

Red Rock Energy Inc.

Financial Statements

For the years ended March 31, 2017 and 2016

Red Rock Energy Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Red Rock Energy Inc.

We have audited the accompanying financial statements of Red Rock Energy Inc., which comprise the statement of financial position as at March 31, 2017 and March 31, 2016, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continues)

Independent Auditor's Report to the Shareholders of Red Rock Energy Inc. *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Red Rock Energy Inc. as at March 31, 2017 and March 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that Red Rock Energy Inc. has a working capital deficiency of \$2,624,198 and has an accumulated deficit of \$12,372,943. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about Red Rock Energy Inc.'s ability to continue as a going concern.

Calvita LLP

Calgary, Alberta, Canada
July 28, 2017

Chartered Professional Accountants

Red Rock Energy Inc.
Statement of financial position

	March 31, 2017	March 31, 2016
Assets		
Current assets		
Cash and cash equivalents (Note 6)	\$ 4,707	\$ 2,734
Goods and services taxes receivable	20,653	17,951
	25,360	20,685
Non-current assets		
Deposit and prepaids	265,907	265,907
Exploration and evaluation assets		
Mineral properties (Note 7)	1,233,723	1,233,723
Total Assets	\$ 1,524,990	\$ 1,520,315
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 8,13)	\$ 770,119	\$ 742,388
Term loan (Note 9)	1,304,050	1,218,345
Due to shareholder (Note 13)	575,389	528,944
	2,649,558	2,489,677
Decommissioning obligation (Note 10)	102,010	100,282
	2,751,568	2,589,959
Shareholders' equity (deficiency)		
Common shares (Note 11 (a,b))	11,146,365	11,146,365
Contributed surplus (Note 11 (c,d))	-	9,713
Deficit	(12,372,943)	(12,225,722)
	(1,226,578)	(1,069,644)
Total Liabilities and Shareholders' Equity	\$ 1,524,990	\$ 1,520,315
<i>Director "Jose Francisco Arata"</i>		
<i>Director "Krishna Vathyam"</i>		

Red Rock Energy Inc.
Statement of loss and comprehensive loss

	Twelve months ended March 31, 2017	Twelve months ended March 31, 2016
Interest and other income	\$ -	\$ -
Expenses		
General and administration	31,591	182,787
Exploration and evaluation expenses	9,777	6,423
Interest expense (Note 9, 13)	115,566	125,793
Total expenses	156,934	315,003
Net loss and comprehensive loss	(156,934)	(315,003)
Deficit - start of year	(12,225,722)	(12,067,781)
Options expired during year	9,713	157,062
Deficit - end of year	\$(12,372,943)	\$(12,225,722)
Weighted average shares outstanding	51,137,679	51,137,679
Basic and diluted loss per share	\$ (0.0031)	\$(0.0062)

Red Rock Energy Inc.
Statement of cash flow

	Twelve months ended March 31, 2017	Twelve months ended March 31, 2016
Cash flows related to the following activities		
Operating		
Net loss for the period	(\$ 156,934)	(\$ 315,003)
Accretion on decommissioning obligation	1,728	1,710
Accrued interest	85,705	93,917
Goods and services taxes receivable	(2,702)	(7,637)
Accounts payable and accrued liabilities	27,731	184,760
Cash used in operating activities	(44,472)	(42,253)
Financing		
Due to shareholder	46,445	50,517
Cash provided by financing activities	46,445	50,517
Investing		
Purchases of mineral properties, machinery, equipment and buildings	-	(10,085)
Cash used in investing activities	-	(10,085)
Net (decrease) increase in cash	(1,973)	(1,821)
Cash, beginning of year	2,734	4,555
Cash, end of year	\$ 4,707	\$ 2,734

The accompanying notes are part of the financial statements.

