**MOUNT DAKOTA ENERGY CORP.**

**CONDENSED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED**

**APRIL 30, 2021 AND 2020**

**(UNAUDITED)**

**CONTENT**

## NOTICE TO READER

Management has prepared the condensed statements of the financial position of Mount Dakota Energy Corp. as at April 30, 2021 and 2020, and the condensed statements of comprehensive income, change in equity and cash flows for the three month period then ended. In accordance with National Instruments 51-102 released by the Canadian Securities Administrator, the Company discloses that they have not been audited or reviewed. Readers are cautioned that these statements may not be appropriate for their purposes.

Vancouver, B.C.
June 28, 2021

**MOUNT DAKOTA ENERGY CORP.**

**CONDENSED STATEMENTS OF FINANCIAL POSITION**

**AS AT APRIL 30, 2021 AND JANUARY 31, 2020**

(Expressed in Canadian Dollars)

| | Note | **April 30, 2021 $** | **January 31, 2021 $** |
|---|---|---|---|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash | | 793 | 32,259 |
| Amounts recoverable | | 3,981 | 9,490 |
| | | 4,774 | 41,749 |
| DEPOSITS | 4 | 76,551 | 76,456 |
| PROPERTY AND EQUIPMENT | 5 | - | - |
| | | 81,325 | 118,205 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued liabilities | | 100,079 | 87,550 |
| Due to related parties | 8(a-d) | 1,873,664 | 1,868,939 |
| Loans payable | 8(e-g) | 155,735 | 161,317 |
| Decommissioning provision | 6 | 149,334 | 171,297 |
| | | 2,278,812 | 2,289,103 |
| SHAREHOLDERS' EQUITY (DEFICIENCY) | | | |
| SHARE CAPITAL | 7 | 6,221,154 | 6,221,154 |
| CONTRIBUTED SURPLUS | | 387,101 | 387,101 |
| DEFICIT | | (8,805,742) | (8,779,153) |
| | | (2,197,487) | (2,170,898) |
| | | 81,325 | 118,205 |

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENT (Note 11)
SUBSEQUENT EVENT (Note 12)

Approved and authorized for issue on behalf of the Board:

***"David Melillo"***
David Melillo, Director

***"John Kim"***
John Kim, Director

The accompanying notes form an integral part of these financial statements.

**MOUNT DAKOTA ENERGY CORP.**

**CONDENSED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

**FOR THE THREE MONTHS ENDED APRIL 30, 2021 AND 2020**

(Expressed in Canadian Dollars)

| | Note | **THREE MONTHS ENDED APRIL 30, 2021 $** | **2020 $** |
|---|---|---|---|
| EXPENSES | | | |
| Accretion of decommissioning provision | 6 | - | 280 |
| Consulting | 8(c) | - | 30,000 |
| Interest and bank charges | 8(f) | 1,683 | 1,514 |
| Legal and accounting | 8(a) | 15,179 | 2,700 |
| Office and miscellaneous | | 1,755 | 40 |
| Rent | 8(b) | - | 9,000 |
| Transfer agent and filing fees | | 8,066 | 4,173 |
| Travel | | - | - |
| | | 26,683 | 47,707 |
| LOSS FROM OPERATIONS | | (26,683) | (47,707) |
| Interest income | | 94 | 462 |
| | | 94 | 462 |
| LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD | | (26,589) | (47,245) |
| Net Loss Per Common Share – Basic and Diluted | | (0.02) | (0.04) |
| Weighted Average Number of Common Shares Outstanding - Basic and Diluted | | 1,336,136 | 1,336,136 |

The accompanying notes form an integral part of these financial statements.

**MOUNT DAKOTA ENERGY CORP.**

**CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

**FOR THE THREE MONTHS ENDED APRIL 30, 2021 AND 2020**

(Expressed in Canadian Dollars)

| | Share Capital | | | | |
|---|---|---|---|---|---|
| | Number of Shares | Amount | Contributed Surplus | Deficit | Total |
| | | $ | $ | $ | $ |
| As at January 31, 2020 | 1,336,136 | 6,221,154 | 387,101 | (8,553,385) | (1,945,130) |
| Loss for the period | – | – | – | (47,245) | (47,245) |
| As at April 30, 2020 | 1,336,136 | 6,221,154 | 387,101 | (8,600,630) | (1,992,375) |
| As at January 31, 2021 | 1,336,136 | 6,221,154 | 387,101 | (8,779,153) | (2,170,898) |
| Loss for the period | – | – | – | (26,589) | (26,589) |
| As at April 30, 2021 | 1,336,136 | 6,221,154 | 387,101 | (8,805,742) | (2,197,487) |

The accompanying notes form an integral part of these financial statements.

