

**BAROLO VENTURES CORP.**  
(formerly North American Potash Developments Inc.)

(An Exploration Stage Company)

Consolidated Financial Statements  
(Expressed in Canadian Dollars)

For the years ended May 31, 2018 and 2017

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Barolo Ventures Corp. (formerly North American Potash Developments Inc.)

We have audited the accompanying consolidated financial statements of Barolo Ventures Corp. (formerly North American Potash Developments Inc.), which comprise the consolidated statements of financial position as at May 31, 2018 and 2017 and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

### *Opinion*

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Barolo Ventures Corp. (formerly North American Potash Developments Inc.) as at May 31, 2018 and 2017, 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 consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Barolo Ventures Corp.'s (formerly North American Potash Development Inc.) ability to continue as a going concern.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

September 27, 2018

**BAROLO VENTURES CORP.**  
(formerly North American Potash Developments Inc.)  
(An Exploration Stage Company)  
Consolidated Statements of Financial Position  
(Expressed in Canadian dollars)  
As at May 31

	2018		2017
<b>Assets</b>			
Current assets			
Cash	\$ 117	\$	5,375
Receivables (Note 3)	6,716		5,260
	<b>6,833</b>		10,635
Exploration and evaluation assets (Note 4)	1		1
	<b>\$ 6,834</b>	<b>\$</b>	<b>10,636</b>
<b>Liabilities and Shareholders' Deficiency</b>			
Current liabilities			
Accounts payable and accrued liabilities	\$ 392,815	\$	327,166
Shareholders' deficiency			
Share capital (Note 6)	8,458,020		8,458,020
Contributed surplus (Note 6)	1,692,368		1,692,368
Deficit	(8,911,629)		(8,797,736)
Non-controlling interests (Note 10)	(1,624,740)		(1,669,182)
	<b>(385,981)</b>		<b>(316,530)</b>
	<b>\$ 6,834</b>	<b>\$</b>	<b>10,636</b>

Nature of operations and going concern (Note 1)  
Subsequent events (Note 12)

Approved on behalf of the Board:

"Scott Ackerman"  
Scott Ackerman - Director

"Doug McFaul"  
Doug McFaul – Director

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

**BAROLO VENTURES CORP.**  
(formerly North American Potash Developments Inc.)  
(An Exploration Stage Company)  
Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian dollars)  
For the years ended May 31

	2018	2017
<b>EXPENSES</b>		
Audit and accounting	\$ 42,015	\$ 45,500
Bank charges	123	142
Consulting fees	-	72,500
Legal	25,329	316
Rent	-	15,000
Transfer agent and filing fees	5,130	12,765
<b>TOTAL OPERATING EXPENSES</b>	<b>(72,597)</b>	<b>(146,223)</b>
Foreign exchange gain (loss)	3,146	(2,528)
Recovery of accounts payable	-	111,762
	<b>3,146</b>	<b>109,234</b>
<b>LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>\$ (69,451)</b>	<b>\$ (36,989)</b>
<b>BASIC AND DILUTED LOSS PER SHARE</b>	<b>\$ (0.03)</b>	<b>\$ (0.02)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING<sup>1</sup> (Basic and Diluted)</b>	<b>2,004,287</b>	<b>2,004,287</b>
<b>Loss and comprehensive loss attributable to:</b>		
Shareholders of the Company	\$ (113,893)	\$ (5,873)
Non-controlling interests	44,442	(31,116)
	<b>\$ (69,451)</b>	<b>\$ (36,989)</b>

<sup>1</sup> Per share information has been retroactively adjusted to reflect the September 20, 2018 1.75 old for 1 new common share consolidation.

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

**BAROLO VENTURES CORP.**  
(formerly North American Potash Developments Inc.)  
(An Exploration Stage Company)  
Consolidated Statements of Cash Flows  
(Expressed in Canadian dollars)  
For the years ended May 31

	2018	2017
Cash flows from operating activities:		
Net loss for the year	\$ (69,451)	\$ (36,989)
Items not involving cash:		
Recovery of accounts payable	-	(111,762)
Foreign exchange loss (gain)	(3,146)	2,528
Change in non-cash operating working capital:		
Receivables	(1,456)	(2,300)
Prepaid expenses	-	-
Accounts payable and accrued liabilities	68,795	135,637
Net cash used in operating activities	(5,258)	(12,886)
Change in cash for the year	(5,258)	(12,886)
Cash, beginning of the year	5,375	18,261
Cash, end of the year	\$ 117	\$ 5,375
Supplementary information with respect to cash flows:		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

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

**BAROLO VENTURES CORP.**

(formerly North American Potash Developments Inc.)