Red Rock Energy Inc.
Statement of changes in shareholders' equity

	Shares issued	Share capital	Share issue costs	Future tax on flow through shares	Contributed surplus	Accumulated deficit	Net Shareholders' Deficiency
As at March 31, 2015	51,137,679	\$12,252,841	(\$1,106,476)	\$256,617	\$166,775	(\$12,067,781)	(\$754,641)
Expired stock options	-	-	-	-	(\$157,062)	\$157,062	-
Net loss for the year	-	-	-	-	-	(\$315,003)	(\$315,003)
As at March 31, 2016	51,137,679	\$12,252,841	(\$1,106,476)	\$256,617	\$9,713	(\$12,225,722)	(\$1,069,644)
Expired stock options	-	-	-	-	(\$9,713)	\$9,713	-
Net loss for the year	-	-	-	-	-	(\$156,934)	(\$156,934)
As at March 31, 2017	51,137,679	\$12,252,841	(\$1,106,476)	\$256,617	-	(\$12,372,943)	(\$1,226,578)

The accompanying notes are part of the financial statements.

Red Rock Energy Inc.

Notes to the financial statements

As at March 31, 2017 and March 31, 2016 and for the years ended March 31, 2017 and 2016

1. Business of the Company

Red Rock Energy Inc. ("the Company") is a Canadian resource company and was established as an Alberta registered Company on April 12th, 2005 with its head office located at Suite 405, 1210-8 Street S.W. Calgary, Alberta. The Company is also registered in the province of Saskatchewan, British Columbia and the North-West Territories. The Company's principal assets are mineral properties located in Saskatchewan and oil and gas properties located in British Columbia. The Company is engaged in the acquisition, exploration and development of properties for the purpose of producing uranium and oil and gas. The ability of the Company to realize the costs it has incurred to date on these and other properties is dependent upon the discovery of economically recoverable reserves, the preservation of the Company's interest in the underlying mining claims, the ability to obtain necessary financing and attain profitable operations, or alternatively, upon the disposal of properties, or the Company's interests therein, on an advantageous basis.

At March 31, 2017, the Company had a working capital deficit of \$2,624,198 (March 31, 2016 – deficit \$2,468,992) and an accumulated deficit of \$12,372,943 (March 31, 2016 – \$12,225,722). The Company's ability to continue its operations is dependent on the Company's success in developing its mineral and oil and gas interests, obtaining required funds to continue exploration activities and attaining profitable operations. The Company plans to meet its future expenditures and obligations by raising funds through a combination of private placements and asset sales while controlling expenditures over the next twelve months.

These audited financial statements have been prepared on the basis that the Company will be able to discharge its obligations and realize its assets in the normal course of business at the values at which they are carried in these financial statements, and that the Company will be able to continue its business activities. Management believes that steps being taken will enable the Company to obtain additional capital as its commitments become due. These conditions indicate the existence of material uncertainties that may cast significant doubt regarding the applicability of the going concern assumption. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. These adjustments could be material.

2. Basis of operations

The Company is in the process of developing its mineral and oil and gas properties and hence, mining and oil and gas property acquisition costs and related direct exploration and development expenditures, net of recoveries, are deferred until the properties are placed into production. These net costs will be amortized against income using the unit-of-production method based on estimated recoverable and proved reserves if the properties are brought into commercial production, or written off if the properties are abandoned or the carrying value is determined to be in excess of possible recoverable amounts.

The recoverability of amounts shown for mining properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mining claims, the ability of the Company to obtain financing to complete development of the properties, and on future profitability from production or proceeds from the disposition thereof.

On an annual basis, the Company reviews the carrying values of its exploration and evaluation assets to assess whether there has been impairment in value. The Company recognizes write-downs for impairment where the carrying value of a mining or oil and gas property exceeds its estimated long term net recoverable value. Recoverable value is estimated based upon current exploration results and upon management's assessment of the future probability of positive cash flows from the property or from the sale of the property.

Red Rock Energy Inc.

