

Gelum Capital Ltd.
Condensed Interim Consolidated Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
For the three months ended July 31, 2019 and 2018

NOTICE OF NO AUDITOR REVIEW

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Gelum Capital Ltd. (the “Company”) have been prepared by and are the responsibility of the Company’s management. The unaudited condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards and reflect management’s best estimates and judgment based on information currently available.

The Company’s independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity’s auditor.

September 27, 2019

Gelum Capital Ltd.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

	Notes	As at 31 July 2019	As at 30 April 2019
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	5	59,474	84,174
Amounts receivable	6	4,159	3,307
Total assets		63,633	87,481
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables		55,490	44,611
Due to Related Parties	12	422,299	436,657
Total current liabilities		477,789	481,268
Non-Current liabilities			
Convertible Note	7, 12	184,251	173,962
Total non-current liabilities		184,251	173,962
Total liabilities		662,040	655,230
Equity			
Common shares	8	7,245,232	7,245,232
Shares to be issued	12	29,200	29,200
Reserves	8	5,588,580	5,588,580
Equity portion of convertible note		75,459	75,459
Deficit		(13,536,878)	(13,506,220)
Total equity		(598,407)	(567,749)
Total equity and liabilities		63,633	87,481

Corporate Information and Going Concern (Note 1)

Subsequent event (Note 13)

APPROVED BY THE BOARD:

“Robert Kopple”

Director

“Hendrik Van Alphen”

Director

Gelum Capital Ltd.

Condensed Interim Consolidated Statements of Net and Comprehensive Income (Loss)

(Expressed in Canadian dollars)

(Unaudited)

		Three months ended 31 July	
	Notes	2019	2018
Operating Expenses			
General & administrative		(18,715)	(9,529)
Business development		(185)	(2,069)
Total operating expenses		(18,900)	(11,598)
Loss on foreign exchange		(1,469)	(1,369)
Interest (expense) income		(5,041)	-
Accretion expense		(5,248)	(3,960)
Recovery of loan receivable		-	126,004
Net income (loss) and comprehensive income (loss) for the period		(30,658)	109,077
Income (loss) per share – basic and diluted	9	(0.01)	0.02

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

Gelum Capital Ltd.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended 31 July	
	2019	2018
	\$	\$
OPERATING ACTIVITIES		
Net income (loss) for the year	(30,658)	109,077
Adjustments for:		
Accretion expense	5,248	3,960
Accrued interest on convertible loan	5,041	-
Recovery of loan receivable	-	(126,004)
Changes in non-cash working capital:		
Due to related parties	(14,358)	16,225
Amounts receivable	(852)	(268)
Prepaid expenses	-	(1,000)
Trade and other payables	10,879	(4,108)
Cash used in operating activities	(24,700)	(2,118)
FINANCING ACTIVITIES		
Recovery of loan to subsidiary	-	151,004
Cash provided by financing activities	-	151,004
(Decrease) increase in cash and cash equivalents	(24,700)	148,886
Cash and cash equivalents, beginning of period	84,174	1,438
Cash and cash equivalents, end of period	59,474	150,324

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

Gelum Capital Ltd.

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Number of shares	Common shares	Shares to be issued	Share issuance cost	Reserves		Equity portion of convertible note	Deficit attributable to parent	Total
					Option reserve	Warrant reserve			
			\$	\$	\$	\$	\$	\$	\$
Balances, 30 April 2018	4,727,433	7,602,883	29,200	(357,651)	3,813,753	1,774,827	75,459	(13,504,727)	(566,256)
Net income for the period	-	-	-	-	-	-	-	109,077	109,077
Balances, 31 July 2018	4,727,433	7,602,883	29,200	(357,651)	3,813,753	1,774,827	75,459	(13,395,650)	(457,179)
Net loss for the period	-	-	-	-	-	-	-	(110,570)	(110,570)
Balances, 30 April 2019	4,727,433	7,602,883	29,200	(357,651)	3,813,753	1,774,827	75,459	(13,506,220)	(567,749)
Net loss for the period	-	-	-	-	-	-	-	(30,658)	(30,658)
Balances, 31 July 2019	4,727,433	7,602,883	29,200	(357,651)	3,813,753	1,774,827	75,459	(13,536,878)	(598,407)

