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, 2019 and December 31, 2018, 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, 2019 and December 31, 2018, 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 $175,813 during the year ended December 31, 2019 and, as of that date, the Company had an accumulated deficit of $7,575,550 and its current liabilities exceeded its current assets by $299,152. 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.

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 Management's Discussion and Analysis 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

June 19, 2020

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

Petro Viking Energy Inc.

Statements of Financial Position

As at December 31

(in Canadian dollars)

	Notes	**2019**	2018
		$	$
Assets			
Current assets			
Cash		**1,315**	5,291
Sales taxes receivable		**2,047**	8,112
Prepaid expenses		**7,500**	-
Total current assets		**10,862**	13,403
Long term assets			
Property and equipment	4,6	**1,054,611**	-
Total assets		**1,065,473**	13,403
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7,10,12	**310,014**	294,151
Subcription to convertible debentures	9	**-**	30,000
Current portion of debenture and promissory notes payable	8	**-**	945,709
Total current liabilities		**310,014**	1,269,860
Non-current liabilities			
Convertible debenture	9	**384,264**	-
Asset retirement obligation	5	**164,325**	-
Derivative liability	9	**429,191**	-
Total liabilities		**1,287,794**	1,269,860
Shareholders' equity			
Share capital	10	**5,733,177**	4,525,520
Contributed surplus	10	**1,617,760**	1,617,760
Convertible debenture - equity component	9	**2,292**	-
Deficit		**(7,575,550)**	(7,399,737)
Total shareholders' deficiency		**(222,321)**	(1,256,457)
Total liabilities and shareholders' deficiency		**1,065,473**	13,403

Going concern (Note 1)

Basis of presentation (Note 2)

Subsequent events (Note 15)

Approved on behalf of the directors:

Lars Glimhagen
Chief Executive Officer

Robert Rosner
Director, Chief Financial Officer

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

Petro Viking Energy Inc.
Statements of Loss and Comprehensive Loss
Years ended December 31
(in Canadian dollars)

	2019	2018
Expenses		
Consulting (note 12)	**76,705**	-
Professional fees	**66,782**	136,555
Management fees (Note 12)	**56,000**	28,000
Interest expense	**55,713**	99,573
Shareholder and trust services	**21,032**	-
Office and administration	**4,499**	293
Listing and filing fees	**2,454**	5,193
Travel	**2,441**	
	285,626	269,590
Other income:		
Gain on business combination (note 4)	**84,692**	-
Loss before income taxes	**200,934**	269,590
Deferred tax recovery (note 13)	**25,121**	-
Net loss and comprehensive loss for the year	**175,813**	269,590
Net loss per share, basic and diluted (Note 11)	**(0.01)**	(0.09)

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

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

	Note	2019	2018
		$	$
Operating activities			
Net loss		**(175,813)**	(269,590)
Accrued interest expense	8	**55,713**	-
Consulting fees paid in shares	9	**15,000**	-
Gain on business combination	4	**(84,692)**	-
Deferred tax recovery		**(25,121)**	
Change in prepaid expense		**(7,500)**	-
Change in sales tax receivable		**6,065**	(8,112)
Change in accounts payable and accrued payable		**212,372**	252,993
Cash flow used in operating activities		**(3,976)**	(24,709)
Financing activity			
Subscricption to convertible debentures	8	**-**	30,000
Cash flow from financing activity		**-**	30,000
Change in Cash		**(3,976)**	5,291
Cash, beginning of the year		**5,291**	-
Cash, end of the year		**1,315**	5,291

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

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

	# Shares	Amount	Cost of Issued Shares	Contributed Surplus	Equity portion of debentures	Deficit	Total
Balance, December 31, 2017	3,025,978	5,455,426	(929,906)	1,617,760	-	(7,130,147)	(986,867)
Net loss and comprehensive loss for the year	-	-	-	-	-	(269,590)	(269,590)
Balance, December 31, 2018	3,025,978	5,455,426	(929,906)	1,617,760	-	(7,399,737)	(1,256,457)
Issued shares for debt (Note 10)	13,904,133	1,019,407	-	-	-	-	1,019,407
Issued shares for payables (Note 10)	675,000	101,250	-	-	-	-	101,250
Issued shares for services (Note 10)	150,000	15,000	-	-	-	-	15,000
Equity portion of debentures	-	-	-	-	2,292	-	2,292
Net loss and comprehensive loss for the year	-	-	-	-	-	(175,813)	(175,813)
Balance, Decemeber 31, 2019	**17,755,111**	**6,663,083**	**(929,906)**	**1,617,760**	**2,292**	**(7,575,550)**	**222,321**

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

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1. Corporate information and going concern

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.

