

Range Energy Resources Inc.

Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2020

Expressed in Canadian Dollars

(Unaudited – Prepared by management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

Range Energy Resources Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)
Expressed in Canadian Dollars

	September 30, 2020	December 31, 2019
Current assets		
Cash	\$ 11,351	\$ 3,941
Loan receivable (note 5)	1	1
Prepaid expenses	3,842	4,391
	15,194	8,333
Non-current assets		
Equipment	68	88
Long-term investment (note 6)	1	1
Total assets	\$ 15,263	\$ 8,422
Current liabilities		
Accounts payable and accrued liabilities (note 10)	\$ 310,055	\$ 199,911
Demand Loan (note 8)	88,607	-
Convertible loans payable (note 9)	23,774,045	21,737,556
	24,172,707	21,937,467
Non-current liabilities		
Loan payable (note 8)	-	51,254
	24,172,707	21,988,721
Shareholders' Deficiency		
Share capital (note 7(a) and (b))	49,791,768	49,791,768
Reserves (note 7(c))	23,674,184	23,674,184
Deficit	(97,623,396)	(95,446,251)
	(24,157,444)	(21,980,299)
Total liabilities and shareholders' deficiency	\$ 15,263	\$ 8,422

Nature of operations and going concern (note 1)
Commitment (note 11)

Approved on Behalf of the Board of Directors:

(signed) *Rick W Pawluk*

(signed) *Allan Bezanson*

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

Range Energy Resources Inc.
Condensed Interim Consolidated Statements of Comprehensive Loss
(Unaudited)
Expressed in Canadian Dollars

	For the three months ended		For the nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2020	2019	2020	2019
Expenses				
Audit and accounting fees (note 10)	\$ 20,750	\$ 30,750	\$ 77,661	\$ 72,175
Depreciation	7	10	20	29
General and administrative	3,470	15,720	12,714	49,386
Interest (notes 8 and 9)	699,981	620,383	2,038,842	1,789,458
Legal fees	-	-	589	892
Management fees (note 10)	11,025	11,025	33,285	33,180
Transfer agent and filing fees	3,150	2,925	12,098	13,136
Loss before other items	(738,383)	(680,814)	(2,175,209)	(1,958,256)
Other items				
Foreign exchange gain (loss)	1,597	(1,616)	(1,936)	24
Other items	1,597	(1,616)	(1,936)	24
Net loss and comprehensive loss for the period	\$ (736,786)	\$ (682,430)	\$ (2,177,145)	\$ (1,958,232)
Loss per share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding - basic and diluted				
	856,225,977	856,225,977	856,225,977	856,225,977

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

Range Energy Resources Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency
(Unaudited)
Expressed in Canadian Dollars

	Share capital		Reserves				Total equity (deficiency)
	Number of shares	Amount	Warrants	Contributed surplus	Equity component of convertible loans	Deficit	
Balance, December 31, 2018	856,225,977	\$ 49,791,768	\$ 5,379,075	\$ 14,489,560	\$ 3,805,549	\$ (92,802,077)	\$ (19,336,125)
Warrants expired	-	-	(1,440,104)	1,440,104	-	-	-
Warrants cancelled	-	-	(3,441,148)	3,441,148	-	-	-
Net loss for the period	-	-	-	-	-	(1,958,232)	(1,958,232)
Balance, September 30, 2019	856,225,977	\$ 49,791,768	\$ -	\$ 19,868,635	\$ 3,805,549	\$ (94,760,309)	\$ (21,294,357)
Balance, December 31, 2019	856,225,977	\$ 49,791,768	\$ -	\$ 19,868,635	\$ 3,805,549	\$ (95,446,251)	\$ (21,980,299)
Net loss for the period	-	-	-	-	-	(2,177,145)	(2,177,145)
Balance, September 30, 2020	856,225,977	\$ 49,791,768	\$ -	\$ 19,868,635	\$ 3,805,549	\$ (97,623,396)	\$ (24,157,444)

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

Range Energy Resources Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)
Expressed in Canadian Dollars

