

DRAGONFLY CAPITAL CORP.

Financial Statements

Years Ended April 30, 2019 and 2018

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Dragonfly Capital Corp.

Opinion

We have audited the financial statements of Dragonfly Capital Corp. (the "Company"), which comprise the statements of financial position as at April 30, 2019 and 2018, and the statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$246,046 during the year ended April 30, 2019 and, as of that date, the Company has an accumulated deficit of \$1,098,569. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Lonny Wong.



Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

August 27, 2019

DRAGONFLY CAPITAL CORP.Statements of financial position
(Expressed in Canadian dollars)

	April 30, 2019 \$	April 30, 2018 \$
Assets		
Current assets		
Cash	291,596	525,920
Amounts receivable	337	–
Prepaid expenses	7,875	–
Total assets	299,808	525,920
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	25,359	5,425
Total liabilities	25,359	5,425
Shareholders' equity		
Share capital	1,317,283	1,317,283
Share-based payment reserve	55,735	55,735
Deficit	(1,098,569)	(852,523)
Total shareholders' equity	274,449	520,495
Total liabilities and shareholders' equity	299,808	525,920

Nature of operations (Note 1)

Approved and authorized for issuance by the Board of Directors on August 27, 2019:

/s/ "Kent Deuters"

Kent Deuters, Director

/s/ "Martin Bajic"

Martin Bajic, Director

(The accompanying notes are an integral part of these financial statements)

DRAGONFLY CAPITAL CORP.Statements of operations and comprehensive loss
(Expressed in Canadian dollars)

	Year ended April 30, 2019 \$	Year ended, April 30, 2018 \$
Expenses		
Consulting	106,125	–
Office and miscellaneous	4,329	831
Professional fees	79,443	34,817
Rent and administrative fees (Note 3)	–	14,175
Transfer agent and regulatory fees	12,131	12,758
Travel and promotion	44,018	14,105
Recovery of expenses (Note 3)	–	(14,725)
Total expenses	246,046	61,961
Net loss before other income	(246,046)	(61,961)
Other income		
Gain on forgiveness of debt (Note 3)	–	132,572
Net income (loss) and comprehensive income (loss) for the year	(246,046)	70,611
Earnings (loss) per share, basic and diluted	(0.02)	0.01
Weighted average shares outstanding	16,311,000	7,406,890

(The accompanying notes are an integral part of these financial statements)

DRAGONFLY CAPITAL CORP.Statements of changes in equity
(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve \$	Deficit \$	Total shareholders' equity (deficit) \$
	Number of shares	Amount \$			
Balance, April 30, 2017	6,311,000	567,283	55,735	(923,134)	(300,116)
Shares issued pursuant to a private placement	10,000,000	750,000	–	–	750,000
Net income for the year	–	–	–	70,611	70,611
Balance, April 30, 2018	16,311,000	1,317,283	55,735	(852,523)	520,495
Net loss for the year	–	–	–	(246,046)	(246,046)
Balance, April 30, 2019	16,311,000	1,317,283	55,735	(1,098,569)	274,449

(The accompanying notes are an integral part of these financial statements)

DRAGONFLY CAPITAL CORP.

Statements of cash flows

(Expressed in Canadian dollars)

	Year ended April 30, 2019 \$	Year ended April 30, 2018 \$
Operating activities		
Net income (loss) for the year	(246,046)	70,611
Items not involving cash:		
Gain on forgiveness of debt	–	(33,347)
Gain on forgiveness of related party debt	–	(99,225)
Changes in non-cash operating working capital:		
Amounts receivable	(337)	–
Prepaid expenses	(7,875)	(50,613)
Accounts payable and accrued liabilities	19,934	–
Due to related parties	–	(127,432)
Net cash used in operating activities	(234,324)	(240,006)
Financing activities		
Advances from related parties	–	39,800
Repayments to related parties	–	(24,000)
Proceeds from the issuance of common shares	–	750,000
Net cash provided by financing activities	–	765,800
Change in cash	(234,324)	525,794
Cash, beginning of year	525,920	126
Cash, end of year	291,596	525,920

(The accompanying notes are an integral part of these financial statements)

DRAGONFLY CAPITAL CORP.

Notes to the financial statements

Years ended April 30, 2019 and 2018

(Expressed in Canadian dollars)

1. Nature of Operations

Dragonfly Capital Corp. (the "Company") was incorporated on March 19, 2010 under the Business Corporations Act (BC). On October 15, 2010, the Company completed its initial public offering and is now trading on the TSX Venture Exchange (the "Exchange") as a Capital Pool Company. The Company is in the development stage and its principal business is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction as defined by the rules of the Exchange. The Company's head office is located at Suite 2400, 745 Thurlow Street, Vancouver, BC, V6E 0C5.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. During the year ended April 30, 2019, the Company has not generated any revenues, incurred a net loss of \$246,046, used cash of \$234,324 for operating activities, and has an accumulated deficit of \$1,098,569 as at April 30, 2019. The Company's continuing operations are dependent upon its ability to identify, evaluate, and negotiate a Qualifying Transaction. If a Qualifying Transaction is identified or completed, additional funding may be required and there is no assurance that the Company will be able to obtain such financing, if any, on reasonable terms. These factors indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board on a going concern basis.