During the year, the Company entered into a business combination transaction to acquire 50% of non-operating assets of a privately held company in the energy sector (see Note 4).

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, 2019, the Company reported a loss of $175,813, a cumulative deficit of $7,575,550 and a negative working capital of $299,152. 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 that may cast significant doubt 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, 2019.

The financial statements were authorized by the Board of Directors for issue on June 19, 2020.

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

The Company has issued convertible debentures which, on conversion, must be satisfied entirely in common shares of the Company for an amount equal to the greater of the conversion value and the redemption value of the instrument.

3. Summary of significant accounting policies (continued)

b. Convertible debentures (continued)

The Company reviews the terms of its convertible debentures to determine whether there are embedded derivatives, including the embedded conversion option, that are required to be separated and accounted for as individual derivative financial instruments or equity components.

In circumstances where an equity component is identified, 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.

In circumstances where the convertible debentures contain embedded derivatives that are to be separated from the debenture host contracts, the total proceeds received are first allocated to the fair value of the derivative financial instruments determined using the Monte Carlo method. The remaining proceeds, if any, are then allocated to the debenture host contracts, usually resulting in those instruments being recorded at a discount from their principal amount. This discount is accreted over the expected life of the instruments to profit (loss) using the effective interest method. The Monte Carlo method uses inputs such as discount rates, volatility, share price and risk-free rate.

The debenture host contracts are subsequently recorded at amortized cost at each reporting date, using the effective interest method. The embedded derivatives are subsequently recorded at fair value at each reporting date, with changes in fair value recognized in profit (loss).

The Company presents its embedded derivative liability and related debenture host contracts as separate instruments on the statement of financial position.

c. Shareholders' equity

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.

3. Summary of significant accounting policies (continued)

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.

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

The classification for each class of the Company's financial assets and financial liabilities are summarize in the following table:

Financial Assets/Liabilities	Classification
Cash	Financial assets at amortized cost
Accounts payable and accrued liabilities	Financial liabilities at amortized cost
Subscriptions to convertible debentures	Financial liabilities at amortized cost
Convertible debenture and promissory notes payable	Financial liabilities at amortized cost
Derivative liability	Fair value through profit or loss

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

3. Summary of significant accounting policies (continued)

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.

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.

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.

Estimates

Convertible debt

Convertible debentures are separated into their liability and equity components on the statement of financial position. The liability component is initially recognized at fair value, calculated as the net present value of the liability, using estimated interest rates based upon non-convertible debt issued by comparable issuers, and accounted for at amortized cost using the effective interest rate method.

Derivative liability

In determining the fair value for the convertible debenture conversion feature considered to be a derivative liability, the Company uses the Monte Carlo method and makes estimates of the expected volatility of the shares, risk-free interest rate, effective discount rate, share price, and major event expected date and probability (as the conversion feature is dependent on these estimates – see Note 9). The expected volatility is based on volatilities of comparable companies. The risk-free rate assumed in valuing the conversion feature is based on the Canadian treasury yield curve in effect at the time of grant for the expected term of the convertible debentures issued. The discount rate is based on the estimated rate for a debenture without a conversion feature. The major event expected date and probability are based on management's best estimate at the time of valuation based current internal company information and market conditions. Changes to these estimates could result in the fair value of the derivative liability being less than or greater than the amount recorded.

Impairment of property and equipment

The determination of the recoverable amount for value in use requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential, recent transactions involving similar projects, and future operating performance. An oil and gas property's fair value less cost to sell requires the use of estimates as to the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

Depletion and depreciation and valuation of property and equipment

The amounts recorded for depletion and depreciation of property and equipment and the valuation of property and equipment are based on estimates. These estimates include proved and probable reserves, production rates, future oil and natural gas prices, future development costs, remaining lives and periods of future benefits of the related assets and other relevant assumptions.