	For the nine months ended	
	September 30,	September 30,
	2020	2019
Operating activities		
Net loss for the period	\$ (2,177,145)	\$ (1,958,232)
Depreciation	20	29
Accrued interest	2,038,842	1,789,458
Foreign exchange	3,561	24
	(134,722)	(168,721)
Changes in non-cash working capital items:		
Prepaid expenses	549	37,430
Accounts payable and accrued liabilities	106,583	37,000
Cash used in operating activities	(27,590)	(94,291)
Financing activities		
Loan and interest paid	-	(33,808)
Proceeds from loans payable	35,000	83,299
Cash provided by financing activities	35,000	49,491
Increase (Decrease) in cash	7,410	(44,800)
Cash - beginning of period	3,941	60,444
Cash - end of period	\$ 11,351	\$ 15,644
Supplemental cash disclosures		
Income tax paid	\$ -	\$ -

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

Range Energy Resources Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended September 30, 2020 and 2019
(Unaudited)
(Expressed in Canadian Dollars)

1. Nature of operations and going concern

Range Energy Resources Inc. (the "Company") was incorporated under the laws of British Columbia, Canada on March 1, 2005. On October 24, 2006, the Company's common shares were listed and called for trading on the Canadian Securities Exchange ("CSE") and its current symbol is RGO. On February 12, 2007, the Company listed on the Frankfurt Stock Exchange. The Company's corporate head office is located at Suite 810, 789 West Pender Street, Vancouver, BC V6C 1H2. The Company is currently a development stage company looking to invest potential growth projects, entities or other opportunities. The parent of the Company is 2706791 Ontario Inc., a company incorporated in Ontario. The address of its registered office is 295 The West Mall, 6th Floor, Toronto, Ontario, M9C 4Z4.

These condensed interim consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business and that management neither intends to liquidate the entity nor does it have no realistic alternative but to do so. During the nine months ended September 30, 2020, the Company incurred a net loss totalling \$2,177,145 and as at September 30, 2020, the Company has a working capital deficiency of \$24,157,513 (December 31, 2019 - \$21,929,134). These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue its operations is dependent upon its ability to restructure its debt and raise financing. Although the Company has been successful in obtaining the necessary financing to continue operations in the past, there can be no assurance that it will be able to continue to do so in the future and that such funds will be available on terms acceptable by the Company. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and to restructure the Company's debt. These condensed interim consolidated financial statements do not give effect to any adjustments 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 consolidated financial statements.

2. Statement of compliance

These condensed interim consolidated financial statements are prepared in accordance with International Financial Standard 34, Interim Financial Reporting, of the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Committee ("IFRIC"). Accordingly, these condensed interim consolidated financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting process.

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Company's audited financial statements for the year ended December 31, 2019. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued as of the date the Board of Directors approved the financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2019.

These condensed interim consolidated financial statements have been authorized for release by the Company's Board of Directors on November 17, 2020.

3. Significant accounting policies

(a) Basis of presentation

The consolidated financial statements have been prepared on an accrual basis and are on a historical cost basis, except for certain financial instruments, which are measured at fair value. The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed

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3. Significant accounting policies – continued

(a) Basis of presentation (continued)

in note 4.

These consolidated financial statements are prepared in Canadian dollars. The functional currency of the Company and its subsidiaries is the Canadian dollar.

(b) Consolidation

These consolidated financial statements consolidate the accounts of the Company and its wholly-owned subsidiary, Faucon Hec Resources Ltd. (formerly Range Oil & Gas (North Iraq) Inc.). All intercompany transactions and balances are eliminated on consolidation. Faucon Hec Resources Ltd. had no transactions or activity for the nine months ended September 30, 2020 and 2019.

(c) Leases

During the period ended September 30, 2020 and for the year ended December 31, 2019, all of the Company's leases are short-term leases with a term of 12 months or less and are recorded as operating leases.

(d) Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation. Such reclassification is for presentation purpose only and has no effect on previously reported results.

(e) New standards adopted

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

4. Significant accounting estimates and judgments

The preparation of the condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

The Company has identified the following areas where significant judgments, estimates and assumptions are made, where actual results may differ from these estimates and this may materially affect the Company's financial results or consolidated statement of financial position in future periods.

Significant areas requiring the use of management estimates include the valuation of the long-term investment, the initial carrying value of convertible loans given the requirement to determine an appropriate discount rate based on similar instruments with no conversion features, valuation of warrants and share-based payments, recognition of deferred income tax assets, and deferred income tax rates.