Notes to the financial statements

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3. Basis of preparation

(a) Statement of compliance:

The financial statements have been prepared by management and reported in Canadian dollars in accordance with International Financial Reporting Standards (“IFRS”). These financial statements were authorized for issue by the Board of Directors on July 28th, 2017.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for held for trading financial assets which are measured at fair value with changes in fair value recorded in the statement of loss.

The methods used to measure fair values are discussed in Note 5.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company’s functional currency.

(d) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 5 - determination of fair values;
- Note 7 - exploration and evaluation assets;
- Note 10 - Decommissioning obligations
- Note 11 - measurement of share-based payments
- Note 12 - valuation allowance applied to deferred tax assets.

In the process of applying the Company’s accounting policies, management has made the following judgments, apart from those involving estimates, which may have the most significant effect on the amounts recognized in the financial statements.

(i) Impairment indicators and calculation of impairment:

At each reporting date, the Company assesses whether or not there are circumstances that indicate a possibility that the carrying values of exploration and evaluation assets and property and equipment are not recoverable, or impaired. Such circumstances include incidents of physical damage, deterioration of commodity prices, changes in the regulatory environment, or increases in estimates of costs required to reach technical feasibility and related estimates of proved and probable reserves.

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(ii) Income taxes:

The Company recognizes deferred income tax assets to the extent that it is probable that taxable profit will be available to allow the benefit of that deferred income tax asset to be utilized. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred income tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

(iii) Contingencies:

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

4. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

(a) Financial instruments:

(i) Non-derivative financial instruments:

Non-derivative financial instruments are comprised of cash and cash equivalents, trade and other payables, term loan and due to shareholders. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

The Company has classified cash and cash equivalents as fair value through profit or loss.

Other

Other non-derivative financial instruments, such as trade and other payables, term loan and due to shareholders are measured at amortized cost using the effective interest method, less any impairment losses.

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Due to the short-term nature of accounts payable, their carrying values approximate fair value. For loans and due to shareholders, fair value approximates their carrying value due to the proximity of interest rates to market interest rates.

(ii) Derivative financial instruments:

The Company has not entered into any financial derivative contracts.

(iii) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(b) Property and equipment:

Property and equipment are recorded at cost. Depreciation is determined using the straight line method over the estimated service lives of the assets at the following annual rates:

Buildings	10%
Office equipment	20%
Vehicles	20%
Computer equipment	33%
Computer software	100%

Depreciation methods, service lives and residual values are reviewed at each reporting date.

Leases entered into are classified as either capital or operating leases. Leases that transfer substantially all of the benefits and risks of ownership of property to the company are accounted for as capital leases. Equipment acquired under capital leases is depreciated over the period of expected use on the same basis as other similar property, plant and equipment. Rental payments under operating leases are expensed as incurred.

(c) Exploration and evaluation assets:

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the acquisition date fair value of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized as exploration and evaluation (“E&E”) assets. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Acquisition costs, including general and administrative costs, are only capitalized to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Where the Company’s exploration commitments for a mineral or oil and gas property are performed under option agreements with a third party, the proceeds of option payments under such agreements are applied to the mineral property to the extent costs are incurred. The excess, if any, is recorded to the statement of loss. Provincial government mining credits are applied against the related mineral properties.

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E&E assets are assessed for impairment only when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount.

Industry specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure on further E&E activities is neither budgeted nor planned;
- Title to the asset is compromised;
- Adverse changes in the taxation and regulatory environment and ;
- Adverse changes in variations in commodity prices and markets.

Once the technical feasibility and commercial viability of the extraction of mineral resources and oil and gas properties in an area of interest are demonstrable, E&E assets attributable to that area of interest are first tested for impairment and then reclassified to mining or oil and gas property and development assets within property and equipment. To date, none of the Company's mineral or oil and gas properties has demonstrated technical feasibility and commercial viability.

Recoverability of the carrying amount of any E&E assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(d) Impairment:

(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the statement of loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than E&E assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The Company does not have any other non-financial assets.