The Corporation's reserve estimates are evaluated annually pursuant to the parameters and guidelines stipulated under *National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities*.

3. Summary of significant accounting policies (continued)

For impairment testing, property and equipment and exploration and evaluation assets are aggregated into cash generating units ("CGUs"), based on management's judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash flows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

Decommissioning provisions

The value of decommissioning provisions depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the timing of those expenditures.

Fair value of common share

As the Company's shares is not traded on a listed exchange, the Company is required to estimate the fair value of the common shares issued on debt, promissory notes and accounts payable and accrued liabilities settlements, issued in exchange for services, and used in the valuation of the conversion feature of the derivative liability. The company estimated the fair value of common shares based on expected capital raises, history of debt conversions with third parties, and internal company information.

Fair value of property and equipment

The market value of property and equipment assets is the estimated amount for which the assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in property and equipment) is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

The market value of other items of property and equipment is based on the quoted market prices for similar items.

Judgments

Derivative liability

The fair value of financial liabilities not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select techniques and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The assumptions used for estimating the fair value of derivatives and financial instruments has been disclosed in Note 9.

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 13). The Company has not recognized any deferred asset for the years ended December 31, 2019 and 2018.

3. Summary of significant accounting policies (continued)

Impairment of oil and natural gas properties

Management uses judgment to assess the existence of impairment indicators such as events or changes in circumstances that may indicate the carrying amount of oil and natural gas properties may not be recoverable.

Decommissioning provisions

Management uses judgment to assess the Corporation's legal obligations to decommission its oil and natural gas properties and restore property sites after closure. The Corporation's production activity is required to be in compliance with various environmental laws and regulations in Canada. The assessment of decommissioning provisions is based on management's understanding of the current legal and environmental requirements and third party engineering valuations.

Business combinations

The Company assesses whether an acquisition should be accounted for as an asset acquisition or a business combination under IFRS 3. This assessment requires management to make judgements on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as business and the Company obtains control of the business inputs and processes.

Cash generating units

Management makes judgments in determining its CGUs and evaluates the geography, geology, production profile and infrastructure of its assets in making such determinations. Based on this assessment, the Company's CGUs are generally composed of significant development areas. As at December 31 2019, the Company had one CGUs (2018 – none). The Company reviews the composition of its CGUs at each reporting date to assess whether any changes are required in light of new facts and circumstances.

j. Business combinations

Business combinations are accounted for using the acquisition method where the acquisition of companies and assets meet the definition of a business under IFRS. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Following initial recognition, goodwill is recognized at cost less any accumulated impairment losses. Any deficiency of the purchase price below the fair value of the net assets acquired is recorded as a gain in income. Associated transaction costs are expensed when incurred.

k. Jointly controlled assets

Many of the Corporation's oil and natural gas activities involve jointly controlled assets and are conducted under joint non-operating agreement. The financial statements include the Corporation's share of these jointly controlled assets and liabilities.

l. Property and equipment

(i) Property and equipment

All costs directly associated with the development of oil and natural gas interests are capitalized on an area-by-area basis as oil and natural gas interests and are measured at cost less accumulated depletion and depreciation and net impairment losses. These costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include property acquisitions with proved and/or probable reserves, development drilling, completion, gathering and infrastructure, decommissioning provisions and transfers from exploration and evaluation assets.

3. Summary of significant accounting policies (continued)

Costs of replacing parts of property and equipment are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in income (loss) as incurred. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in income (loss) as incurred.

Exchanges or swaps of property and equipment are measured at fair value unless the transaction lacks commercial substance or neither the fair value of the asset received nor the asset given up can be reliably estimated. When fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. Any gains or losses from the divestiture of property and equipment are recognized in the statement of loss and comprehensive loss.

(ii) Depletion and depreciation

Oil and natural gas interests are depleted using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs. 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 estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations do not give rise to prior period adjustments and are dealt with on a prospective basis.