4. Significant accounting estimates and judgments - continued

Significant areas requiring management judgement include:

Going concern

Assessment of the Company's ability to continue as a going concern requires estimates of future cash flows and includes the consideration of other factors, the outcomes of which are uncertain.

Impairment assessment of loan receivable

Application of the factors of impairment to the facts and circumstances pertaining to the loan receivable requires a significant amount of management judgement.

Utilization of deferred income tax assets

Deferred tax assets require management judgement in order to determine the amounts to be recognized and the likelihood that there will be future taxable income for which the deferred tax assets can be utilized. This includes assessing the timing of the reversal of temporary differences to which deferred income tax rates are applied.

Accounting for long-term investment

Management applies judgment in determining whether the Company has significant influence over an investee in which it holds, directly or indirectly, 20 per cent or more of the voting power of the investee. Management does not consider the Company to have significant influence over the entity underlying its long-term investment (note 6).

Convertible loans

In accordance with the substance of the contractual arrangement, convertible loans are compound financial instruments that are accounted for separately by their financial liability and equity instrument components. The identification of convertible loan components is based on interpretations of the substance of the underlying contractual arrangement and therefore requires management's judgment. The separation of the components affects the initial recognition of the convertible loans at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount factors, and the presence of any derivative financial instruments.

Modification versus extinguishment of financial liability

Management's judgment is required in applying IFRS 9 in determining whether the amended and/or restated terms of existing loan agreements are a substantial modification of an existing financial liability and whether such should be accounted for as an extinguishment of the original financial liability.

Management's judgment is also required in assessing whether a modification or extinguishment of an existing financial liability involving a creditor that is also a direct or indirect shareholder of the Company, is one in which the creditor is also acting in its capacity as such.

Share-based payments

The fair value of stock options granted is calculated using the Black-Scholes Option Pricing Model and requires the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

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5. Loan receivable

On March 3, 2012, the Company entered into a Letter of Intent (“LOI”) with Blackstairs Energy PLC (“Blackstairs”) whereby the Company proposed to acquire 100% of the issued share capital of Blackstairs subject to a number of conditions set out in the LOI, including, satisfactory completion by the Company of its due diligence review of Blackstairs on or before April 30, 2012, entering into a Definitive Agreement and obtaining requisite regulatory and shareholders’ approvals, if required. Under the terms of the LOI, the Company loaned Blackstairs US\$500,000 for working capital purposes. As security for this loan, certain shares in Blackstairs were pledged to the Company.

While the Company continues to consider what, if any actions it may take to obtain recovery out of the liquidation of Blackstairs’ assets of all or some portion of the outstanding principal and accrued and unpaid interest, the loan and accrued interest remain unpaid, and as the fair value of the pledged collateral is indeterminable, the loan was written down by \$575,347 to a nominal amount due the year ended December 31, 2013. As at September 30, 2020, total principal of US\$500,000 and accrued interest of US\$40,944, is due to the Company.

6. Long-term investment

Khalakan Block, Kurdistan Region of Iraq

The Company’s indirect investment in New Age Al Zarooni 2 Limited an oil and gas resource property referred to as the Khalakan Block which is domiciled in the Kurdistan Region of Iraq was impaired in the years ended December 31, 2017 and 2018, resulting in a nominal \$1 carrying value.

7. Equity

(a) Authorized

The authorized share capital of the Company consists of an unlimited number of common shares without par value and an unlimited number of preferred shares, issuable in series. The preferred share rights and restrictions may be set by the Company’s directors upon issue.

(b) Private placements

There was no share capital activity for the nine-month period ended September 30, 2020 and for the year ended December 31, 2019.

(c) Reserves

Reserves consist of share purchase warrants, the accumulated fair value of common share stock options recognized as share-based compensation and the equity component of convertible loans.

(d) Warrants

	September 30, 2020		December 31, 2019	
	Number of warrants	Amount	Number of warrants	Amount
Opening balance	-	\$ -	401,048,137	\$ 5,379,075
Warrants expired	-	-	(74,791,726)	(1,937,927)
Warrants cancelled	-	-	(326,256,411)	(3,441,148)
Closing balance	-	\$ -	-	\$ -

At September 30, 2020 there were no warrants outstanding.