**MOUNT DAKOTA ENERGY CORP.**

**CONDENSED STATEMENTS OF CASH FLOWS**

**FOR THE THREE MONTHS ENDED APRIL 30, 2021 AND 2020**

(Expressed in Canadian Dollars)

| | **THREE MONTHS ENDED APRIL, 30** | |
|---|---|---|
| | **2021**<br>**$** | **2020**<br>**$** |
| CASH PROVIDED BY (USED IN): | | |
| OPERATING ACTIVITIES | | |
| Net loss for the period | (26,589) | (47,245) |
| Items not affecting cash: | | |
| Changes of decommissioning provision | (21,963) | 280 |
| Interest expense on amounts due to related parties | 1,418 | 1,383 |
| Interest income | (94) | - |
| Change in non-cash components of working capital: | | |
| Amounts recoverable | 5,509 | 3,358 |
| Accounts payable and accrued liabilities | 12,528 | (4,639) |
| Due to related parties | 4,725 | 39,000 |
| NET CASH USED IN OPERATING ACTIVITIES | (24,466) | (7,863) |
| INVESTING ACTIVITIES | | |
| Deposits | - | (461) |
| NET CASH USED IN INVESTING ACTIVITIES | - | (461) |
| FINANCING ACTIVITIES | | |
| Advance proceeds from related parties | (7,000) | 5,000 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | (7,000) | 5,000 |
| INCREASE (DECREASE) IN CASH | (31,466) | (3,324) |
| CASH – BEGINNING OF PERIOD | 32,259 | 11,989 |
| CASH – END OF PERIOD | 793 | 8,665 |

There were no non-cash financing or investing activities during the periods ended April 30, 2021 and 2020.

The accompanying notes form an integral part of these financial statements.

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Mount Dakota Energy Corp. (the “Company”) is incorporated under the laws of British Columbia and is primarily engaged in the acquisition and development of petroleum and natural gas properties and the production of petroleum and natural gas through participation agreements in Canada.

The head office, principal address and records office of the Company are located at 363 West 6th Ave, Vancouver, British Columbia. The Company’s registered address is at the same address.

For the three months period ended April 30, 2021, the Company reported a net loss of $26,589, negative cash flows from operating activities of $24,465, an accumulated deficit of $8,805,742 and a working capital deficiency of $2,274,038. These factors raise significant doubt about the Company’s ability to continue as a going concern. The Company is in the process of decommissioning its assets, site rehabilitation and exploring business opportunities outside of the petroleum and natural gas sector.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company is currently dependent on loans from companies controlled by directors and its other creditors to maintain its operations. Management is of the opinion that sufficient working capital will be obtained from operations or external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

## 2. BASIS OF PREPARATION

[a] Statement of compliance

These financial statements of the Company have been prepared 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”). These condensed financial statements of the Company have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standards (“IAS”) 34 Interim Financial Reporting.

The financial statements were authorized for issue by the Board of Directors on June 28, 2021.

[b] Basis of measurement

The financial statements have been prepared on a historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

## 3. SIGNIFICANT ACCOUNTING POLICIES

[a] Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts and cashable securities that on acquisition have a term to maturity of three months or less, or may be redeemed during this period. Cash and cash equivalents are highly liquid marketable securities and deposits, which are designated as fair value through profit or loss and are recorded at their fair values with changes recognized in net loss. The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. As at January 31, 2021 and 2020, the Company had no cash equivalents.

[b] Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. Significant areas requiring the use of management estimates include the determination of the recovery of accounts receivable, amortization, depreciation, depletion and impairment of property and equipment and exploration and evaluation assets, petroleum and natural gas reserves, decommissioning provisions, and deferred income tax assets and liabilities. Actual results could differ from these estimates.

*Oil and Gas Accounting—Reserves Determination*
The process of estimating reserves is complex. It requires significant estimates based on available geological, geophysical, engineering and economic data. To estimate the economically recoverable crude oil and natural gas reserves and related future net cash flows, the Company incorporates many factors and assumptions including the expected reservoir characteristics, future commodity prices and costs and assumed effects of regulation by governmental agencies. Reserves are used to calculate the depletion of the capitalized oil and gas costs and for impairment purposes as described in Note 3(e).