Processing facilities and well equipment are depleted using the unit-of-production method along with the related reserves when the assets are designed to have a life similar to the reserves of the related wells with little to no residual value. Where facilities and equipment, including major components, have differing useful lives, they are depreciated separately on a straight-line basis over the estimated useful life of the facilities and equipment and other related components.

m. Impairment of non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than deferred tax assets, are reviewed for indicators of impairment at each reporting date. If indicators of impairment exist, the recoverable amount of the asset is estimated. Exploration and evaluation assets are assessed for impairment when they are reclassified to property and equipment or if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purposes of assessing impairment, property and equipment are grouped into separate CGUs. Goodwill, if any is allocated to the CGUs that are expected to benefit from the synergies of the business combination creating the goodwill.

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 to be the amount for which the asset could be sold in an arm's length transaction between knowledgeable and willing parties. Fair value less costs to sell may be determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs and including future development costs. These cash flows are discounted at an appropriate discount rate which would be applied by a market participant. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the CGU in its present form. These cash flows are discounted at a rate based on the time value of money and risks specific to the CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. An impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses are recognized in the statement of loss and comprehensive loss.

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 only to the extent that the CGU's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized. A goodwill impairment loss is not reversed.

3. Summary of significant accounting policies (continued)

n. Decommissioning provisions

Decommissioning provisions are recognized for decommissioning and restoration obligations associated with the Company's property and equipment. The best estimate of the expenditure required to settle the present obligation at the statement of financial position date is recorded on a discounted basis using the pre-tax risk-free interest rate. The future cash flow estimates are adjusted to reflect the risks specific to the liability. The value of the obligation is added to the carrying amount of the associated property and equipment and is depleted or amortized over the useful life of the asset. The provision is accreted over time through charges to financing expenses. Changes in the future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows or the discount rate are recognized as changes in the decommissioning provision and the related asset.

Actual decommissioning expenditures up to the recorded liability at the time are charged against the provision as the costs are incurred. Any difference between the recorded provision and the actual costs incurred is recorded as a gain or loss in the statement of loss and comprehensive loss.

o. Newly adopted accounting standards

IFRS 16 Leases

In January 2016, the IASB published IFRS 16 –Leases, which will replace IAS 17 –Leases. This IFRS eliminates the classification of an operating lease and requires lessees to recognise a right-of-use asset and a lease liability for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods, changes the accounting for sale and leaseback arrangements, and largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances. As of January 1, 2019, the Company has adopted IFRS 16 and has concluded that, based on its current operations, the adoption of IFRS 16 had no significant impact on the Company's financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments ("IFRIC 23") was issued by the IASB on June 7, 2017. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual period beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. As of January 1, 2019, the Company has adopted IFRIC 23 and has concluded that, based on its current operations, the adoption of IFRIC 23 had no significant impact on the Company's financial statements.

p. Accounting standards issued but not yet effective

IAS 1 Presentation of Financial Statements

IAS 1 sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. IAS 1 has been revised to incorporate a new definition of "material" and IAS 8 has been revised to refer to this new definition in IAS 1. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. Management does not expect any material impact from the adoption of the standard.

(in Canadian Dollars)

3. Summary of significant accounting policies (continued)

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

IAS 8 is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The amendment is effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. Management does not expect any material impact from the adoption of the standard.

4. Business combinations

On December 9, 2019 the Company purchased a 50% non-operating interest in west Central Alberta from a private company, consisting of production, pipelines, facilities and approximately 1,280 acres (net) of developed surface and mineral leases. Under the terms of the purchase agreement, the Company issued a debenture for $500,000 on December 9, 2019 for the 50% the above non-operating interest. The additional terms and accounting of this debenture is described in note 9.

For accounting purposes, the Company has been identified as the acquirer and the 50% non -operating interest in Avila is deemed to be the acquiree. As the non-operating interest described above meets the definition of a business and this transaction was accounted for as business combination under IFRS - 3 “Business Combinations”. The date on which the Company obtained control was determined to be December 9, 2019 - the date at which the company issued the debenture.