(An Exploration Stage Company)

Consolidated Statement of Changes in Shareholders' Deficiency

(Expressed in Canadian dollars)

	Number of Common Shares <sup>1</sup>	Share Capital	Contributed Surplus	Deficit	Non-Controlling Interests	Shareholders' Deficiency
<b>Balance, May 31, 2016</b>	<b>2,004,287</b>	<b>\$ 8,458,020</b>	<b>\$ 1,692,368</b>	<b>\$ (8,791,862)</b>	<b>\$ (1,638,067)</b>	<b>\$ (279,541)</b>
Loss for the year	-	-	-	(36,989)	-	(36,989)
Non-controlling interests	-	-	-	31,115	(31,115)	-
<b>Balance, May 31, 2017</b>	<b>2,004,287</b>	<b>\$ 8,458,020</b>	<b>\$ 1,692,368</b>	<b>\$ (8,797,736)</b>	<b>\$ (1,669,182)</b>	<b>\$ (316,530)</b>
<b>Balance, May 31, 2017</b>	<b>2,004,287</b>	<b>\$ 8,458,020</b>	<b>\$ 1,692,368</b>	<b>\$ (8,797,736)</b>	<b>\$ (1,669,182)</b>	<b>\$ (316,530)</b>
Loss for the year	-	-	-	(69,451)	-	(69,451)
Non-controlling interests	-	-	-	(44,442)	44,442	-
<b>Balance, May 31, 2018</b>	<b>2,004,287</b>	<b>\$ 8,458,020</b>	<b>\$ 1,692,368</b>	<b>\$ (8,911,629)</b>	<b>\$ (1,624,740)</b>	<b>\$ (385,981)</b>

<sup>1</sup> Per share information has been retroactively adjusted to reflect the September 20, 2018 1.75 old for 1 new common share consolidation.

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

## **1. Nature of Operations and Going Concern**

Barolo Ventures Corp. (formerly North American Potash Developments Inc.) (the "Company") was incorporated on June 13, 2006 and is an exploration stage public company whose shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "BV.H". The Company's stock had been cease-traded since October 4, 2016 for failure to file certain financial statements. The Company has brought its financial reporting obligations up-to-date, and on August 3, 2018 the British Columbia Securities Commission issued a full revocation of the cease trade order. The Company was previously engaged in the acquisition, exploration and development of mineral properties in Canada and the United States, but currently does not have an active business, and is investigating new business opportunities. The registered and records office of the Company is 2200 - 885 West Georgia Street, Vancouver, British Columbia, Canada V6C 3E8 and the principle place of business is 1600 - 609 Granville Street, Vancouver, British Columbia, Canada V7Y 1C3.

Subsequent to the fiscal year end, on September 20, 2018, the Company changed its name from North American Potash Developments Inc. to Barolo Ventures Corp. and consolidated its common shares on a 1.75 old for 1 new basis (all share and per share amounts in these consolidated financial statements reflect the share consolidation).

### **Going Concern**

The Company has not yet determined whether any of its properties contain mineral deposits that are economically recoverable. The recoverability of any amounts shown as exploration and evaluation asset costs is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of its properties.

