Petro Viking Energy Inc.
Financial Statements
December 31, 2018 and 2017

Independent Auditor's Report

To the Shareholders of Petro Viking Energy Inc.:

Opinion

We have audited the financial statements of Petro Viking Energy Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and December 31, 2017, and the statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of $269,590 during the year ended December 31, 2018 and, as of that date, the Company had an accumulated deficit of $7,399,737 and its current liabilities exceeded its total assets by $1,256,457. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis ("MD&A").

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Anand Beejan.

MNP SENCRL, srl[1]

Montréal, Québec

April 25, 2019

[1] CPA auditor, CA, public accountancy permit no. A126822

MNP SENCRL srl / LLP

Petro Viking Energy Inc.
Statements of Financial Position
As at December 31
(in Canadian dollars)

	2018	2017
	$	$
Assets		
Current assets		
Cash	**5,291**	-
Sales taxes receivable	**8,112**	-
Total assets	**13,403**	**-**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(Note 4)*	**294,151**	41,158
Subscriptions to convertible debentures *(Note 6)*	**30,000**	-
Current portion of debenture and promissory notes payable *(Note 5)*	**945,709**	-
Total current liabilities	**1,269,860**	**41,158**
Non-current liabilities		
Debenture and promissory notes payable *(Note 5)*	**-**	945,709
Total liabilities	**1,269,860**	**986,867**
Shareholders' equity		
Share capital (*Note 7)*	**4,525,520**	4,525,520
Contributed surplus	**1,617,760**	1,617,760
Deficit	**(7,399,737)**	(7,130,147)
Total shareholders' deficiency	**(1,256,457)**	(986,867)
Total liabilities and shareholders' deficiency	**13,403**	**-**

Going concern *(Note 1)*

Basis of preparation *(Note 2)*

Subsequent events *(Note 14)*

Approved on behalf of the directors:

Robert Rosner, President and CEO

Lars Glimhagen, CFO

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

Petro Viking Energy Inc.

Statements of Loss and Comprehensive Loss

Year ended December 31

(in Canadian dollars)

	2018	2017
	$	$
Revenue	**-**	-
	-	-
Expenses and other income		
Management fees	**103,000**	18,000
Professional fees	**61,555**	-
Interest expense	**99,573**	78,230
Listing fees	**5,169**	-
General and administration	**293**	-
Reversal of payables *(Note 4)*	**-**	(56,025)
	269,590	40,205
Net loss and comprehensive loss for the year	**(269,590)**	(40,205)
Net loss per share, basic and diluted *(Note 8)*	**(0.09)**	(0.01)
Weighted average number of shares, basic and diluted	**3,025,971**	3,025,971

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

Petro Viking Energy Inc.
Statements of Cash Flows
Year ended December 31
(in Canadian dollars)

	2018	2017
	$	$
Operating activities		
Net loss and comprehensive loss for the year	(269,590)	(40,205)
Reversal of payables *(Note 4)*	-	(56,025)
Changes in non-cash working capital *(Note 9)*	274,881	96,230
Cash flow from operating activities	5,291	-
Change in Cash	5,291	-
Cash, beginning of the year	-	-
Cash, end of the year	5,291	-

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

Petro Viking Energy Inc.
Statements of Changes in Shareholders' Deficiency
As at December 31
(in Canadian dollars)

	2018	2017
	$	$
Share Capital		
Balance, beginning of year	**4,525,520**	4,525,520
Balance, end of year	**4,525,520**	4,525,520
Contributed surplus		
Balance, beginning of year	**1,617,760**	1,617,760
Balance, end of year	**1,617,760**	1,617,760
Deficit		
Balance, beginning of year	**(7,130,147)**	(7,089,942)
Net loss and comprehensive loss for the year	**(269,590)**	(40,205)
Balance, end of year	**(7,399,737)**	(7,130,147)
Shareholders' deficiency	**(1,256,457)**	(986,867)

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

1. Corporate information

Petro Viking Energy Inc. (“Petro Viking” or the “Company”) is incorporated under the laws of the province of Alberta with shares previously listed on the TSX Venture Exchange.