Net assets acquired	$
Property and equipment	921,900
Decommissioning liabilities	(31,443)
Deferred tax liability	(25,298)
Gain on acquisition	84,692
Fair value of the net assets acquired	780,467
Consideration	
Debenture issued (note 9) and fair value of consideration	780,467

The acquisition if effective on January 1st of 2019 would have contributed revenues of $153,178 and royalty and operating expenses totaling $86,118 until closing on December 9th, 2019, resulting in net income of $67,060.

The Company incurred no acquisition-related costs.

There was no income or loss subsequent to December 9, 2019 up to December 31, 2019.

(in Canadian Dollars)

5. Liabilities acquired through business combinations

The Company's estimated net present value of decommissioning liabilities is $168,496 as at December 31, 2019 (2018 - $0), based on an undiscounted total future liability of $184,520 (2018 – $0). These payments are expected to be incurred over a period of 7 to 10 years with the majority of costs to be incurred between 2027 and 2030. At December 31, 2019, risk-free rates between 1.55% - 1.90% (2018 – 1.77% - 2.23%) and an inflation rate of 2% (2018 – 2%) were used to calculate the net present value of the decommissioning liabilities.

		2019	2018
Balance - beginning of period		-	-
Liabilities acquired through business combinations - Note 4	$	31,443	-
Change in estimates		132,711	-
Accretion		171	-
	$	**164,325**	-

6. Property and equipment

		Oil and natural gas interests
Cost		
Balance at December 31, 2018	$	-
Acquisition (note 4)		921,900
Decommissioning provisions (note 5)		132,711
Balance at December 31, 2019	$	1,054,611

There was no depletion and depreciation taken during the year as the property and equipment were temporarily not producing.

As at December 31, 2019, the Company did not identify any indicators of impairment due to the acquisition occurring close to year-end.

7. Accounts payable and accrued liabilities

Significant components of Accounts Payable and Accrued Liabilities	**2019**	2018
	$	**$**
Accounts payable - trade	**205,067**	97,912
Interest Payable (Note 8 and 9)	**3,948**	99,489
Accrued management fees	**101,000**	96,750
	310,015	294,151

(in Canadian Dollars)

8. Debenture and promissory notes payable

	2019	2018
	$	$
Debenture due July 31, 2019 bearing interest at 10% per annum compounded monthly. Secured by future assets of the Company. (See note 10 for settlement details)	-	895,080
Unsecured promissory notes due July 31, 2019 bearing interest at 10% per annum compounded monthly. (See note 9 for settlement details)	-	50,629
	-	945,709

9. Convertible debentures

On November 20, 2018, the Company received cash proceeds of $30,000 for the issuance of convertible debentures. As at December 31, 2018, the cash proceeds were considered to be subscription payables. The debentures certificates were issued on February 1, 2019. The debentures are unsecured and bears simple interest at 15% per annum with principal and interest payable on maturity being two years from the date of issuance. The debentures are convertible into units at a conversion price of $0.05 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 $0.05 per warrant for a period of 60 months.

For accounting purposes, the convertible debentures have been separated into liability and equity components using the effective interest rate method. The fair value of the liability component of the convertible debentures at the time of issue was calculated as being equivalent to the discounted cash flows for the debentures assuming an effective interest rate of 20%. The effective interest rate was based on the estimated rate for a debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability component. The value of the equity component was determined to be $2,292. The value of the liability component was determined to be $27,708.

On December 9, 2019 the Company issued a debenture for $500,000 as payment in the business combination in which the Company acquired 50% interest in non-operating assets (see Note 4). The debenture is unsecured and bears a compounded interest of 5% per annum. The debenture matures on July 31, 2022 at which time the debenture and any accrued interest is payable. The convertible debenture can be converted at the lower of $0.25 or 80% of the major event price. The major event price means the price per common share that (i) a common share is being issued by the Company before the maturity date pursuant to an initial public offering of the common chares for listing on a recognized stock exchange; or (ii) a common share is being issued by the Company pursuant to a financing of no less than $500,000 net of fees and commissions; or (iii) results from a purchase by a third party of substantially all the assets of the Company by dividing the said purchase price by the number of issued common shares on a fully diluted basis.