These consolidated financial statements are prepared on the basis that the Company will continue as a going concern. The Company has a history of losses and anticipates further losses in its search for and evaluation of new business opportunities. As at May 31, 2018, the Company has an accumulated deficit of \$8,911,629 and a working capital deficiency of \$385,982. The future success of the Company is dependent on settlement of its liabilities, the identification and successful negotiation/acquisition of a sustainable/viable business operation together with the ability to finance the necessary funding, at agreeable terms, to support a business or asset acquisition. Management recognizes that the Company will need to generate additional financial resources in order to meet its planned business objectives. Subsequent to the fiscal year end the Company announced that it closed a non-brokered private placement for proceeds of \$600,000 through the issuance of 12,000,000 subscription receipts (the "Subscription Receipts") of the Company at a price of \$0.05 per Subscription Receipt (the "Offering"). The proceeds of the Offering are being held in escrow, pending shareholder approval to the change of control that will result from the Offering, and consolidation of the Company's issued and outstanding common shares on a 1.75:1 basis. Upon shareholder approval to the change of control, and completion of the consolidation (completed on September 20, 2018), each Subscription Receipt will automatically convert into one unit of the Company (each, a "Unit") for no additional consideration. Each Unit will consist of one post-consolidated common share and one share purchase warrant, with each share purchase warrant entitling the holder to acquire one additional post-consolidated common share at a price of \$0.07 per share for a period of 12 months from the date the warrants are issued. All securities issued in the Offering have a hold period expiring December 23, 2018. Once released from escrow, proceeds of the Offering will be used to settle certain indebtedness and for working capital purposes. With the proceeds from this private placement management believes that the Company will have sufficient liquidity to meet its operational requirements for the next fiscal year. However, the Company's continued operations are dependent upon its ability to identify, evaluate and successfully negotiate an agreement to acquire an interest in a sustainable/viable business operation. There is no assurance that the Company will identify a business or asset that warrants acquisition or participation, and/or will be able to obtain the financing necessary to support a new business acquisition. All of the preceding indicates the existence of a material uncertainty that may cast substantial doubt about the Company's ability to continue as a going concern. These financial statements do not give effect to any adjustments which would

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Notes to the Consolidated Financial Statements  
May 31, 2018 and 2017  
(Expressed in Canadian dollars)

**1. Nature of Operations and Going Concern (continued)**

be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

**2. Significant Accounting Policies**

**(a) Statement of Compliance**

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

The policies applied in these consolidated financial statements are based on IFRS effective for the year ended May 31, 2018. The Board of Directors authorized these financial statements for issue on September 27, 2018.

**(b) Basis of Measurement**

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value and have been prepared using the accrual basis of accounting except for cash flow information.

**(c) Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiaries as follows:

Name of subsidiary	Principle Activity	Place of Formation	Proportion of ownership interest held	
			May 31, 2018	May 31, 2017
BUA USA LLC (“BUA”)	Inactive	USA	100%	100%
Potash Green LLC (“Potash Green”)	Mineral Exploration - Inactive	USA	70%	70%
Potash Green Utah LLC (“Potash Green Utah”)	Mineral Exploration - Inactive	USA	70%	70%

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intercompany balances, transactions, revenues and expenses have been eliminated.

## **2. Significant Accounting Policies (continued)**

### **(d) Critical Accounting Estimates, Judgements and Assumptions**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. Estimates and associated assumptions applied in determining asset or liability values are based on historical experience and various other factors including other sources that are believed to be reasonable under the circumstances but are not necessarily readily apparent or recognizable at the time such estimate or assumption is made. Actual results may differ from these estimates.

Estimates and underlying assumptions used in determining asset and liability values are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is as follows:

#### **(i) Income taxes**

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

The information about significant areas of judgment considered by management in preparing the consolidated financial statements is as follows:

#### **(i) Going concern**

The assessment of the Company's ability to continue as a going concern as discussed in Note 1 involves judgment regarding future funding available for its operations and working capital requirements.

#### **(ii) Determination of functional currency**

The functional and reporting currency of the Company and its subsidiaries is the Canadian dollar. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates. The determination of functional currency involves certain judgments to determine the primary economic environment of the Company. The Company reconsiders the functional currency if there are changes in events and conditions of the factors used in the determination of the primary economic environment. The functional currency of the Company and its wholly-owned subsidiaries is the Canadian dollar.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates. Future events and risk factors inherent in the resources and mining industry could also result in changes in these estimates and assumptions.

## **2. Significant Accounting Policies (continued)**

### **(e) Functional and Presentation Currency**

The Company and its subsidiaries' functional currency is the Canadian Dollar ("CAD"). The consolidated financial statements are presented in CAD which is the Company's presentation currency, unless otherwise noted.