The records office and principal address is located at 5940 Macleod Trail, Suite 500, Calgary, Alberta, T2H 2G4.

On May 18, 2015, the Executive Director of the British Columbia Securities Commission (“BCSC”) issued an order (the “Cease Trade Order” or “CTO”) under section 164(1) of the *Securities Act*, R.S.B.C. 1996, c. 418 (the “Act”) that all trading in securities of the Company cease until it files the required records referred to in the Order. The Company made an application to the Executive Director under section 171 of the Act for partial revocation of the Cease Trade Order to the Company, the Issuer. On January 30, 2019, the Executive Director ordered that the cease trade order be revoked under section 171 of the Act.

The Company is not currently engaged in any activities and is currently reviewing a number of business opportunities and projects that are NI51-101 compliant that will allow the Company to be re-listed. Subsequent to year end, the Company entered into a letter of intent to acquire assets of a privately held company in the energy sector (Note 14).

The financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to going concern, which assumes continuity of operation and realization of assets and settlement of liabilities in the normal course of business. As at December 31, 2018, the Company reported a loss of $269,590, a cumulative deficit of $7,399,737 and a negative working capital of $1,256,457. The Company’s ability to continue as a going concern is dependent upon its ability to close the qualifying transaction and raise additional financing which will allow for acquiring assets that will provide the Company with a revenue stream. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

These factors indicate the existence of a material uncertainty regarding the ability of the Company to continue as a going concern. These financial statements do not include any adjustments to the classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

2. Basis of presentation

Statement of compliance

These financial statements have been prepared in accordance to IFRS as issued by the International Accounting Standards Board (“IASB”) and in the interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”) in effect at the closing date of December 31, 2018.

The financial statements were authorized by the Board of Directors for issue on April 25, 2019.

Basis of measurement

The financial statements have been prepared under the historical cost method, except as otherwise noted below.

Financial and presentation currency

These financial statements are presented in Canadian Dollars, which is also the Company’s functional currency.

3. Summary of significant accounting policies

These accounting policies have been used throughout all years presented in the financial statements:

a) Cash and cash equivalents

Cash and cash equivalents are comprised of cash in banks or held in trust.

b) Convertible debentures

On initial recognition of the convertible debentures, the liability component is recognized at the fair value of a similar liability that does not have a conversion option and the equity component is recognized as the difference between the fair value of the convertible debenture as a whole and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to the initial carrying amounts. Subsequent to initial recognition, the liability component of the convertible debenture is measured at amortized cost using the effective interest method. The equity component is not re-measured subsequent to initial recognition.

c) Share Capital

Share capital represents the amount received on the issue of shares, less issuance costs. Proceeds from unit placements are allocated between shares and warrants issued by: estimating the value of the warrants using the Black-Scholes options model; the fair value is allocated to warrants from the net proceeds and the balance is allocated to the shares. Contributed surplus includes charges related to share options and warrants until such equity instruments are exercised. Deficit includes all current and prior year profits or losses.

d) Equity-settled share-based payment transactions

The Company operates equity-settled share-based remuneration plans (share option plans) for its eligible directors, officers and consultants. None of the Company's plans feature any options for a cash settlement. All goods and services received in exchange for the grant of any share-based payments are measured at their fair values. This fair value is appraised at the grant date. All equity-settled share-based payments are ultimately recognized as an expense in net loss depending on the nature of the payment with a corresponding credit to contributed surplus. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates, any cumulative adjustment prior to vesting is recognized in the current year. No adjustment is made to any expense recognized in prior years if share options have already vested. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are recorded as share capital. The accumulated charges related to the share options recorded in contributed surplus are then transferred to capital.