These financial statements have been prepared on a historical cost basis. These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Application of New IFRS

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 introduces a new expected credit loss ("ECL") model for all financial assets in scope of the impairment requirements. The new ECL will result in an allowance for credit losses being recorded on financial assets irrespective of whether there has been an actual loss event.

The Company adopted the amendments to IFRS 9, effective May 1, 2018 using the full retrospective method, with no significant impact on the Company's financial statements.

(c) Use of Estimates and Judgments

The preparation of these financial statements in conformity with IFRS requires the Company's management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, 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 period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include unrecognized deferred income tax assets.

DRAGONFLY CAPITAL CORP.

Notes to the financial statements

Years ended April 30, 2019 and 2018

(Expressed in Canadian dollars)

2. Significant Accounting Policies

(c) Use of Estimates and Judgments (continued)

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value to be cash equivalents.

(e) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of operations.

Fair value estimates are made at the statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: fair value through profit or loss ("FVTPL") or amortized cost.

The Company has made the following classifications:

Cash	FVTPL
Amounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

DRAGONFLY CAPITAL CORP.

Notes to the financial statements

Years ended April 30, 2019 and 2018

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(e) Financial Instruments (continued)

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations. Loss allowances are based on the lifetime ECL's that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(f) Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

DRAGONFLY CAPITAL CORP.

Notes to the financial statements

Years ended April 30, 2019 and 2018

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(f) Financial Liabilities and Equity Instruments (continued)

Other financial liabilities

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(g) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(h) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at April 30, 2019 and 2018, the Company had no potentially dilutive shares outstanding.

(i) Comprehensive Loss

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of operations.

DRAGONFLY CAPITAL CORP.

Notes to the financial statements

Years ended April 30, 2019 and 2018

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(j) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

(k) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended April 30, 2019, and have not been applied in preparing these financial statements.

New standard IFRS 16, "Leases"

The Company has not early adopted this new standard and it will not have a significant impact on the Company's financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. Related Party Transactions

- (a) For the year ended April 30, 2019, the Company incurred rent and administrative fees of \$nil (2018 – \$14,175) to a company controlled by two former directors of the Company.
- (b) For the year ended April 30, 2019, the Company recovered consulting fees of \$nil (2018 – \$14,725) from a company with former common officers and directors.
- (c) For the year ended April 30, 2018, a company controlled by the former President of the Company forgave \$57,700 owed by the Company, and the spouse of the former President of the Company forgave \$41,525 owed by the Company.

4. Share Capital

Authorized: Unlimited common shares without par value

On March 21, 2018, the Company issued 10,000,000 common shares at \$0.075 per share for proceeds of \$750,000.

DRAGONFLY CAPITAL CORP.

Notes to the financial statements
Years ended April 30, 2019 and 2018
(Expressed in Canadian dollars)

5. Financial Instruments and Risks

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at April 30, 2019 as follows:

	Fair value measurements using			Balance, April 30, 2019 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	291,596	–	–	291,596

The fair values of other financial instruments, which include amounts receivable, and accounts payable and accrued liabilities, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

6. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remained unchanged from the year ended April 30, 2018.

DRAGONFLY CAPITAL CORP.

Notes to the financial statements
Years ended April 30, 2019 and 2018
(Expressed in Canadian dollars)

7. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2019 \$	2018 \$
Canadian statutory income tax rate	27%	26.33%
Income tax provision (recovery) at statutory rate	(66,432)	18,592
Tax effect of:		
Permanent differences and other	–	406
Change in enacted tax rates	–	(8,438)
Change in unrecognized deferred income tax assets	(66,432)	(10,560)
Income tax provision	–	–

The significant components of deferred income tax assets and liabilities are as follows:

	2019 \$	2018 \$
Deferred income tax assets		
Non-capital losses carried forward	280,110	213,678
Resource pool	7,667	7,667
Unrecognized deferred income tax assets	(287,777)	(221,345)
Net deferred income tax asset	–	–

As at April 30, 2019, the Company has non-capital losses carried forward of \$1,037,445 which is available to offset future years' taxable income. These losses expire as follows:

	\$
2032	64,405
2033	207,433
2034	113,333
2035	167,868
2036	182,490
2037	55,870
2039	246,046
	1,037,445

The Company also has available mineral resource related expenditure pools totalling \$28,398 which may be deducted against future taxable income on a discretionary basis.