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7. Equity - continued

(d) Warrants - continued

During the year ended December 31, 2019, 74,791,726 warrants expired and \$1,937,927 was transferred from warrants reserve to contributed surplus on the consolidated statement of changes in deficiency.

On July 31, 2019, 326,256,411 warrants at an exercise price of \$0.05 were cancelled pursuant to the Share and Loan Purchase agreement between Gulf and 2706791 Ontario Inc. and \$3,441,148 was transferred from warrants reserve to contributed surplus on the consolidated statement of changes in deficiency.

(e) Stock options

The Company adopted the 2015 Stock Option Incentive Plan (the "Plan") that was approved by the shareholders on July 3, 2015. The aggregate number of shares of the Company's share capital issuable pursuant to options granted under the Plan may not exceed 86,995,435 common shares. Options granted under the Plan may have a maximum term of 10 years. The exercise price of options granted under the Plan shall be determined by the Company's directors, provided that such price shall not be lower than the closing share price on the day before the grant date less the applicable discount permitted under CSE policies. Stock options granted under the Plan may be subject to vesting terms that are set at the discretion of the directors at the time of grant.

The following table summarizes stock option activity during the nine-month period ended September 30, 2020 and the year ended December 31, 2019:

	September 30, 2020		December 31, 2019	
	Number of options	Weighted average exercise price of options exercisable	Number of options	Weighted average exercise price of options exercisable
Opening balance	4,250,000	\$0.10	10,250,000	\$0.10
Options cancelled	-	-	6,000,000	\$0.10
Options expired	(4,250,000)	\$0.10	-	-
Closing balance	-	-	4,250,000	\$0.10

During the period ended September 30 2020, 4,250,000 options at an exercise price of \$0.10 expired unexercised. During the year ended December 31, 2019, 6,000,000 options at an exercise price of \$0.10 were cancelled.

At September 30, 2020, there were no options outstanding:

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8. Loans payable

On April 22, 2020 the Company entered into a loan agreement with 2706791 Ontario Inc. for the amount of \$15,000 payable on demand. The loan is interest free.

On January 9, 2020 the Company entered into a loan agreement with 2706791 Ontario Inc. for the amount of \$20,000 payable on demand. The loan is interest free.

On August 1, 2019, the Company entered into a loan agreement with 2706791 Ontario Inc. in the principal amount of \$50,000. The loan is interest bearing at a rate of 6% per annum compounded monthly and matures in on August 1, 2021. Proceeds from this loan were partially used to repay the below mentioned US\$25,000 loan from Gulf LNG America, LLC. Interest of \$2,353 accrued for the nine-month period ended September 30, 2020.

On April 11, 2019, the Company entered into a loan agreement with Gulf LNG America, LLC in the amount of US\$25,000. The loan was interest bearing at a rate of 13% per annum and was due to mature on January 13, 2020.

	September 30,		December 31,	
	2020		2019	
Opening Balance	\$	51,254	\$	-
Loan payable issued		35,000		83,299
Loan and interest paid		-		(33,808)
Interest		2,353		1,610
Foreign exchange		-		153
Closing Balance	\$	88,607	\$	51,254
Current Liabilities		88,607		-
Non-Current Liabilities	\$	-	\$	51,254

9. Convertible loans payable

On July 31, 2019, 2706791 Ontario Inc., a company controlled by a director of the Company, entered into a Share and Loan Purchase agreement with Gulf whereby 2706791 Ontario Inc. acquired from Gulf 609,351,075 common shares of the Company and all secured convertible promissory notes in the aggregate principal amount of \$15,982,472 (see Note 10). Upon completion of the transaction, 2706791 Ontario Inc. became the parent of the Company (See note 1). As at September 30, 2020 and December 31, 2019, the loans were in default.

- (b) The fair value of the liability component at the time of issue was determined based on an estimated rate of 20% for loans without the conversion feature. The fair value of the equity component was determined as the difference between the face value of the loans and the fair value of the liability component. After initial recognition the liability component is carried on an amortized cost basis and will be accreted to its face value over the term to maturity of the convertible loan at an effective interest rate of approximately between 18.37% and 18.98%. The carrying value of convertible loans payable, including convertible accrued interest, is \$23,774,045 at September 30, 2020 (December 31, 2019 - \$21,737,556). During the nine-month period ended September 30, 2020, the Company accrued interest expense of \$2,036,489 (year ended December 31, 2019 - \$2,427,907) related to these loans.