e) Income taxes

Income tax expense represents the sum of current tax expense and deferred tax expense. Current tax expense is based on the taxable profits for the year. Income tax is recognized in the statement of operations, loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

3. Summary of significant accounting policies (continued)

Deferred tax assets and liabilities are recognized based on differences in the financial statement carrying amount for assets and liabilities and the associated tax balance. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused tax credits carried forward and unused tax losses to the extent that it is probable that there will be taxable profits against which deductible temporary differences can be utilized.

f) Loss per share

Basic loss per share ("LPS") is calculated by dividing the net loss for the year attributable to equity owners of the Company by the weighted average number of common shares outstanding during the year. Diluted LPS is calculated by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for dilutive instruments. The Company's potentially dilutive instruments are comprised of stock options granted and warrants issued.

g) Financial instruments

On January 1, 2018, the Company adopted IFRS 9 - Financial Instruments ("IFRS 9") which replaced IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting.

The Company adopted the standard using the retrospective approach outlined in the standard. IFRS 9 did not impact the Company's measurement and carrying amounts of financial assets and liabilities at the transition date.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial Assets/Liabilities	Original classification under IAS 39	New classification under IFRS 9
Cash	None in prior year	Financial assets at amortized cost
Accounts payable and accrued liabilities	Other financial liabilities at amortized cost	Financial liabilities at amortized cost
Subscriptions to convertible debentures	None in prior year	Financial liabilities at amortized cost
Debenture and promissory notes payable	Other financial liabilities at amortized cost	Financial liabilities at amortized cost

Measurement – initial recognition

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ("FVTPL"). The directly attributable transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred.

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities.

Classification of financial assets

<u>Amortized cost:</u>

Financial assets that meet the following conditions are measured subsequently at amortized cost:

(i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Summary of significant accounting policies (continued)

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

Fair value through other comprehensive income ("FVTOCI"):

Financial assets that meet the following conditions are measured at FVTOCI:

(i) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured subsequently at fair value through profit or loss ("FVTPL"):

By default, all other financial assets are measured subsequently at FVTPL.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

Classification of financial liabilities and equity:

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

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Classification of financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method.

Impairment

The Company recognizes a loss allowance for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments

h) Borrowing costs and discounts on issuance of new debt

Borrowing costs that are directly related to the issuance of new debt are recorded net of the associated debt and recognized into income using the effective interest method over the life of the debt. Discounts where proceeds received are less than par value of the debt are recorded at a reduction to long-term debt and are amortized using the effective interest method and included in borrowing cost.

(in Canadian Dollars)

3. Summary of significant accounting policies (continued)

i) Significant accounting judgments and estimates

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect reported amounts and presentation of assets, liabilities, revenues, expenses and disclosures of contingencies and commitments. Such estimates primarily relate to unsettled transactions and events at the statement of financial date which are based on information available to management at each statement date. Actual results could differ from those estimated.

Judgments, estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

Going concern

The Company's ability to execute its strategy by seeking financing and funding of future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances (Note 1).

Deferred taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount and the tax basis of assets and liabilities. An estimate is required for both the timing and corresponding tax rate for this reversal. Should these estimates change, it may impact the measurement of asset or liability as well as deferred tax recovery or expense recognized to earnings. The Company only recognizes deferred tax assets arising from unused tax losses to the extent that the Company has sufficient taxable temporary differences, or it is probable that sufficient taxable profit will be available against which the unused tax losses can be utilized (Note 11). The Company has not recognized any deferred asset for the years ended December 31, 2018 and 2017.

4. Accounts payable and accrued liabilities

Significant components of Accounts Payable and Accrued Liabilities	2018	2017
	$	$
Accounts payable - trade	**97,912**	41,158
Interest Payable	**99,489**	-
Accrued management fees	**96,750**	-
	294,151	41,158

On December 15, 2017, the Company reversed $56,025 of its trade payables that were recorded on the Company's books for more than three years and were not claimed or subject to legal proceedings in order to be repaid. These trade payables were deemed to be legally prescribed.