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

Gelum Capital Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

31 July 2019

(Expressed in Canadian dollars)

(Unaudited)

1. CORPORATE INFORMATION AND GOING CONCERN

Gelum Capital Ltd. (the “Company”) was incorporated under the laws of the province of British Columbia on 8 June 1987. The principal address and registered and records office is located at Suite, 400 – 725 Granville Street, Vancouver, BC, V7Y 1G5. The Company trades under the symbol “JEM” on the Canadian Securities Exchange (“CSE”)

The Company’s principal business is the identification and evaluation of assets, or a business, and once identified or evaluated, to negotiate the acquisition or participation in the business.

Effective 30 July 2018, the Company’s name was changed from Jagercor Energy Corp. to Gelum Capital Ltd. and the Company consolidated its common shares on a 20:1 basis. All references to the number of common shares and per share amounts have been retroactively restated to reflect this common share consolidation.

On 22 August 2017, the Company initiated the process of the acquisition of Energia Compañía Petrolera Sociedad Anónima (“ECP”), an upstream oil and gas Argentinean Operator in Neuquén Basin; through its subsidiary in Argentina, Jager Energia Argentina SA and acquired a 95% interest in ECP. On April 27, 2018, the Company divested its shares of Jager Energia Argentina SA and terminated the acquisition transaction of ECP.

These financial statements present the consolidated operations of the Company and its former Argentinean controlled subsidiary. These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

The Company’s condensed interim consolidated financial statements (“financial statements”) for the three month period ended July 31, 2019 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The Company has a comprehensive loss of \$30,658 for the three month period ended July 31, 2019 and has a working capital deficiency of \$414,156 at July 31, 2019.

The Company had cash and cash equivalents of \$59,474 as at July 31, 2019. Management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive or raise additional debt and/or equity capital. If the Company is unable to raise additional capital in the immediate future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures or cease operations. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Gelum Capital Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

31 July 2019

(Expressed in Canadian dollars)

(Unaudited)

2. BASIS OF PREPARATION

2.1 Non-controlling interest

Non-controlling interest in the Company's less than wholly owned subsidiary is classified as a separate component of equity. On initial recognition, non-controlling interest is measured at the fair value of the non-controlling entity's contribution into the related subsidiary. Subsequent to the original transaction date, adjustments are made to the carrying amount of non-controlling interest for the non-controlling interest's share of changes to the subsidiary's equity.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interest is adjusted to reflect the change in the non-controlling interest's relative interest in the subsidiary, and the difference between the adjustment to the carrying amount of non-controlling interests and the Company's share of proceeds received and/or consideration paid is recognized directly in equity and attributed to owners of the Company.

2.2 Basis of presentation

The Company's financial statements have been prepared on the historical cost basis and are presented in Canadian dollars except where otherwise indicated.

2.3 Statement of compliance

These financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's annual audited financial statements for the year ended April 30, 2019, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). It is suggested that these financial statements be read in conjunction with the annual audited financial statements.

The Board of Directors approved these consolidated financial statements on September 27, 2019.

Gelum Capital Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

31 July 2019

(Expressed in Canadian dollars)

(Unaudited)

2. BASIS OF PREPARATION (continued)

2.4 New accounting standards

The Company adopted the following accounting standards that are effective for accounting periods beginning on or after January 1, 2019:

- New standard IFRS 16 - Leases

IFRS 16, Leases (“IFRS 16”) was issued by the IASB on January 13, 2016, and replaced IAS 17, Leases. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

The Company does not have any leases and accordingly, there was no impact to the Company’s financial statements as a result of adopting this new standard.

- New Interpretation IFRIC 23 - Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments (“IFRIC 23”). IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

There was no impact to the Company’s financial statements as a result of adopting this new standard.