(e) Share based payments:

Red Rock Energy Inc.

Notes to the financial statements

As at March 31, 2017 and March 31, 2016 and for the years ended March 31, 2017 and 2016

As the fair value of the services rendered cannot be estimated reliably, the Black-Scholes option valuation model has been used to estimate the fair value of equity instruments granted. The grant date fair value of options granted to employees and non-employees is recognized as compensation expense, within general and administrative expenses, with a corresponding increase in contributed surplus over the vesting period.

A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

(f) Decommissioning obligation:

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. The Company's asset retirement obligation is measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized or expensed. Actual costs incurred upon settlement of the asset retirement obligation are charged against the provision to the extent the provision was established.

To date, the Company's mineral properties have not advanced past the exploration stage and, accordingly, all site restoration costs are expensed as incurred. Mineral property security deposits have been paid to the Government of Saskatchewan and are refundable upon completion of required expenditures.

To date, the Company's oil and gas properties are in the exploration and development stage, and will give rise to future remediation liabilities. Security deposits have been paid to the Government of British Columbia in order to secure the future remediation associated with the abandonment of the Company's well bores.

(g) Finance expense:

Finance expense is comprised of interest expense on term loans and late payments of trade and other payables.

(h) Income tax:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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Notes to the financial statements

As at March 31, 2017 and March 31, 2016 and for the years ended March 31, 2017 and 2016

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(i) Flow-through shares

The Company has financed a portion of its exploration activities through the issuance of flow through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. The amount initially recorded in share capital is limited to the market value of the common shares on the issue date and the difference between the actual proceeds and the amount recorded in share capital is set up as a flow-through share premium liability. As flow-through expenditures are incurred, the related flow-through share premium liability is reversed and the related tax effect is recorded as a deferred tax liability.

(j) Per share amounts

The Company presents basic and diluted earnings per share data for its common shares. Earnings per share are calculated by dividing the net earnings attributable to equity holders of the Company by the weighted average number of common shares outstanding.

Diluted earnings per share is determined by adjusting the net earnings attributable to equity holders of the Company and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares. The calculation of diluted earnings per share assumes that outstanding options which are dilutive to earnings per share are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share.

(k) Segment reporting:

As at March 31, 2016, the Company operated in two reportable operating segments – the exploration and evaluation of mineral resource properties in Canada and the exploration and evaluation of oil and gas properties in Canada.

(l) New standards and interpretations not yet adopted:

Recent accounting pronouncements

The following are the IFRS pronouncements that have been issued and adopted by the Company during the year-ended March 31, 2017. The adoption of these pronouncements did not have a material effect on the Company.

- IAS 1 Amendment

On July 1, 2016, the Company adopted amendments to IAS 1 which involve applying professional judgment in determining what information to disclose in the financial statements. Furthermore, the amendments state that professional judgment should be used

Red Rock Energy Inc.

Notes to the financial statements

As at March 31, 2017 and March 31, 2016 and for the years ended March 31, 2017 and 2016

in determining where and in what order information is presented in the financial disclosures. The changes did not have a significant impact on disclosures in the Company's financial statements.

- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

On July 1, 2016, the Company adopted amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards. The changes did not have a significant impact on disclosures in the Company's financial statements

- IFRS 11 "Joint Arrangements"

On July 1, 2016, the Company adopted the amendment to IFRS 11 "Joint Arrangements" for accounting for acquisitions of interest in joint operations. The amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11 and disclose the information required by IFRS 3 and other IFRSs for business combinations. The Company is in the process of assessing the impact of the above newly issued IFRS pronouncements. The changes did not have a significant impact on disclosures in the Company's financial statements

Future accounting pronouncements

The following are new IFRS pronouncements that have been issued, although not yet effective and have not been early adopted. The Company is currently assessing the impact that these pronouncements will have.