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9. Convertible loans payable - continued

The following table summarizes the continuity of the convertible loans and interest payable including the amounts recognized in the liability and equity components during the nine-month period ended September 30, 2020 and for the year ended December 31, 2019.

	Liability Component	Equity Component
Balance, December 31, 2018	19,309,649	3,805,549
Interest	2,427,907	-
Balance, December 31, 2019	21,737,556	3,805,549
Interest	2,036,489	-
Balance, September 30, 2020	\$ 23,774,045	\$ 3,805,549

10. Related party transactions and balances

Related parties are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Related parties include the Company's directors and members of the senior management group.

The Company entered into a corporate management agreement for accounting services with a company controlled by the Chief Financial Officer of the Company (note 11).

Details of related party compensation are as follows:

Nine-month period ended September 30,	2020	2019
Services provided:		
Accounting fees	\$ 47,250	\$ 47,250
Management fees	33,285	33,180
Rent and storage	9,450	9,450
Related parties' compensation	\$ 89,985	\$ 89,880

As at	September 30, 2020	September 30, 2019
Balances payable to related parties	\$ 265,182	\$ 147,205

On July 31, 2019, 2706791 Ontario Inc., a company controlled by a director of the Company, entered into a Share and Loan Purchase agreement with Gulf whereby 2706791 Ontario Inc. acquired from Gulf 609,351,075 common shares and certain secured convertible promissory notes of the Company in the aggregate principal amount of \$15,982,472 plus accrued interest. Under the terms of the acquisition, 2706791 Ontario Inc. became the administrative agent for all the convertible loans, including those of Harrington Global Opportunities Fund S.A.R.L. ("Harrington"). (Note 9). Upon completion of the transaction, 2706791 Ontario Inc. became the parent of the Company (See note 1).

On August 1, 2019, the Company entered into a loan agreement with 2706791 Ontario Inc. in the principal amount of up to \$50,000. The loan is interest bearing at a rate of 6% per annum compounded monthly and matures on August 1, 2021. Interest of \$2,353 accrued for the nine-month period ended September 30, 2020 (note 8).

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10. Related party transactions - continued

On January 9, 2020 the Company entered into a loan agreement with 2706791 Ontario Inc. for the amount of \$20,000 payable on demand. The loan is interest free (note 8).

On April 22, 2020 the Company entered into a loan agreement with 2706791 Ontario Inc. for the amount of \$15,000 payable on demand. The loan is interest free (note 8).

The amounts payable to key related parties is included in accounts payable and accrued liabilities on the consolidated statements of financial position.

11. Commitment

The Company is party to a corporate management and accounting services agreement which automatically renewed for additional 12 months until December 31, 2020 (note 10). The future minimum payments are \$28,500 for the remainder of the year ending December 31, 2020.

12. Financial instruments

The Company's financial instruments include cash, loan receivable, long-term investment, accounts payable, loan payable and convertible loans. The carrying value of cash, amounts receivable, accounts payable, loan payable and convertible loans payable as presented in these consolidated financial statements are reasonable estimates of fair values due to the relatively short periods to maturity and the terms of these instruments.

Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of the hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets and 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 Company's financial instruments have been classified as follows:

Financial instrument	Classification	Fair value hierarchy
Cash	FVTPL	Level 1
Loan receivable	Amortized cost	n/a
Long-term investment	FVTPL	Level 3
Accounts payable	Amortized cost	n/a
Loan payable	Amortized cost	n/a
Convertible loans payable	Amortized cost	n/a

The Company holds a long-term investment in NAAZ2 that is considered to be classified as Level 3. The fair value of \$1 has been estimated by management using the Company's proportion of the discounted cash flows expected to be recovered from the bankruptcy proceedings of GPK plus the net assets of NAAZ2.

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12. Financial instruments - continued

The following table reconciles the Company's Level 3 fair value investment:

	Nine Months Ended September 30, 2020	Year ended December 31, 2019
Beginning balance	\$ 1	\$ 1
Impairment	-	-
Ending balance	\$ 1	\$ 1

See the Company's consolidated statement of financial position for financial instrument balances as at September 30, 2020 and December 31, 2019.

