorded an impairment charge of \$472,790. The recoverable amount of the impaired assets was estimated based on the fair value less cost to sell methodology using estimated discounted cash flows based on proved reserves of the oil and gas properties and a pre-tax discount rate of 10%.

See also Note 17(a).

**9. Decommissioning Liabilities**

	\$
Balance, March 31, 2017	1,268,216
Revision of estimate	96,151
Finance cost	21,002
Expenditures incurred	(303)
Foreign exchange movement	<u>(20,282)</u>
Balance, March 31, 2018	1,364,784
Finance cost	23,124
Foreign exchange movement	<u>(30,474)</u>
Balance, March 31, 2019	<u>1,357,434</u>

The total amount of estimated undiscounted cash flows required to settle the Company's estimated obligation is \$1,366,760 (2018 - \$1,396,270) which has been discounted using a pre-tax risk-free rate of 1.94% (2018 - 1.94%) and an inflation rate of 1.60% (2018 - 1.60%). The present value of the decommissioning liabilities may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur.

The total future asset decommissioning obligations were estimated based on the Company's net ownership interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future years. These liabilities will be settled at various dates which are currently expected to extend up to 2021. Settlement of the liabilities is expected to be funded from general corporate funds at the time of retirement.

See also Note 17(a).

**10. Share Capital**

(a) *Authorized Share Capital*

The Company's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) *Reconciliation of Changes in Share Capital*

No equity financings were conducted by the Company during fiscal 2019 or fiscal 2018.

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**10. Share Capital (continued)**

(c) *Share Option Plan*

The Company has established a fixed share option plan (the “Plan”), in which a total of 12,408,697 common shares have been reserved for issuance under the Plan. The minimum exercise price of the share options is set at the Company’s closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSXV. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years from the date of grant.

No share options were granted or vested during fiscal 2019. During fiscal 2018 the Company granted 500,000 share options and recorded compensation expense of \$40,000 on the granting of share options. The fair value of share options granted during fiscal 2018 was estimated using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 1.63%; estimated volatility of 74%; expected life of 5 years; expected dividend yield of 0%; and estimated forfeiture rate of 0%.

The weighted average grant date fair value of all share options granted during fiscal 2018 was \$0.08 per share option.

A summary of the Company’s share options at March 31, 2019 and 2018 and the changes for the years ended on those dates, is as follows:

	2019		2018	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of year	6,315,000	0.13	8,188,000	0.13
Granted	-	-	500,000	0.135
Expired/cancelled	<u>(500,000)</u>	0.14	<u>(2,373,000)</u>	0.14
Balance, end of year	<u>5,815,000</u>	0.13	<u>6,315,000</u>	0.13

The following table summarizes information about the share options outstanding and exercisable at March 31, 2019:

Number of Shares	Exercise Price \$	Expiry Date
2,700,000	0.14	November 14, 2019
50,000	0.09	November 26, 2020
1,265,000	0.10	November 21, 2021
500,000	0.13	December 30, 2021
800,000	0.125	January 19, 2022
<u>500,000</u>	0.135	October 3, 2022
<u>5,815,000</u>		

See also Note 17(b).

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**11. Related Party Disclosures**

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period. Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and all executive officers.

- (a) During fiscal 2019 and 2018 the Company incurred the following compensation amounts to its current and former key management personnel:

	2019 \$	2018 \$
Professional fees	120,900	123,900
Share-based compensation	-	40,000
	<u>120,900</u>	<u>163,900</u>

As at March 31, 2019, \$6,000 (2018 - \$24,200) remained unpaid and has been included in accounts payable and accrued liabilities.

- (b) During fiscal 2019 the Company incurred a total of \$37,750 (2018 - \$41,400) to Chase Management Ltd. ("Chase"), a private corporation owned by the CFO of the Company, for accounting and administration services provided by Chase personnel, excluding the CFO. As at March 31, 2019, \$5,300 (2018 - \$5,850) remained unpaid and has been included in accounts payable and accrued liabilities.
- (c) See also Note 6.

**12. Income Tax**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Fiscal 2019 \$	Fiscal 2018 \$
Loss for the year before income tax	<u>(1,341,453)</u>	<u>(867,543)</u>
Expected income tax (recovery)	(362,000)	(228,000)
Change in statutory, foreign tax, foreign exchange rates and other	132,000	(138,000)
Permanent differences	180,000	(84,000)
Impact of change of future tax rates	427,000	201,000
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(613,000)	427,000
Change in unrecognized deductible temporary differences	<u>236,000</u>	<u>(259,000)</u>
<b>Total income tax expense (recovery)</b>	<u>-</u>	<u>(81,000)</u>
<b>Current income tax</b>	<u>-</u>	<u>-</u>
<b>Deferred tax recovery</b>	<u>-</u>	<u>(81,000)</u>