*Property and Equipment*
The Company evaluates its long-lived assets (petroleum and natural gas properties) for impairment if indicators exist. Cash flow estimates for the impairment assessments require assumptions and estimates about the following primary elements—future prices, future operating and development costs, remaining recoverable reserves and discount rates. In assessing the carrying values of the unproved properties, the Company makes assumptions about its future plans for those properties, the remaining terms of the leases and any other factors that may be indicators of potential impairment.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

[b] Use of estimates and judgments (continued)

*Decommissioning Provision*
In estimating the future decommissioning provision, the Company makes assumptions about activities that occur many years into the future including the cost and timing of such activities. The ultimate financial impact is not clearly known as asset removal and remediation techniques and costs are constantly changing, as are legal, regulatory, environmental, political, safety and other such considerations. In arriving at amounts recorded, numerous assumptions and estimates are made on ultimate settlement amounts, inflation factors, discount rates, timing and expected changes in legal, regulatory, environmental, political and safety environments.

*Depreciation and depletion*
Depletion of petroleum and natural gas properties is provided using the unit-of-production method based on production volumes before royalties in relation to total estimated reserves as determined annually by independent engineers and internal reserve evaluations. Changes in forward price estimates, production levels or results of future drilling may change the economic status of reserves and may result in reserves being revised.

*Share-based payments*
The fair value of share options granted is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, expected life of the options, expected dividends and the risk-free interest rate. These estimates will impact the amount of share-based payments recognized. When stock options are exercised, the cash proceeds along with the amount previously recorded as share-based payment reserves are recorded as share capital.

*Income taxes*
Related assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences and, accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time.

[c] Property and equipment

Property and equipment includes petroleum and natural gas development and production assets, including costs incurred in developing oil and natural gas reserves and maintaining or enhancing production from such reserves and directly attributable general and administrative costs. Property and equipment is measured at cost, less accumulated depletion and depreciation and accumulated impairment losses.

Subsequent measurement

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in earnings as incurred. Capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing on or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized at the time of replacement or sale. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[c] Property and equipment (continued)

Depletion and depreciation

The net carrying value of development or production assets is depleted on a field by field basis using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually.

Proved and probable reserves are estimated by independent reserve engineers in accordance with National Instrument 51-101. Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of gas to one barrel of oil. Changes in reserve estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations do not give rise to prior year adjustments and are dealt with on a prospective basis.

Equipment

Furniture and computer equipment are recorded at cost and depreciated using the straight–line method based on their estimated useful lives of 3 years, net of any estimated residual value. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

[d] Exploration and evaluation costs

Pre-license costs are recognized as an expense when incurred. Exploration and evaluation costs (“E&E”), including the costs of acquiring licenses, exploratory drilling and completion costs and directly attributable general and administrative costs are initially capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the asset acquired. These costs are accumulated in cost centers by field or exploration area pending determination of technical feasibility and commercial viability. Ongoing carrying costs including the costs of non-producing lease rentals are capitalized to exploration and evaluation assets.

The technical feasibility and commercial viability of extracting a resource is considered to be determinable when proved and probable reserves are determined to exist. A review of each exploration license or area is carried out, at least annually, to ascertain whether proved and probable reserves have been discovered. Upon determination of proved and probable reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to property and equipment.

E&E assets are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amounts of reserve properties may exceed their recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of value in use (being the present value of expected future cash flows of the relevant cash-generating unit) and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[e] Impairment

The carrying amounts of the Company's property and equipment are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the cash generating unit level ("CGU"), which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU's are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

[f] Provisions

(i) Legal matters

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability. Provisions are not recognized for future operating losses.

(ii) Decommissioning liabilities

The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. Decommissioning provisions are 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 initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are recorded against the related asset. Actual costs incurred upon settlement of the decommissioning provisions are charged against the provision to the extent the provision was established.