Risk exposure and management

The Company is exposed to various financial instrument risks and continuously assesses the impact and likelihood of this exposure. These risks include credit risk, commodity price risk, liquidity risk, interest rate risk and currency risk. Where material these risks are reviewed and monitored by the Board of Directors.

(a) Credit risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations resulting in financial loss to the Company. The Company's credit risk is primarily attributable to its cash and loan receivable. Cash is held with an investment grade Canadian financial institution as assessed by external rating agencies. Management believes the risk of loss to be minimal. As at September 30, 2020, the Company's maximum credit risk is the carrying value of cash and loan receivable.

(b) Commodity price risk

The Company is subject to price risk from fluctuations in market prices of the commodities underlying its long-term investment. This exposure includes the ability to raise capital with favorable terms. The Company does not currently hold any financial instruments that mitigate this risk.

(c) Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due or can only do so at excessive cost. As at September 30, 2020, the Company has a working capital deficiency of \$24,103,906 (December 31, 2019 - \$21,929,134) (see note 1). The Company manages liquidity risk by monitoring and reviewing both actual and forecasted cash flows and intends to match the maturity profile of financial assets and liabilities.

Contractual undiscounted cash flow requirements of financial liabilities at September 30, 2020 are as follows:

	Carrying value \$	Less than 1 year \$	Between 2 – 5 years \$	More than 5 years \$	Total
Accounts payable	310,055	310,055	-	-	310,055
Loans payable	88,607	-	88,607	-	88,607
Convertible loans payable	23,774,045	23,774,045	-	-	23,774,045

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12. Financial instruments – continued

Contractual undiscounted cash flow requirements of financial liabilities at December 31, 2019 are as follows:

	Carrying value \$	Less than 1 year \$	Between 2 – 5 years \$	More than 5 years \$	Total
Accounts payable	199,911	199,911	-	-	199,911
Loan payable	51,254	-	51,254	-	51,254
Convertible loans payable	21,737,556	21,737,556	-	-	21,737,556

(d) Interest rate risk

As at September 30, 2020 and December 31, 2019, the Company does not hold any variable rate term deposits. The Company's loan payable and convertible loans payable bear fixed rates of interest and therefore is not subject to any significant interest rate cash flow risk.

(e) Currency risk

As the Company operates in an international environment, some of the Company's transactions and balances are denominated in currencies other than the Canadian dollar. The Company's foreign exchange risk arises primarily with respect to the United States dollar. The Company is required to make regular cash contributions denominated in United States dollars to fund the companies underlying its long-term investment (note 6) and repay its loan payable in United States dollars. Fluctuations in the exchange rate between the United States dollar and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

As at September 30, 2020, a strengthening (weakening) of the Canadian dollar against the United States dollar of 10% would have an insignificant impact on the Company's consolidated statements of comprehensive loss.

13. Management of capital

The Company manages its capital to ensure it will be able to continue as a going concern and continue the funding of its long-term investment. The Company has no operations that generate cash flow and depends on financings to fund its long-term investment and administrative expenses. The success of each financing depends on numerous factors including a positive oil and gas environment, positive stock market conditions, a company's track record and the experience of management. The capital structure of the Company consists of loan payable, convertible loans payable and shareholders' deficiency, which is comprised of share capital, reserves and deficit. 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 exposed to any externally imposed capital requirements.

14. Contingent liability

By way of Summons dated May 6, 2020, litigation proceedings were initiated against the Corporation in the Royal Court of Jersey in connection with fees for director services provided by Mr. Antony R. Gardner-Hillman who was appointed in 2016 as a non-executive director to an affiliate of the Corporation. The Summons was in respect of approximately £34,000.00 and required the Corporation's appearance in Court on May 22, 2020.

The Corporation did not defend the matter and anticipated judgement against it for that amount. The view was that the Company has no cash or assets to claim against so the claim would not go anywhere.

The Company has lost the claim and Mr. Gardner has indicated he intends to file the judgment in Canada to enforce it. The Company did not provide any contingent liability for this amount as the Company does not have any assets or cash to claim against