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**12. Income Tax (continued)**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	March 31, 2019		March 31, 2018	
	\$	Expiry Date Range	\$	Expiry Date Range
Exploration and evaluation assets	3,096,000	No expiry date	2,593,000	No expiry date
Property and equipment	249,000	No expiry date	249,000	No expiry date
Marketable securities	354,000	No expiry date	-	n/a
Asset retirement obligation	1,357,000	No expiry date	1,365,000	No expiry date
Allowable capital losses	33,000	No expiry date	-	n/a
Non-capital losses available for future periods	29,557,000	2026 to 2039	27,429,000	2026 to 2038

Non-capital losses available for future periods by country are as follows:

	March 31, 2019		March 31, 2018	
	\$	Expiry Date Range	\$	Expiry Date Range
Canada	15,530,000	2026 to 2039	14,546,000	2026 to 2038
United States	3,334,000	2020 to 2033	3,239,000	2020 to 2033
New Zealand	10,693,000	No expiry date	9,644,000	No expiry date

Tax attributes are subject to review and potential adjustment by tax authorities.

**13. Financial Instruments and Risk Management**

The nature of the Company's operations expose the Company to credit risk, liquidity risk and market risk, and changes in commodity prices, foreign exchange rates and interest rates may have a material effect on cash flows, net income and comprehensive income.

This note provides information about the Company's exposure to each of the above risks as well as the Company's objectives, policies and processes for measuring and managing these risks.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor market conditions and the Company's activities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and policies.

***Credit Risk***

Credit risk is the risk of financial loss to the Company if counterparties do not fulfill their contractual obligations. The most significant exposure to this risk is relative to the sale of oil production. All of the Company's production is sold directly to an oil super major. The Company is paid for its oil sales within 30 days of shipment. The Company has assessed the risk of non-collection from the buyer as low due to the buyer's financial condition.

Cash is held with a Canadian chartered bank and is monitored to ensure a stable return.

The carrying amount of cash and amounts receivable represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts on its amounts receivable as at March 31, 2019 and 2018 and did not provide for any doubtful accounts.

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**13. Financial Instruments and Risk Management (continued)**

***Commodity Price Risk***

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices, affecting results of operations and cash generated from operating activities. Such prices may also affect the value of exploration and development properties and the level of spending for future activities. Prices received by the Company for its production are largely beyond the Company's control as petroleum prices are impacted by world economic events that dictate the levels of supply and demand. All of the Company's oil production is sold at spot rates exposing the Company to the risk of price movements. As at March 31, 2019, assuming all other variables remain constant, a change of 10% in oil and gas prices would have an effect on net loss of \$276,097. The Company has an agreement to sell its gas production from the Cheal E field at a base price of NZD \$4.65 per gigajoule, subject to an adjustment formula based on the market price, with a minimum price of NZD \$4.00 per gigajoule. The gas agreement is set to end December 31, 2019.

***Liquidity Risk***

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

	<b>Contractual Maturity Analysis at March 31, 2019</b>				<b>Total \$</b>
	<b>Less than 3 Months \$</b>	<b>3 - 12 Months \$</b>	<b>1 - 5 Years \$</b>	<b>Over 5 Years \$</b>	
Cash	3,657,694	-	-	-	3,657,694
Amounts receivable	380,008	-	-	-	380,008
Investments	-	-	960,774	-	960,774
Accounts payable and accrued liabilities	(655,254)	-	-	-	(655,254)

***Market Risk***

Market risk is the risk that changes in foreign exchange rates, commodity prices and interest rates will affect the Company's cash flows, net income and comprehensive income. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

***Foreign Currency Exchange Rate Risk***

Foreign currency exchange rate risk is the risk that future cash flows, net income and comprehensive income will fluctuate as a result of changes in foreign exchange rates. All of the Company's petroleum sales are denominated in United States dollars and gas sales, operational and capital activities related to the Company's properties are transacted primarily in New Zealand dollars and/or United States dollars with some costs also being incurred in Canadian dollars.

The Company currently does not have significant exposure to other currencies and this is not expected to change in the foreseeable future as the work commitments in New Zealand are expected to be carried out in New Zealand and to a lesser extent, in United States dollars.

***Interest Rate Risk***

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its cash which bears a floating rate of interest. The risk is not considered significant.

The Company did not have any interest rate swaps or financial contracts in place during fiscal 2019 and 2018 and any variations in interest rates would not have materially affected net income.



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**13. Financial Instruments and Risk Management (continued)**

***Fair Value of Financial Instruments***

Financial instruments are classified into one of the following categories: FVTPL; amortized cost; fair value through other comprehensive income (“FVOCI”); and other financial liabilities. The carrying values of the Company’s financial instruments are classified into the following categories:

<b>Financial Instrument</b>	<b>Category</b>	<b>March 31, 2019 \$</b>	<b>March 31, 2018 \$</b>
Cash	FVTPL	3,657,694	4,030,573
Amounts receivable	Amortized cost	380,008	337,319
Investments- common shares	FVTPL	960,774	2,010,230
Investment - warrants	FVTPL	-	110,006
Accounts payable and accrued liabilities	Amortized cost	(655,254)	(312,301)

The Company’s financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for amounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The recorded amounts for cash and investments approximate their fair value. The fair value of cash and investment in common shares under the fair value hierarchy is measured using Level 1 and Level 2 inputs. The fair value of the investment in warrants is measured using Level 2 inputs.