### **(f) Cash**

Cash includes cash on hand and short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

### **(g) Exploration and Evaluation Assets**

Exploration and evaluation asset expenditures are capitalized once the legal right to explore a property has been acquired. Exploration and evaluation assets are recorded at cost less accumulated impairment losses. Direct costs related to the acquisition and exploration and evaluation of exploration and evaluation assets are capitalized until the commercial viability of the asset is established, at which time the capitalized costs are reclassified to mineral properties under development. To the extent that the expenditures are spent to establish ore reserves within the rights to explore, the Company will consider those costs as intangible assets in nature. The depreciation of a capital asset in connection with exploring or evaluating a property of this nature will be included in the cost of the intangible asset.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation asset expenditures incurred are deemed to be impaired. As a result, those exploration and expenditure asset costs, in excess of estimated recoveries, are written off to profit or loss.

Management reviews the facts and circumstances to determine if the carrying amount of the exploration and evaluation assets exceeds their recoverable amount on a regular basis. If the facts and circumstances suggest the carrying value exceeds the recoverable amount, the Company will perform an impairment test on the property.

Exploration stage assets and development stage assets are considered separate cash generating units ("CGU") for impairment testing purposes.

The amount shown for exploration and evaluation assets does not necessarily represent present or future values. Recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Option agreement payments including the fair value of the common shares received by the Company from third parties to the Company are credited to the cumulative and capitalized cost of the related mineral property. If the received amount exceeds the capitalized cost of the related property, the excess is recognized as income in the year received.

## 2. Significant Accounting Policies (continued)

### (h) Impairment of Non-Financial Assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount which is the higher of its fair value less costs to sell and its value-in-use. For the purpose of estimating recoverable amounts, the impairment test is carried out on the asset's cash-generating unit ("CGU"), which is the lowest level for which there are separately identifiable cash flows. A CGU may include certain aggregated exploration and evaluation assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount with the impairment loss recognized in profit or loss.

A previously recognized impairment loss is reversed when there has been a change in the assumptions used to determine the asset's recoverable amount when the impairment loss was initially recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been recognized, net of depletion, depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Any reversal of previously recognized impairment losses is recognized in profit or loss.

### (i) Financial Instruments

Financial assets, financial liabilities and non-financial derivatives are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instrument's classification.

#### Financial Assets

The Company classifies its financial assets into one of the following four categories:

i. *Fair value through profit or loss*

Financial assets designated as fair value through profit or loss are subsequently measured at fair value with changes in those fair values recognized in profit or loss.

ii. *Held-to-maturity investment*

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are subsequently measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss. The Company currently has no held-to-maturity assets.

iii. *Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the period in which they are identified.

The Company classifies its cash and receivables as loans and receivables.

## 2. Significant Accounting Policies (continued)

### (i) Financial Instruments (continued)

#### Financial Assets (continued)

##### iv. Available-for-sale assets

Non-derivative financial assets not included in the above categories are classified as available-for-sale. Available-for-sale financial assets are subsequently measured at fair value with changes in fair value recognized in Other Comprehensive Income ("OCI"), net of tax. Amounts recognized in OCI for available-for-sale financial assets are charged to profit or loss when the asset is derecognized or when there is other than temporary asset impairment. The Company currently has no available-for-sale financial assets.

#### Financial Liabilities

The Company classifies its financial liabilities into one of the following two categories:

##### i. Fair value through profit or loss

Financial liabilities designated as fair value through profit or loss are subsequently measured at fair value with changes in those fair values recognized in profit or loss. Currently the Company does not have financial liabilities classified as fair value through profit or loss.

##### ii. Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The Company classifies accounts payable and accrued liabilities as other financial liabilities.

#### Fair Value Hierarchy

The fair value hierarchy that prioritizes the inputs used to measure fair value is as follows:

- Level 1- quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3- inputs for the asset or liability that are not based on observable market data.

Refer to Note 7 for fair value disclosures.

#### Impairment of 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.

## **2. Significant Accounting Policies (continued)**

### **(i) Financial Instruments (continued)**

#### **Impairment of Financial Assets (continued)**

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 profit or 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.

### **(j) Provisions**

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provision related to asset retirement obligation, dismantling, decommissioning and site disturbance remediation is made for the estimated cost and capitalized in the relevant asset category. Such provision 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 reporting 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 in profit or loss whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the obligation are charged against the provision to the extent the provision is established.

#### **Other Provisions:**

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. The Company had no provisions as at May 31, 2018 or May 31, 2017.

### **(k) Foreign currency translation**

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the reporting period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are reflected in profit or loss.