5. CASH AND CASH EQUIVALENTS

The Company’s cash and cash equivalents are denominated in the following currencies:

	As at 31 July 2019	As at 30 April 2019
	\$	\$
Denominated in US dollars	59,286	80,804
Denominated in Canadian dollars	188	3,370
Total cash and cash equivalents	59,474	84,174

Gelum Capital Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

31 July 2019

(Expressed in Canadian dollars)

(Unaudited)

6. AMOUNTS RECEIVABLE

The Company's amounts receivable arise from Goods and Services Tax ("GST") receivable due from the government taxation authorities in Canada as follows:

	As at 31 July 2019	As at 30 April 2019
	\$	\$
GST receivable	4,159	3,307
Total	4,159	3,307

7. CONVERTIBLE NOTE

On 14 October 2017, the Company issued a convertible note with a principal face value of \$200,000 to two directors of the Company. The convertible note bears interest at the rate of 10% per annum, payable annually and has a maturity date of five years from the date of issuance. The lenders may convert at any time, all or a portion of the principal amount into units of the Company at a price of \$1.00 per unit. Each unit consists of one common share and one share purchase warrant (a "Warrant"). Each Warrant will be exercisable into a common share on payment of the exercise price of \$1.20 per common share

The Company's convertible note is broken down as follows:

	\$
Proceeds received, net of transaction costs	195,045
Allocated to equity portion	<u>(75,459)</u>
Allocated to liability portion	119,586
Liability portion as at April 30, 2019	173,962
Accretion expense for the period	5,248
Accrued interest	<u>5,041</u>
Liability portion as at July 31, 2019	<u>184,251</u>

8. SHARE CAPITAL

8.1 Authorized share capital

The Company has authorized an unlimited number of common shares with no par value.

At 31 July 2019, the Company had 4,727,433 common shares outstanding (30 April 2019 – 4,727,433).

Gelum Capital Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

31 July 2019

(Expressed in Canadian dollars)

(Unaudited)

8. SHARE CAPITAL (continued)

8.2 Shares issuances

During the three month period ended July 31, 2019 and the year ended April 30, 2019, the Company did not issue any common shares.

8.3 Stock options

On December 19, 2016, the Company adopted a formal Stock Option Plan (the “Option Plan”). Under the Option Plan, the exercise price of each option must not be less than the greater of the closing market price of the underlying securities on (a) the trading day prior to the date of grant and (b) the date of the grant of the stock options. The options can be granted for a maximum term of five years. The maximum number of options that can be issued may not exceed 10% of the issued and outstanding common share capital. The options vest at the discretion of the Board of Directors. The terms of the existing stock options remain in accordance with the stock option plan in place at the time the options were granted.

The following is a summary of the changes in the Company’s stock options for the three month period ended July 31, 2019 and for the year ended April 30, 2019:

	31 July 2019		30 April 2019	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning of period/year	250,000	1.00	267,500	1.03
Granted	-	-	-	-
Expired	-	-	(17,500)	1.40
Outstanding, end of period/year	250,000	1.00	250,000	1.00

On 9 June 2017, the Company granted incentive stock options to directors and officers for the right to purchase up to an aggregate of 250,000 common shares.

The Company uses the Black-Scholes Option Pricing Model to estimate the value of the options granted.

Gelum Capital Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

31 July 2019

(Expressed in Canadian dollars)

(Unaudited)

8. SHARE CAPITAL (continued)

8.3 Stock options (continued)

The following table summarizes information regarding stock options outstanding and exercisable as at 31 July 2019:

Grant date	Expiry date	Number of options outstanding	Number of options exercisable	Exercise price \$	Remaining contractual life (years)
09 June 2017	09 June 2022	250,000	250,000	1.00	2.90
Total Options		250,000	250,000		

9. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted loss per share is based on the following data:

	Three months ended 31 July	
	2019	2018
Net income (loss) for the year	\$ (30,658)	\$ 109,077
Weighted average number of shares – basic and diluted	4,727,433	4,727,433
Income (loss) per share, basic and diluted	\$ (0.01)	\$ 0.02

10. CAPITAL RISK MANAGEMENT

The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued capital and deficit. The Company's objectives when managing capital are to: (i) preserve capital and (ii) obtain the best available net return.

The Company manages the capital structure and makes adjustments to it in light of changes in economic condition. To maintain or adjust the capital structure, the Company may attempt to issue new shares or issue new debt.

The Company is listed on the CSE. The Company is not subject to externally imposed capital requirements. Management plans to continue to evaluate and explore commercial opportunities.