[g] Functional currency and foreign currency translation

The presentation currency and functional currency of the Company and its subsidiary is the Canadian dollar. Monetary assets and liabilities are translated at the exchange rates in effect at the statement of financial position date. Non-monetary assets and liabilities are translated at historical rates. The resulting exchange gains or losses are recognized in income.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[h] Income taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income tax assets and liabilities are recognized to reflect the expected deferred tax consequences arising from temporary differences between the carrying values and the tax bases of the related assets and liabilities. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. Deferred income tax assets are recognized to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary difference can be utilized.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit
- goodwill
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

[i] Financial instruments

(i) Financial assets

All financial assets are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial assets' classification, as described below:

Fair value through profit or loss ("FVTPL"): Financial instruments designated at FVTPL are initially recognized and subsequently measured at fair value with changes in those fair values charged immediately to net earnings. Financial instruments under this classification include cash.

Amortized cost: Financial instruments designated at amortized cost are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method. Financial instruments under this classification include amounts recoverable.

Fair value through other comprehensive income ("FVOCI"): Financial instruments designated at FVOCI are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at fair value with changes in fair value recognized in other comprehensive income, net of tax.

(ii) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or amortized cost. Financial liabilities classified as amortized cost are initially recognized at fair value less directly attributable transaction costs. The Company's accounts payable and accrued liabilities, due to related parties and loans payable are classified as amortized cost. The Company does not currently have any FVTPL financial liabilities.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

[i] Financial instruments (continued)

(iii) Impairment of financial assets

An expected credit loss model exists for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk. There was no adjustment relating to the implementation of the expected credit loss model for the Company's cash.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods, if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

[j] Share-based payments

The Company grants options to purchase common shares to directors, officers, employees, consultants and certain service providers under its stock option plan. Share-based payments are measured at the fair value of the instruments issued and amortized over the vesting periods. The amount recognized as a share-based payment expense during a reporting period is adjusted to reflect the number of awards expected to vest. The offset to this recorded cost is contributed surplus.

The fair value of stock options is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on short term government bonds). A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of options that vest.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

[k] Comprehensive loss

Comprehensive 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 would not normally be included in net profit such as currency gains or losses related to self-sustaining operations. Comprehensive loss, components of other comprehensive income, and cumulative translation adjustments are presented in the statements of loss and comprehensive loss and the statements of changes in shareholder's deficiency.

(Expressed in Canadian Dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[l] Basic and diluted loss per share

The Company computes basic loss per share by dividing losses available to common shareholders by the weighted average number of common shares outstanding during the period. For the periods ended April 30, 2021 and 2020, the existence of stock options caused the calculation of diluted loss per share to be anti-dilutive. Accordingly, diluted loss per share is equal to basic loss per share.

[m] New, amended and future accounting pronouncements

Accounting standards and 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.

## 4. DEPOSITS

The Company is required at certain times to remit deposits to the Alberta Energy Regulator to be used for the reclamation of well sites. Upon successful reclamation and receipt of reclamation certificates in accordance with Alberta's Environmental Protection and Enhancement Act, the Company may apply for release of its deposit funds. As at April 30, 2021, the Company has outstanding net deposits of $76,551 (January 31, 2021 - $76,456).

## 5. PROPERTY AND EQUIPMENT

| | Petroleum and natural gas properties | Furniture and computer equipment | Total |
|---|---|---|---|
| Cost: | | | |
| Balance, January 31, 2020 | $ 122,525 | $ 10,372 | $ 132,897 |
| Additions | - | - | - |
| Change in estimated decommissioning costs | - | - | - |
| Write down | 122,525 | - | - |
| Balance, January 31, 2021 | $ - | $ 10,372 | $ 10,372 |
| Additions | - | - | - |
| Change in estimated decommissioning costs | - | - | - |
| Write down | - | - | - |
| Balance, April 30, 2021 | $ - | $ 10,372 | $ 10,372 |
| Accumulated depletion and depreciation: | | | |
| Balance, January 31, 2020 | $ (122,524) | $ (10,372) | $ (132,896) |
| Write down | 122,524 | - | 122,524 |
| Balance, January 31, 2021 | $ - | $ (10,372) | $ (10,372) |
| Write down | - | - | - |
| Balance, April 30, 2021 | $ - | $ (10,372) | $ (10,372) |
| Net book value: | | | |
| As at January 31, 2020 | $ 1 | $ - | $ 1 |
| As at January 31, 2021 | $ - | $ - | $ - |
| As at April 30, 2021 | $ - | $ - | $ - |

(Expressed in Canadian Dollars)

## 5. PROPERTY AND EQUIPMENT (continued)

The Company's petroleum and natural gas properties consist of the Alsike wells based in Alberta. The Company holds a 100% working interest in the Alsike I well.