- IFRS 15 "Revenue from Contracts with Customers"

On January 1, 2018, the Company will be required to adopt IFRS 15, "Revenue from Contracts with Customers". IFRS 15 was issued in May 2014 and will replace IAS 11, "Construction Contracts," IAS 18, "Revenue Recognition," IFRIC 13, "Customer Loyalty Programs," IFRIC 15, "Agreements for the Construction of Real Estate," IFRIC 18, "Transfers of Assets from Customers," and SIC-31, "Revenue – Barter Transactions Involving Advertising Services." IFRS 15 provides a single, principle-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17 and financial instruments and other contractual rights or obligations within the scope of IFRS 9 "Financial Instruments," IFRS 10, "Consolidated Financial Statements" and IFRS 11, "Joint Arrangements." In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities.

Red Rock Energy Inc.

Notes to the financial statements

As at March 31, 2017 and March 31, 2016 and for the years ended March 31, 2017 and 2016

These changes are not expected to have any impact on the Company's financial position or comprehensive loss.

- IFRS 9 "Financial Instruments"

On January 1, 2018, the Company will be required to adopt IFRS 9 "Financial Instruments", which is the result of the first phase of the International Accounting Standards Board ("IASB") project to replace IAS 39 "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.

Portions of the standard remain in development and the full impact of the standard on the financial statements will not be known until the project is complete. These changes are not expected to have any impact on the Company's financial position or comprehensive loss.

- IFRS 16 "Leases"

In January 2016, the IASB issued IFRS 16, Leases (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on- balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. These changes are not expected to have any impact on the Company's financial position or comprehensive loss.

5. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

- Level 1 Fair Value Measurements – Level 1 fair value measurements are based on unadjusted quoted market prices.
- Level 2 Fair Value Measurements – Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.
- Level 3 Fair Value Measurements – Level 3 fair value measurements are based on unobservable information.

(a) Cash, trade and other receivables, deposits and trade and other payables:

The fair value of cash and trade and other payables approximated their carrying value due to their liquidity and relatively short terms to maturity, respectively.

(b) Stock options and warrants:

The fair values of stock options and warrants are measured based on a Level 2 fair value measurement using a Black Scholes option pricing model. Measurement inputs include share price on measurement date, exercise

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price of the instrument, forfeiture rate, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds).

6. Cash and cash equivalents

Cash and cash equivalents include cash on deposit and temporary investments with maturity dates of ninety days or less.

7. Exploration and Evaluation assets: Mineral Properties

	March 31, 2017	March 31, 2016
Opening balance	\$1,233,723	\$1,223,638
Additions	-	10,085
Closing balance	<u>\$1,233,723</u>	<u>\$1,233,723</u>
Allocation		
Mining claims	134,000	134,000
Mineral properties	<u>1,099,723</u>	<u>1,099,723</u>
Closing balance	<u>\$1,233,723</u>	<u>\$1,233,723</u>

These mineral properties are all located on Lake Athabasca, Northern Saskatchewan. The Company owns a 100% interest in a total of 23 claims covering 21,448 hectares. As the Company is still in the development stage, no amortization has been provided on the mineral properties or the mining claims.

These properties have been provided as security for the term loan described in Note 9 to the financial statements.

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are allocated as follows:

	March 31, 2017	March 31, 2016
Accounts payable	\$ 758,119	\$ 730,388
Accrued liabilities	<u>12,000</u>	<u>12,000</u>
	<u>\$ 770,119</u>	<u>\$ 742,388</u>

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9. Term loan

On June 20, 2011, the Company drew \$750,000 on a loan made available from a private arm's length Alberta Corporation, 1262430 Alberta Ltd. (the "lender"). Interest on the loan accrues at the rate of 12% per annum and is payable every two months. The loan had a term of one year, and was secured by a first charge against the Company's Saskatchewan mineral properties only, which are prospective for uranium. As additional consideration, the Company issued to the lender warrants to acquire common shares, which expired unexercised on June 20, 2012. Legal fees and exchange filing fees of \$28,961 were paid in connection with the financing.