## **2. Significant Accounting Policies (continued)**

### **(l) Income taxes**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of 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 for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. 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 substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, 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.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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.

### **(m) Share Capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share purchase warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing price on the measurement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded in contributed surplus.

### **(n) Share-based Payments**

The cost of incentive share options and other equity-settled share-based compensation and payment arrangements is recorded based on the estimated fair-value at the grant date and charged to earnings over the vesting period. Where incentive share options are subject to vesting, each vesting tranche is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by a charge to earnings, with a corresponding increase to contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

## 2. Significant Accounting Policies (continued)

### (o) Earnings/Loss per Share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

### (p) New Standards Not Yet Adopted

The following standards have not been adopted in the preparation of these consolidated financial statements. The Company has evaluated the impact the implementation of these standards will have on future consolidated financial statements and have determined the impact to be negligible.

#### **IFRS 9, *Financial Instruments*** (new; to replace IAS 39)

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and, therefore, the accounting policy with respect to financial liabilities is unchanged.

The following is the new accounting policy for financial assets under IFRS 9:

#### **Financial assets**

Financial assets will be classified in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's current accounting policy for each of the categories is as follows:

**Financial assets at FVTPL:** Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statement of loss in the period.

**Financial assets at FVTOCI:** Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive loss in which they arise.

## 2. Significant Accounting Policies (continued)

### (p) New Standards Not Yet Adopted (continued)

**Financial assets at amortized cost:** A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

**Impairment of financial assets at amortized cost:** The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The following table shows the classification of the Company's financial assets when IFRS 9 is implemented:

Financial asset	IFRS 9 Classification
Cash	Amortized cost
GST receivable	Amortized cost
Trade payables	Amortized cost
Accrued liabilities	Amortized cost

As the accounting reflected by the adoption of IFRS 9 under the above classifications and election is similar to that of IAS 39, there will be no impact on the Company's financial statements and no restating of prior periods will be required.

### **IFRS 15, Revenue from Contracts with Customers**

IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative and relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

The adoption of IFRS 15 will have no impact on the Company's financial statements.

### **IFRS 16, Leases**

The new standard requires the recognition of almost all lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a "right-of-use" asset with exceptions for certain short-term leases and leases of low-value assets. The new standard is likely to result in increases to both the asset and liability positions of lessees as well as reported depreciation expense and finance costs of these entities in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

**BAROLO VENTURES CORP.**  
(formerly North American Potash Developments Inc.)  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
May 31, 2018 and 2017  
(Expressed in Canadian dollars)

**3. Receivables**

	May 31, 2018	May 31, 2017
<b>GST receivable</b>	<b>\$ 6,716</b>	<b>\$ 5,260</b>

**4. Exploration and Evaluation Assets**

**Hornby Basin Property – Northwest Territories, Canada**

By option agreement dated July 1, 2006 and the amended agreement dated June 30, 2007, the Company acquired an undivided 100% right, title and interest in four mineral claims located in the Great Bear Lake area of the Northwest Territories known as the Hornby Basin Property (“HB Claims”).

The consideration for the 100% interest in the HB claims was as follows:

The HB claims are subject to a 2% Net Smelter Return royalty which the Company can buy down to 1% at a cost of \$1,000,000.

During the year ended May 31, 2010, the Company conducted a work program and incurred \$75,000 in exploration costs. As at May 31, 2011, the Company had spent the required expenditure up to October 2014 and continued to evaluate the timing of further exploration work on the HB claims. The Company did not conduct any further work on the property during the year ended May 31, 2012 and has no plans to continue exploration. As such, during the fiscal year ended May 31, 2012, the property was written down by \$268,999 to a nominal value of \$1.

**5. Related Party Transactions**

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company. The Company has determined that key management personnel consist of executive and non-executive members of the Company’s Board of Directors and corporate officers.