During fiscal 2021, the Company decided to decommission and abandon the wells and consequently wrote its assets off.

During October 2020, the Company has entered into agreements with engineering companies to assist with its ongoing reclamation efforts in order to be granted reclamation certificates in accordance with Alberta's Environmental Protection and Enhancement Act (see Note 6 and 13).

## 6. DECOMMISSIONING PROVISION

The following table presents the reconciliation of the opening and closing aggregate carrying amount of the decommissioning provision associated with the Company's reclamation efforts for its petroleum and natural gas properties:

| | **April 30, 2021** | **January 31, 2021** |
|---|---|---|
| | $ | $ |
| Balance, beginning of period | 171,297 | 170,457 |
| Accretion expense | - | 840 |
| Reclamation expense | (21,963) | - |
| Balance, end of period | 149,334 | 171,297 |

The estimated net present value of the obligation was calculated using a risk-free interest rate of 0.14% (2020 - 0.14%) based on the Bank of Canada benchmark bond yields corresponding to the estimated time of reclamation and an inflation rate of 1% (2020 - 1%).

## 7. SHARE CAPITAL

(a) Authorized Share Capital

Unlimited common shares without par value

(b) Issued and Outstanding Share Capital

Changes in common shares issued and outstanding are provided in the statements of changes in shareholders' equity (deficiency).

On February 11, 2021 the Company received TSX Venture Exchange approval for its share consolidation on the basis of one (1) post-consolidated common share for each ten (10) pre-consolidated common shares of the Company. The consolidation, which was authorized and approved by the board of directors pursuant to a resolution dated December 10, 2020, is effective on February 16, 2021 (the "Effective Date"). The pre-consolidated common shares totaling 13,362,552 have been reduced to 1,336,136 post-consolidated common shares.

All shares and per share amounts have been retroactively adjusted to reflect the share consolidation.

(c) Stock Options

The Company has a stock option plan (the "Plan") whereby it may grant stock options to its directors, officers, employees and consultants. The number of stock options available under the Plan shall not exceed 20% of the issued and outstanding common shares of the Company.

The exercise price of each stock option granted generally equals the market price on the date of the grant. Stock options generally vest over an eighteen-month period from the date of grant and carry a maximum term of five years as determined by the Company's board of directors.

The Company did not grant any stock options nor had any stock options outstanding during the periods ended April 30, 2021 and 2020.

## 8. RELATED PARTY TRANSACTIONS AND BALANCES

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel and companies related to them were recorded as follows:

Due to related parties:

(a) Accounting expense totalling $4,500 (2020 - $2,700) provided by a company controlled by a director of the Company has been paid or accrued during the period. As at April 30, 2021, $14,175 (2020 - $Nil) has been included in due to related parties.

(b) Rent totalling $Nil (2020 - $9,000) for office premises provided by a company controlled by a director of the Company has been charged to operations. As at April 30, 2021, $57,000 (January 31, 2021 - $57,000) has been included in due to related parties.

(c) Consulting expenses totalling $Nil (2020 – $30,000) provided by a director of the Company and a company controlled by a director of the Company have been charged to operations during the periods. As at April 30, 2021, $685,750 (January 31, 2021 - $685,750) has been included in due to related parties.

(d) Debt assignments to a director of the Company remain unchanged. As of April 30, 2021, $1,116,739 (January 31, 2021 - $1,116,739) has been included in due to related parties.

Loans payable to related parties:

(e) The Company is a party to loan agreements with a director of the Company to borrow an aggregate of $37,800 at a rate of 15% per annum. As of April 30, 2021, $37,800 (January 31, 2021 - $37,800) of principal is outstanding and included in loans payable.

(f) Interest expense totalling $1,418 (2020 - $1,418) has been included in the statement of loss and comprehensive loss. As at April 30, 2021, $70,935 (January 31, 2021 - $69,517) has been included in loans payable.

(g) During the period, the Company repaid $7,000 (2020 - $Nil) of non-interest bearing advances from a director and a company controlled by a director of the Company. As at April 30, 2021, $47,000 (January 31, 2021 - $54,000) remains outstanding and is included in loans payable.

(Expressed in Canadian Dollars)

## 9. CAPITAL MANAGEMENT

The Company defines capital as all components of shareholders' equity and amounts due to related parties. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can ultimately provide returns for shareholders and benefits for other stakeholders. The board of directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company does not pay dividends and is not subject to any externally imposed capital requirements. The Company did not change its capital management objectives during the period ended April 30, 2021.