As the term loan contained features that were considered debt and equity, an allocation was made to equity based on the value of the warrant. This allocation was as follows at the issue date of June 20, 2011 based on the Company's valuation of the warrant using the residual method:

Description	At issue date - June 20, 2011	Accrued interest	Accretion on term loan	Total
Term Loan	\$ 699,616	531,505	50,384	\$ 1,281,505
Warrant	50,384	-	-	50,384
Expired Warrant	-	-	(50,384)	(50,384)
Loan draw	30,500	-	-	30,500
Adjustments				(7,955)
Total	\$ 780,500	531,505	-	\$ 1,304,050

On June 8, 2012, in exchange for the issuance of 100,000 common shares of the Company, the Company negotiated an extension for the term loan to December 15, 2012. As of March 31, 2017, the loan remains outstanding.

On May 24, 2013, the Company announced that it received a demand notice in relation to the loan \$750,000 received from the lender on June 13, 2011. Pursuant to the terms of the agreement entered into by the parties, interest on the loan was to accrue at a rate of 12% per annum and was initially to have a term of one year. By mutual consent that term was extended to 18 months, however management of the lender has since determined to grant no further extensions and has demanded full repayment of monies due. The loan was secured by a first charge against Red Rock's Saskatchewan mineral properties. Management of Red Rock is exploring alternative strategies to settle this demand for payment.

On March 7, 2014, an additional \$30,500 was borrowed from the lender.

The effective interest rate incurred on the term loan during the year ended March 31, 2017 was 12% (2016 – 12%).

10. Decommissioning obligation

The Company's decommissioning obligation results from net ownership interests in oil and natural gas well sites. The Company estimates the total undiscounted amount of expenditures required to settle its

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decommissioning liability is approximately \$102,000 (2016 – \$102,000) which will be incurred over the next five years. A risk-free rate of approximately 0.75% (2016 – 0.6%) was used to discount this amount. A reconciliation of the decommissioning liabilities is provided below:

Balance, beginning of year	\$ 100,282
Accretion expense	1,728
Balance, end of year	<u>\$ 102,010</u>

11. Shareholders' deficiency

Share capital

(a) **Authorized:** unlimited common shares
unlimited preferred shares issuable in series

(b) **Issued and outstanding:**

Date of Issue	Number of Shares Issued	Gross Proceeds	Share Issue Costs	Expired or exercised warrants	Net Proceeds
Balance March 31, 2015	51,137,679	\$10,846,866	(\$1,106,476)	\$1,405,975	\$11,146,365
Balance March 31, 2016	51,137,679	\$10,846,866	(\$1,106,476)	\$1,405,975	\$11,146,365
Balance March 31, 2017	51,137,679	\$10,846,866	(\$1,106,476)	\$1,405,975	\$11,146,365

(c) **Stock option plan**

On February 1st, 2011, the Company issued 1,050,000 fully vested options to consultants who are neither directors nor officers at a price of \$0.15 and an expiry date of February 1st, 2016. The fair value of these options were estimated using the Black-Scholes option model with the following assumptions: expected dividend yield – 0%, expected volatility – 264%, risk - free interest rate of 4.5% and an expected life of five years. The value assigned to the options was \$157,062. The options expired unexercised on February 1st, 2016.

On January 6, 2012, the Company issued options to employees to acquire an aggregate of 150,000 common shares of the Company. These options: (i) vested as to one twelfth per month during the first 12 months following the date of grant; (ii) and were exercisable at a price of \$0.09 per share, being the closing price on January 6, 2012.