Gelum Capital Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

31 July 2019

(Expressed in Canadian dollars)

(Unaudited)

11. FINANCIAL INSTRUMENTS

	31 July 2019	30 April 2019
	\$	\$
FINANCIAL ASSETS		
At amortized cost		
Cash and cash equivalents	59,474	84,174
Amounts receivable	4,159	3,307
Total financial assets	63,633	87,481
FINANCIAL LIABILITIES		
At amortized cost		
Trade and other payables	55,490	44,611
Due to Related Parties	422,299	436,657
Convertible Note	184,251	173,962
Total financial liabilities	662,040	655,230

11.1 Fair Value

The fair value of the Company's financial assets and financial liabilities approximate their carrying value.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data. As at 31 July 2019, the Company does not have any Level 3 financial instruments.

Gelum Capital Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

31 July 2019

(Expressed in Canadian dollars)

(Unaudited)

11. FINANCIAL INSTRUMENTS (continued)

11.2 Management of financial risks

The financial risk arising from the Company's operations are credit risk, liquidity risk, interest rate risk, currency risk and commodity price risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's cash and cash equivalents. The Company manages its credit risk relating to cash and cash equivalents by dealing with only with highly-rated financial institutions. As a result, credit risk is considered insignificant. Credit risk is also attributable to amounts accrued in amounts receivable due from the operator of the investment. Credit risk is considered low as the amounts were collected in full after the end of period.

Liquidity risk

The Company is reliant primarily upon equity issuances as its sole source of cash. The Company manages liquidity risk by maintaining an adequate level of cash and cash equivalents and short-term investments to meet its ongoing obligations. The Company continuously reviews its actual expenditures and forecast cash flows and matches the maturity dates of its cash and cash equivalents and short-term investments to capital and operating needs. The Company has been successful in raising equity financing in the past; however, there is no assurance that it will be able to do so in the future. As at 31 July 2019, the Company had a working capital deficit of \$414,156.

Other risks

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or price risk arising from these financial instruments.

The Company was exposed to foreign currency risk on fluctuations related to cash and cash equivalents and trade and other payables that are denominated in US dollars. As at July 31, 2019, foreign currency risk is minimal.

Gelum Capital Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

31 July 2019

(Expressed in Canadian dollars)

(Unaudited)

12. RELATED PARTY TRANSACTIONS

12.1 Shares to be issued

The liabilities of the Company include the following amounts due to related parties:

	31 July 2019	30 April 2019
	\$	\$
CEO (shares to be issued)	29,200	29,200
Total amount (shares to be issued)	29,200	29,200

As at 31 July 2019, related parties include an incentive bonus payable to compensate the Chief Executive Officer payable in 36,500 common shares at a price of \$0.80 per share. Issuance pending since 2016.

On October 14, 2017, convertible notes were issued to two directors (See Note 7).

As at July 31, 2019, there was \$422,299 (April 30, 2019 - \$436,657) due to related parties. The amounts due to related parties are non-interest bearing, unsecured and due on demand.

12.2 Key management personnel compensation

The remuneration of directors and other members of key management were as follows:

	Period ended 31 July	
	2019	2018
	\$	\$
Accounting services	2,500	-
Total key management personnel compensation	2,500	-

13. SUBSEQUENT EVENT

On September 26, 2019, the Company announces that it has amended the terms of convertible notes having a face value of \$200,000 and a maturity date of October 26, 2022 (the "Notes"). As described in the Company's October 26, 2017 news release, the principal amount of the Notes was convertible into units of the Company at \$0.05 per unit, with each unit comprised of one common share and one share purchase warrant exercisable into a further share at \$0.06 per common share (for one year from the date of issuance of the warrant, subject to the latest exercise date being the maturity date).

Gelum Capital Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

31 July 2019

(Expressed in Canadian dollars)

(Unaudited)

13. SUBSEQUENT EVENT (continued)

When the Company consolidated its share capital on a 20:1 basis effective July 30, 2018, the terms of the Convertible Notes adjusted accordingly. The conversion price of the Notes became \$1.00 and the exercise price of any warrants issuable on conversion of the Notes became \$1.20.

As the Company continues to evaluate opportunities and existing management continue to support and finance the Company while it seeks business opportunities, the Company has decided to amend the conversion terms of the Notes to their original terms, notwithstanding the consolidation.

The Company also announces that at its annual general meeting held on September 13, 2019, Keith Henderson was elected as a director of the Company.