Furthermore, on December 15, 2017, the Company restructured its payables and debenture (Note 5) to directors resulting in $29,805 of its trade payables, $296,904 of interest payable and $99,000 of accrued management fees to become long term debenture. This was treated as a none cash transaction for the purpose of the statement of cash flows.

(in Canadian Dollars)

5. Debenture and promissory notes payable

	2018	**2017**
	$	$
Debenture due July 31, 2019 bearing interest at 10% per annum compounded monthly. Secured by future assets of the Company	**895,080**	895,080
Unsecured promissory notes due July 31, 2019 bearing interest at 10% per annum compounded monthly	**50,629**	50,629
	945,709	945,709

6. Subscriptions to convertible debentures

On November 20, 2018, the Company received cash proceeds of $30,000 for the issuance of convertible debentures; these were not yet issued as at December 31, 2018. The debentures will be unsecured and bear simple interest at 15% per annum with principal and interest payable on maturity being two years from the date of issuance. The debentures will be convertible into units at a conversion price of $0.5 per share at any time during the term of the debentures. Each unit will be comprised of one common share and one common share purchase warrants exercisable for common share at a price of $0.5 per warrant for a period of 60 months.

7. Equity

Share capital

a. Authorized

Unlimited number of common shares, without nominal or par value

b. Issued and outstanding common shares

	2018		2017	
	Number	**Amount**	Number	Amount
		$		$
Balance, beginning of year	3,025,971	4,525,520	3,025,971	4,525,520
Balance, end of year	3,025,971	4,525,520	3,025,971	4,525,520

On April 8, 2019, the Company had a share consolidation on a 10:1 basis. All disclosure of shares in the financial statements are post-consolidation

Share-based payments

The Company has a stock option plan under which the Board of Directors may grant options to directors, officers, other employees and key consultants. The Company may also grant options to agents. Under the plan, the number of shares reserved for issuance pursuant to the exercise of all options under the plan may not exceed 10% of the issued and outstanding common shares at any time. The options expire not more than five years from the date of grant or earlier if the individual ceases to be associated with the Company, and vest over terms determined at the time of grant. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model.

The following table summarize information about directors, officers and consultants stock options outstanding as at, and for the year ended December 31:

(in Canadian Dollars)

7. Equity (continued)

	2018		2017	
	Options	**Weighted – average exercise price**	Options	Weighted – average exercise price
		$		$
Opening	15,817	0.20	60,817	0.13
Expired	(15,817)	0.20	(45,000)	(0.10)
Closing	-	-	15,817	0.20

The options expiring in 2018 were a result of the passing of the holder.

8. Net loss per share

Basic and diluted earnings per common share are calculated as follows:

	2018	2017
Net loss and comprehensive loss	$ (269,590)	$ (40,205)
Weighted average number of shares (basic and diluted)	3,025,971	3,025,971
Loss per share:	$	$
Basic	(0.09)	(0.01)
Diluted	(0.09)	(0.01)

9. Change in non-cash working capital

	2018	2017
	$	$
Sales taxes receivable	**(8,112)**	-
Accounts payable and accrued liabilities	**252,993**	96,230
Subscriptions to convertible debentures	**30,000**	
	274,881	96,230

10. Related party disclosures

	2018	2017
Key management personnel compensation:	**$**	**$**
Management and consulting fees	**28,000**	18,000
(Key management personnel are comprised of the Company's directors and officers.)		
Other related party transactions:		
Interest expense on debenture and promissory notes payable held by directors of the Company and companies controlled by directors of the Company [(1)]	**64,368**	78,230

(in Canadian Dollars)

10. Related party disclosures (continued)

Amount owing to related parties	**2018**	2017
	$	$
Accounts payable and accrued liabilities including management fees and interest [(1)]	**22,938**	-
Debenture – Principal outstanding. [(1)]	-	520,080
Promissory notes payable – Principal outstanding.	**50,629**	50,629
	85,446	731,738

[(1)]Mr. Irvin Eisler, a former director of the company passed away on August 23,2018 and the shares of his company Eisler Holdings Ltd. have been transferred to Mrs. Olga Eisler who is not related to the Company. As a result, all interest paid to Eisler Holdings Ltd. since August 24, 2018 and any amounts owing as at December 31, 2018 are not considered related-party items.