Compensation to key management personnel and companies controlled by them during the years ended May 31, 2018 and 2017 were as follows:

	May 31, 2018	May 31, 2017
	\$	\$
<b>Accounting – to companies controlled by former officers (CEO, Simon Tam and CFO, Simon Ma) of the Company</b>	-	<b>35,500</b>
<b>Consulting – to a company controlled by the former CEO of the Company</b>	-	<b>72,500</b>
<b>Rent – to a company controlled by the former CEO of the Company</b>	-	<b>15,000</b>
	-	<b>123,000</b>

**5. Related Party Transactions (continued)**

Balances due to and from related parties as at May 31, 2018 and 2017, were as follows:

	May 31, 2018	May 31, 2017
	\$	\$
<b>Accounts payable and accrued liabilities (to former officers (Simon Tam and Simon Ma) and a former director (Kevin Beaulieu) of the Company</b>	-	179,700

Amounts due from/to related parties are non-interest bearing, unsecured and have no specific terms of repayment.

**6. Share Capital and Reserves**

**(a) Authorized**

Unlimited number of common shares without par value

**(b) Share capital issued and outstanding**

No common shares were issued during the years ended May 31, 2018 or 2017.

Subsequent to the fiscal year end, on September 20, 2018, the Company consolidated its common shares on a 1.75 old for 1 new basis (all share and per share amounts in these consolidated financial statements reflect the share consolidation).

**(c) Stock Options**

The Company has established a stock option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants to a maximum of 10% of the Company's issued and outstanding common shares. These options may be granted for a maximum term of ten years from the date of grant and vest as determined by the board of directors.

	Number of Options	Weighted Average Exercise Price
		\$
Balance, outstanding and exercisable May 31, 2016	22,857	4.38
Expired / Cancelled	(22,857)	4.38
Balance, outstanding and exercisable May 31, 2017 and May 31, 2018	-	-

As at May 31, 2018, there were no (2017 – nil) stock options outstanding and exercisable. There were no stock options granted during the years ended May 31, 2018 and 2017.

## **7. Financial Instruments**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### **Market Risk**

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk and are disclosed as follows:

#### **(i) Currency risk**

The Company believes it is not subject to significant currency risk.

#### **(ii) 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 has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in short-term deposit certificates issued by its banking institution. Due to the short-term nature of these financial instruments, fluctuations in interest rates do not have a significant impact on their fair values as at May 31, 2018 and 2017.

#### **(iii) Price rate risk**

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

### **Credit Risk**

Credit risk is the risk that one party to a financial instrument will not fulfill some or all of its obligations, thereby causing the Company to sustain a financial loss. The Company is exposed to credit risk with respect to its cash position and receivables. The Company's cash is held in a major Canadian financial institution which is considered to have high creditability. The Company's receivable is from a government agency thus the collection is considered assured. The Company believes it has no significant credit risk.

## **7. Financial Instruments (continued)**

### **Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet its obligations. The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due. As at May 31, 2018, the Company had a cash balance of \$117 (May 31, 2017 - \$5,375) to settle liabilities of \$392,815 (May 31, 2017 - \$327,166). Accordingly, as at May 31, 2018 the Company is unable to meet its current obligations and had significant liquidity risk. However, subsequent to the fiscal year-end the Company announced that it closed a non-brokered private placement for proceeds of \$600,000 through the issuance of 12,000,000 subscription receipts. With the proceeds from this private placement, management believes that the Company will have sufficient liquidity to meet its operational requirements for the next fiscal year, mitigating the Company's liquidity risk for the near term. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

### **Fair Value Measurements**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data. The fair value of cash is determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets.

As at May 31, 2018 and May 31, 2017, the Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. Cash and receivables are classified as amortized cost. Accounts payable and accrued liabilities are classified as amortized cost. The fair values of these financial instruments approximate their carrying values because of their short-term nature and/or the existence of market related interest rates on the instruments.

## **8. Capital Management**

The Company's capital management objectives are to raise the necessary equity financing to fund its exploration projects and to manage the equity funds raised which best optimizes its exploration programs and the interests of its equity shareholders at an acceptable risk level.

In the management of capital, the Company includes items in shareholders' deficiency (excluding accumulated other comprehensive income) in the definition of capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may raise additional equity funds and acquire new exploration properties as circumstances dictate.

There were no changes in the Company's approach to capital management during the year ended May 31, 2018. The Company is not subject to externally imposed capital requirements.

**BAROLO VENTURES CORP.**  
(formerly North American Potash Developments Inc.)  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
May 31, 2018 and 2017  
(Expressed in Canadian dollars)

**9. Segmented Information**

The Company conducts all of its operations in one industry segment being the acquisition, exploration and development of resource properties. The Company's exploration and evaluation assets are all located in Canada.