The fair value of these options were estimated using the Black-Scholes option model with the following assumptions: expected dividend yield – 0%, expected volatility – 214%, risk - free interest rate of 4.5% and an expected life of five years. The value assigned to the options was \$9,713. The options expired unexercised on June 6, 2016

The following table depicts the stock options transactions during the years:

March 31, 2017

March 31, 2016

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	Number of stock options	Weighted average exercise price (\$)	Number of stock options	Weighted average exercise price (\$)
Balance, beginning of year	150,000	\$0.13	1,200,000	\$0.13
Expired	(150,000)	-	(1,050,000)	-
Balance, end of year	-	-	150,000	\$0.13

(d) Contributed surplus

Stock options have been allocated as follows:

	March 31, 2017	March 31, 2016
Balance, beginning of period	\$9,713	\$166,775
Stock options granted (expired)		
Consultants	(9,713)	(157,062)
Employees	-	-
Balance, end of period	\$ -	\$ 9,713

12. Income Taxes

The estimated taxable loss for the year ended March 31, 2017 is (\$156,934). The tax benefit of tax pools in excess of carrying values has not been recognized to the extent of the future tax renounced for the flow-through shares issued in fiscal 2006, fiscal 2008, fiscal 2009, fiscal 2010 and fiscal 2012. It cannot be reasonably estimated at this time, if it is more likely than not that the Company will realize the benefits from future income tax assets or the amounts owing from future income tax liabilities.

Consequently, the future recovery or loss arising from differences in tax values and accounting values has been reduced by a valuation allowance. The estimated valuation allowance will be adjusted in the period that it is determined that it is more likely than not that some portion of or all of the future tax assets or future tax liabilities will be realized

The following table reconciles the income tax recovery at the Canadian statutory income tax rate of 27.00% (2015 – 27.00 %) to the amounts recognized in the statement of loss:

	Year ending March 31, 2017	Year ending March 31, 2016
Loss before provision for current income taxes	156,934	\$ 315,003
Expected income tax recovery at Canadian statutory income tax rates - 27 % (2015 - 27 %)	42,372	85,051
Effect of change in tax rates	-	-
Actual income tax recovery (expense)	42,372	85,051

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Valuation allowance	<u>(42,372)</u>	<u>(85,051)</u>
Recovery of income taxes	<u>-</u>	<u>\$ -</u>
	March 31, 2017	March 31, 2016
Non-capital losses	\$ 1,550,729	\$ 1,516,548
Equipment & Mineral and Oil and gas properties	756,243	752,084
Share issuance costs	<u>-</u>	<u>-</u>
	2,306,972	2,268,631
Future income tax asset before valuation allowance	(2,306,972)	(2,268,631)
Valuation allowances	<u>\$ -</u>	<u>\$ -</u>
Net future income tax liability	<u>\$ -</u>	<u>\$ -</u>

At March 31, 2017, the Company had non-capital losses in Canada of approximately \$5,743,440 (\$5,616,844 – March 31, 2016) which are available under certain circumstances to reduce future taxable income. These losses expire in 2026 (\$12,290), 2027 (\$103,328), 2028 (\$878,170), 2029 (\$ 685,930), 2030 (\$586,075), 2031 (\$688,951), 2032 (\$1,064,683), 2033 (\$577,016), 2034 (\$366,067), 2035 (\$311,107), 2036 (\$324,392) and 2037 (\$145,431).

13. Related Party Transactions

A shareholder and director of the Company provided legal services to the Company. During the year ended March 31, 2017, fees and disbursements paid to this shareholder and director's law firm totaled \$8,922 (2016 - \$nil). As of March 31, 2017, -\$12,411 (2016 – \$3,824) is outstanding in accounts payable. Estimated unbilled fees and disbursements at March 31, 2017 are \$Nil.

An officer of the Company provided financial management services to the Company. During the year ended March 31, 2017, fees and disbursements incurred for amounts due to this officer totaled \$16,000 (2016 - \$12,500). As of March 31, 2017, \$24,391 (2016 – \$13,125) is outstanding in accounts payable.

A director of the Company provided consulting services to the Company. During the year ended March 31, 2017, fees and disbursements incurred for amounts due to this director totaled \$16,500 (2016 - \$18,000). As of March 31, 2017, \$79,163 (2016 – \$79,800) is outstanding in accounts payable.