## 10. FINANCIAL INSTRUMENTS AND RISK

### Financial Instruments

The Company classified its financial instruments as follows:

| | April 30, 2021 | | |
|---|---|---|---|
| Financial instruments | FVTPL | Amortized cost | Total |
| Cash | $ 793 | $ - | $ 793 |
| Amounts recoverable | - | 3,981 | 3,981 |
| Accounts payable and accrued liabilities | - | (100,079) | (100,079) |
| Due to related parties | - | (1,873,664) | (1,873,664) |
| Loans payable | - | (155,735) | (155,735) |
| | $ 793 | $ (2,125,497) | $ (2,124,704) |

| | January 31, 2021 | | |
|---|---|---|---|
| Financial instruments | FVTPL | Amortized cost | Total |
| Cash | $ 32,259 | $ - | $ 32,259 |
| Amounts recoverable | - | 9,490 | 9,490 |
| Accounts payable and accrued liabilities | - | (87,550) | (87,550) |
| Due to related parties | - | (1,868,939) | (1,868,939) |
| Loans payable | - | (161,317) | (161,317) |
| | $ 32,259 | $ (2,102,316) | $ (2,076,057) |

(Expressed in Canadian Dollars)

## 10. FINANCIAL INSTRUMENTS AND RISK (continued)

IFRS 7 *Financial Instruments – Disclosures*, establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. The financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 7 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The Company's financial assets and liabilities measured at fair value on a recurring basis as of April 30, 2021 are as follows:

| | Balance at April 30, 2021<br>$ | Quoted Prices in Active Markets for Identical Assets (Level 1)<br>$ | Significant Other Observable Inputs (Level 2)<br>$ | Significant Unobservable Inputs (Level 3)<br>$ |
|---|---|---|---|---|
| Financial Assets: | | | | |
| Cash | 793 | 793 | – | – |

The Company thoroughly examines the various financial instrument risks to which it is exposed, and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by management. There have not been any significant changes from the previous year as to how these risks are reviewed and monitored by management. The types of financial instrument risk exposures and the objectives and policies for managing these risk exposures is described below.

### Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and amounts recoverable. To minimize the credit risk related to cash, the Company places these instruments with high credit quality financial institutions. The Company's current policy is to invest excess cash in investment-grade, short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts. As at April 30, 2021, cash balances do not exceed the amounts covered by federal deposit insurance. As at April 30, 2021, the Company has minimal amounts recoverable exposure, as it relates to amounts due from the government of Canada pursuant to goods and services tax credits.

### 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 manages liquidity risk by maintaining adequate cash and credit facilities with financial institutions and other parties. The Company continuously monitors and reviews both actual and forecasted cash flows. As at April 30, 2021, the Company had a working capital deficiency of $2,274,038 (see Note 1). The carrying value of balances due within 12 months approximate their fair values due to their relatively short period to maturity.

(Expressed in Canadian Dollars)

## 10. FINANCIAL INSTRUMENTS AND RISK (continued)

### Foreign Exchange Risk

The Company's functional currency is the Canadian dollar. The Company is not exposed to significant currency risk.

### Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. As at April 30, 2021, $37,800 (January 31, 2021 - $37,800) in loans payable is owing and is subject to interest at a fixed rate of 15% per annum. The Company is therefore not exposed to significant interest rate risk on its financial instruments.

## 11. COMMITMENT

During 2010, the Company entered into surface lease agreements with a third party whereby the Company will pay a total annual consideration of $12,000 for the Alsike properties for a total of five years. Total consideration paid at the end of five years will be $60,000. The Company has made total payments of $34,500 with $25,500 outstanding.

On October 28, 2020, the Company entered into a settlement-agreement according to which the Company agreed to pay the amount of $37,000 in full and final settlement for all damages that may have incurred on the surface leases.

Further, the Company will pay $3,000 representing rentals due and owing for period of January 1, 2020 to December 31, 2021.

| | | |
|---|---|---|
| Settlement | $ | 37,000 |
| Rentals 2020 - 2021 | | 3,000 |
| | $ | 40,000 |

## 12. SUBSEQUENT EVENT

On May 7, 2021 the Company received notice from a director of the Company that an aggregated amount of $2,015,224 owed to the director has been assigned to an arms-length party. The assignment includes all interest bearing loans, and non-interest bearing advances, rent and consulting debts owed by the Company.