**10. Non-Controlling Interest**

The Company owns 70% of the common shares of Potash Green LLC and 70% of the common shares of Potash Green Utah LLC. Set-out below is the summarized financial information for each subsidiary. The amounts disclosed for Potash Green and Potash Green Utah are based on those included in the consolidated financial statements before inter-company eliminations.

	Year Ended May 31, 2018		Year Ended May 31, 2017	
	Potash Green LLC	Potash Green Utah LLC	Potash Green LLC	Potash Green Utah LLC
Non-controlling interest percentage	30%	30%	30%	30%
<b>ASSETS</b>	\$	\$	\$	\$
Non-current	1,963,642	-	2,044,458	-
	1,963,642	-	2,044,458	-
<b>LIABILITIES</b>				
Current	-	79,743	-	83,025
Long-term liabilities	-	5,483,393	-	5,709,069
	1,963,642	5,563,136	2,044,458	5,792,094
Non-controlling interest	(10,056)	(1,614,684)	14,189	(1,683,372)

	Year Ended May 31, 2018		Year Ended May 31, 2017	
	Potash Green LLC	Potash Green Utah LLC	Potash Green LLC	Potash Green Utah LLC
	\$	\$	\$	\$
Net and Comprehensive income (loss) for the year	(80,816)	228,958	64,341	(168,060)
Comprehensive income (loss) attributable to non-controlling interest	(24,245)	68,687	19,302	(50,418)

	Year Ended May 31, 2018		Year Ended May 31, 2017	
	Potash Green LLC	Potash Green Utah LLC	Potash Green LLC	Potash Green Utah LLC
	\$	\$	\$	\$
Cash flows from operating activities	-	-	-	(68)
	-	-	-	(68)

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(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
May 31, 2018 and 2017  
(Expressed in Canadian dollars)

**11. Income Taxes**

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

	2018	2017
	\$	\$
Loss for the year before income taxes	<b>(69,451)</b>	(36,989)
Expected income tax (recovery)	<b>(19,000)</b>	(10,000)
Change in statutory, foreign tax, foreign exchange rates and other	<b>71,000</b>	(77,000)
Permanent difference	<b>(63,000)</b>	79,000
Change in unrecognized deductible temporary differences	<b>11,000</b>	8,000
Total income tax expense	-	-

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2018	2017
	\$	\$
<b>Deferred tax assets (liabilities)</b>		
Exploration and evaluation assets	<b>356,000</b>	373,000
Allowable capital losses	<b>22,000</b>	22,000
Non-capital losses available for future period	<b>1,362,000</b>	1,334,000
<b>Net unrealized deferred tax assets</b>	<b>1,740,000</b>	1,729,000

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:

Non-capital losses available for future periods	2018		2017	
		Expiry Date Range		Expiry Date Range
Canada	<b>\$2,759,000</b>	<b>2022 to 2038</b>	\$2,550,000	2022 to 2037
USA	<b>\$3,070,000</b>	<b>2024 to 2038</b>	\$3,197,000	2024 to 2037

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

## **12. Subsequent Events**

Subsequent to the fiscal year end, on September 20, 2018, the Company changed its name from North American Potash Developments Inc. to Barolo Ventures Corp. and consolidated its common shares on a 1.75 old for 1 new basis (all share and per share amounts in these consolidated financial statements reflect the share consolidation).

Subsequent to the fiscal year end, the Company closed a non-brokered private placement for proceeds of \$600,000 through the issuance of 12,000,000 subscription receipts (the "Subscription Receipts") of the Company at a price of \$0.05 per Subscription Receipt (the "Offering"). The proceeds of the Offering are being held in escrow, pending shareholder approval to the change of control that will result from the Offering, and consolidation of the Company's issued and outstanding common shares on a 1.75:1 basis (consolidation was completed on September 20, 2018). Upon shareholder approval to the change of control, and completion of the consolidation, each Subscription Receipt will automatically convert into one unit of the Company (each, a "Unit") for no additional consideration. Each Unit will consist of one post-consolidated common share and one share purchase warrant, with each share purchase warrant entitling the holder to acquire one additional post-consolidated common share at a price of \$0.07 per share for a period of 12 months from the date the warrants are issued. All securities issued in the Offering have a hold period expiring December 23, 2018.