The following is an analysis of the Company’s financial assets measured at fair value as at March 31, 2019 and 2018:

	<b>March 31, 2019</b>		
	<b>Level 1 \$</b>	<b>Level 2 \$</b>	<b>Level 3 \$</b>
Cash	3,657,694	-	-
Investments - common shares	960,774	-	-
	<u>4,618,468</u>	<u>-</u>	<u>-</u>
	<b>March 31, 2018</b>		
	<b>Level 1 \$</b>	<b>Level 2 \$</b>	<b>Level 3 \$</b>
Cash	4,030,573	-	-
Investments - common shares	1,640,310	369,920	-
Investment - warrants	-	110,006	-
	<u>5,670,883</u>	<u>479,926</u>	<u>-</u>

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**13. Financial Instruments and Risk Management (continued)**

***Capital Management***

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of petroleum and natural gas properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain development of the business. The Company defines capital that it manages as share capital. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's share capital is not subject to any external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any currently contemplated. There have been no changes to the Company's approach to capital management during the period.

**14. Commitments**

The Company's share of expected exploration and development permit obligations and/or commitments as at March 31, 2019 are approximately \$150,000 to be incurred over the next twelve months and \$1,300,000 over the next five years. The Company may choose to alter the program, request extensions, reject development costs, relinquish certain permits or farm-out its interest in permits where practical.

See also Note 17(a).

**15. Supplemental Cash Flow Information**

During fiscal 2019 and 2018 non-cash activities were conducted by the Company as follows:

	2019 \$	2018 \$
Investing activities		
Property, plant and equipment	-	19,939
Exploration and evaluation assets	(305,597)	(125,687)
Revision of estimate of decommissioning liabilities	-	155,308
	<u>(305,597)</u>	<u>49,560</u>
Operating activity		
Accounts payable and accrued liabilities	<u>305,597</u>	<u>(49,560)</u>

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**16. Segmented Information**

During fiscal 2019 and 2018 the Company operated in one business segment, being the acquisition, exploration and production of oil and gas properties in New Zealand. The Company's total assets and operations are segmented geographically as follows:

	<b>As at March 31, 2019</b>		
	<b>Canada \$</b>	<b>New Zealand \$</b>	<b>Total</b>
Current assets	3,129,412	988,143	4,117,555
Investments	960,774	-	960,774
Exploration and evaluation assets	-	1,696,906	1,696,906
Property, plant and equipment	-	1,068,432	1,068,432
	<u>4,090,186</u>	<u>3,753,481</u>	<u>7,843,667</u>
Petroleum and natural gas sales	-	2,760,971	2,760,971
	<u>-</u>	<u>2,760,971</u>	<u>2,760,971</u>
	<b>As at March 31, 2018</b>		
	<b>Canada \$</b>	<b>New Zealand \$</b>	<b>Total \$</b>
Current assets	3,743,652	687,103	4,430,755
Investments	2,120,236	-	2,120,236
Exploration and evaluation assets	-	1,681,691	1,681,691
Property, plant and equipment	-	680,000	680,000
	<u>5,863,888</u>	<u>3,048,794</u>	<u>8,912,682</u>
Petroleum and natural gas sales	-	1,923,942	1,923,942
	<u>-</u>	<u>1,923,942</u>	<u>1,923,942</u>

**17. Events after the Reporting Period**

- (a) On June 24, 2019 the Company signed a heads of agreement (the "HOA") with a private arm's length New Zealand company (the "Buyer") pursuant to which the Company has agreed to sell its interest in PEP 54877 and PMP 60291 (collectively, the "Permits") which comprise the entirety of the Company's assets in New Zealand (the "Transaction").

The Permits are the subject of a joint operating agreement (the "JOA") between EWNZ, a wholly-owned subsidiary of the Company, and Cheal Petroleum Limited ("CPL"). The disposition of the Company's interest in the Permits will be conditional upon the waiver of CPL of its rights under the JOA to acquire the Company's interest in the Permits, and the waiver or satisfaction of any other obligations as may exist to CPL.

Pursuant to the terms of the HOA, and in consideration of the Transaction, the Buyer will pay the Company US \$1,900,000 in cash. The effective date for the sale is April 1, 2019 and payments are staged over 16 months of closing with initial payment of US \$1,000,000 with normal closing adjustments, due on closing. Completion of the Transaction is subject to, among other things, obtaining the approval of the Company's shareholder and the TSXV.

- (b) Subsequent to March 31, 2019:
- (i) stock options to purchase 500,000 common shares at an exercise price of \$0.135 expired without exercise; and
  - (ii) the Company granted stock options to the independent directors of the Company to purchase 800,000 common shares at an exercise price of \$0.10 per share expiring April 24, 2024.