11. Income taxes

The provision for income tax reflects an effective income tax rate which differs from federal and provincial statutory income tax rates. The main differences are as follows:

	2018	2017
Net loss	$ (269,590)	$ (40,205)
Statutory tax rate	27%	27%
Expected income tax recovery	(72,789)	(10,855)
Changes in tax benefits not recognized	72,789	10,855
Deferred tax recovery	-	-

Temporary differences that give rise to the net deferred tax asset, which is not recognized on the Company's statement of financial position, as of December 31, 2018 and 2017 are due to capital losses carried forward of $4,929,801, which are available for carry forward indefinitely, and non-capital losses of $2,275,225 available for carry forward against future taxable income that expire as follows:

	$
2030	185,847
2031	332,320
2032	290,873
2033	582,470
2034	306,960
2035	112,813
2036	98,122
2037	96,230
2038	269,590
Total	2,275,225

12. Financial instruments and financial risk management

The Company's risk management policies are established by the Board of Directors to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's policy.

12. Financial instruments and financial risk management (continued)

The Company's financial instruments include cash, accounts payable and accrued liabilities, subscriptions to convertible debentures and debenture and promissory notes payable. The carrying values of cash, accounts payable and accrued liabilities and subscriptions to convertible debentures approximate their fair values due to their relatively short periods to maturity. The carrying value of debenture and promissory notes payable approximate their fair market value as the interest rates are based on market rates.

The Company has exposure to liquidity risk and market risk as a result of its financial instruments.

a. Fair values

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

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

The fair value of cash, accounts payable and accrued liabilities, subscriptions to convertible debentures and debenture and promissory notes payable approximate their amortized cost.

There were no transfers between levels during the year.

b. Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. Accounts payable and accrued liabilities and debenture and promissory notes payable have an expected maturity of less than one year resulting in their current classification on the statement of financial position. The Company currently has minimal assets and is unable to discharge its liabilities until financing is obtained (Note 1).

c. Market risk

Market risk is the risk that changes in market factors, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's cash flows, net loss and comprehensive loss, liquidity or the value of financial instruments. The objective of market risk management is to mitigate market risk exposures where considered appropriate and maximize returns.

<u>Interest rate risk:</u>

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to interest rate risk on its debt as they bear a fixed interest rate.

13. Capital Management

The Company's objective when managing capital is to maintain a flexible capital structure which will allow it to execute its current strategy to get the Company listed again.

The Company considers its capital structure to include share capital, contributed surplus and debenture and promissory notes payable.

In order to maintain or adjust the capital structure, from time to time the Company may issue common shares, debt or other securities, sell assets or adjust capital spending to manage current and projected debt levels.

At December 31, 2018, the Company's capital structure was not subject to external restrictions.

14. Subsequent events

In February 2019, the Company entered into various debt settlement agreements to settle $300,000 of debt through the issuance of 600,000 shares at $0.5 per share.

In April 2019, the Company entered into a letter of intent ("LOI") with a privately held energy production company based in Alberta with respect to a contemplated asset acquisition whereby the Company would acquire a non-operating interest of 50% in a producing oil and gas property in Alberta. As per the terms of the LOI, the Company will issue a convertible debt instrument for a total amount of $500,000 plus applicable GST, convertible into common shares of the Company and the Company endeavored to cover and pay any GST payable pursuant to the issuance of the debt instrument, for an amount of up to $5,000. Following completion of the contemplated Transaction, the Company will then apply to have its shares listed on the Canadian Securities Exchange.