A company controlled by a shareholder and director provided CEO services to the Company. During the year ended March 31, 2017, fees and disbursements incurred for amounts due to this shareholder and director's management company totaled \$110,000 (2016 - \$120,000). As of March 31, 2017, \$592,757 (2016 – \$613,764) is outstanding in accounts payable.

A company controlled by a shareholder and director initially advanced \$300,000 to the Company. Such advance bears interest at the rate of 6% and is repayable on demand. As of March 31, 2017, the advance was \$575,389 including \$133,728 of accrued interest.

All of the above transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

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Key management personnel were compensated as follows: CEO - \$110,000 (2016 - \$120,000), VP - \$16,500 (2016 - \$18,000), CFO - \$16,000 (2016 - \$12,500).

14. Capital Disclosures

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued capital stock, warrants, contributed surplus and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to further exploration on its properties. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and warrants, or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the year ended March 31, 2017.

15. Financial Risk Management

The Company is exposed to liquidity risk by virtue of its activities. Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

As at March 31, 2017, the Company has accounts payable and accrued liabilities of \$770,119, a note due to shareholder of \$575,389 and a term loan of \$1,304,050 inclusive of interest at 12% per annum currently due and cash and cash equivalents of \$4,707. As a result, the Company currently has liquidity risk and is dependent on raising additional capital.

16. Subsequent Events

On May 1, 2017, the Corporation sold certain oil and gas assets to 1116331 B.C. LTD. for a purchase price of \$10.00 plus assumption of all liabilities related to such assets.

On May 3, 2017 Red Rock entered into a Uranium Put and sale agreement with 2037881 ALBERTA LTD. ("2037881") to sell all uranium assets at the sole option of Red Rock on or before December 31, 2017 in consideration of the cancellation of \$1.83 million in debt owed by Red Rock to the principals of 2037881. Red Rock has no obligation to exercise this option.

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On May 4, 2017, the Corporation announced that it had completed the following steps of its reorganization plan:

- Shares for Debt Transaction – The Corporation issued 9,037,322 pre-Consolidation (as defined herein) Common Shares at \$0.08 per Common Share to satisfy \$722,986 of existing indebtedness with certain directors, officers and related parties of the Corporation;
- Share Consolidation – The Corporation completed a consolidation (the "Consolidation") of its Common Shares on the basis of one new post-Consolidation Common Share for every 13.35 pre-Consolidation Common Shares;
- Unit Private Placement – The Corporation completed a non-brokered private placement of 10,000,000 units ("Units") at a price of \$0.05 per Unit for gross proceeds of \$500,000 to a new investor group. Each Unit was comprised of one post-Consolidation Common Share and one warrant (a "Warrant"), with each Warrant entitling the holder thereof to purchase one additional post-Consolidation Common Share at a price of \$0.10 per Common Share until May 3, 2018; and
- New Directors and Officers – Jose Francisco Arata, Marino Ostos and Krishna Vathyam were appointed directors of Red Rock and Krishna Vathyam was appointed interim Chief Executive Officer and Bruce Cameron was appointed interim Chief Financial Officer.

On June 8, 2017, the Corporation announced that the TSX-V granted final approval regarding the NEX reactivation (the "Reactivation") and concurrent application for graduation to Tier 2 of the TSX-V and, effective Monday, June 12, 2017, trading in the Common Shares commenced on the TSX-V under the trading symbol "RRK".

On June 8, 2017, the Corporation also completed a non-brokered private placement of 20,770,332 Common Shares at a price of \$0.10 per Common Share for gross proceeds of \$2,077,032.

On June 8, 2017, the Corporation also issued an aggregate total of 3,500,000 stock options to its directors, officers, and consultants pursuant to its stock option plan, of which 2,500,000 were granted to directors and officers. The options have an exercise price of \$0.10 per Common Share and will expire five years from the date of issuance.