As a result of the conversion price of the debentures not being fixed at the time of issuance, the conversion feature is considered a derivative liability and is revalued at each period end. The value of the derivative liability at the date of issuance and the year-end date was determined using the Monte Carlo method with the following input:

Discount rate: 20%
Volatility: 140%
Risk-free rate: 1.66% - 1.69%

9. Convertible debentures (continued)

As a result of the convertible debenture being issued as consideration in the business combination (note 4), the convertible debenture was required to be measured at fair value on the date of acquisition, December 9, 2019. The fair value of the conversion feature which is considered a derivate liability, was measured using the method and estimates noted above. The fair value of the conversion feature on December 9, 2019 was determined to be $429,191. There was no change in fair value as at December 31, 2019. The fair value of the liability component of the convertible debentures at the time of issue was calculated as being equivalent to the discounted cash flows for the debentures assuming an effective interest rate of 20%. The effective interest rate was based on the estimated rate for a debenture without a conversion feature. The fair value of the liability component was determined to be $351,276 on the date of acquisition. The debenture value per note 4 of $780,467 is made up of the fair value of the conversion feature of $429,191 and liability component of $351,276.

The above convertible debenture balance as at December 31, 2019 includes principal $351,276 and $27,708 of the convertible debentures on November 20, 2018 plus accrued interest of $5,280.

10. Equity

Share capital

a. Authorized

Unlimited number of common shares, without nominal or par value

b. Issued and outstanding common shares

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

On January 31, 2019 there were 3,000,000 pre-consolidated shares issued related to settlement of debenture at $0.05 (non-diluted) per share.

In June 2019, the Company issued 9,573,661 shares of the Company at $0.05 per share for partial settlement of debenture (note 8) and full conversion of promissory notes (note 8).

In August 2019, the Company issued 250,000 shares of the Company at $0.05 per share for partial settlement of debenture (note 8).

In September 2019, the Company issued 1,500,000 shares of the Company at $0.10 per share for partial settlement of debenture (note 8).

In September 2019, the Company issued 1,980,472 shares of the Company at $0.10 per share for full settlement of debenture (note 8). As the debt holders were acting in their capacity as shareholders, a shareholder benefit was recognized as a reduction of share capital of $47,824

In September 2019, the Company issued 525,000 shares of the Company at $0.15 per share for the settlement of accrued management fees (note 7).

In November 2019, the Company issued 150,000 shares of the Company at $0.15 per share for the settlement of accrued management fees (note 7).

(in Canadian Dollars)

10. Equity (continued)

In November 2019, the Company issued 150,000 shares of the Company at $0.10 per share for consulting services.

In November 2019, 500,000 shares of the Company were cancelled at $0.05 per share and were reissued at the same price in December 2019.

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 summarizes information about directors, officers and consultants stock options outstanding as at, and for the year ended December 31:

	2019		2018	
	Options	**Weighted – average exercise price**	Options	Weighted – average exercise price
		$		$
Opening	-	-	15,817	0.20
Expired	-	-	(15,817	(0.20)
Closing	-	-	-	-

No warrants issued and outstanding as at December 31, 2019 and 2018.

11. Net loss per share

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

	2019	2018
Net loss and comprehensive loss	$ (175,813)	$ (269,590)
Weighted average number of shares (basic and diluted)	9,842,825	3,025,971
Loss per share:	$	$
Basic	(0.01)	(0.09)
Diluted	(0.01)	(0.09)

(in Canadian Dollars)

12. Related party disclosures

	2019	2018
Key management personnel compensation:	**$**	**$**
Management and consulting fees	**117,705**	28,000
(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

Amount owing to related parties	**2019**	2017
	$	$
Accounts payable and accrued liabilities including management fees and interest	**104,729**	22,938
Promissory notes payable – Principal outstanding	**-**	50,629
	104,729	73,567

[(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.

13. 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:

	2019	2018
Loss before taxes	$ (200,934)	$ (269,590)
Statutory tax rate	26.5%	27%
Expected income tax recovery	(53,248)	(72,789)
Gain on business combination	(22,490)	
Changes in tax benefits not recognized	50,617	72,789
Deferred tax recovery	(25,121)	-

The statuary tax rate declined from 27% to 26.5% due to reduction of the Alberta tax rate on July 1, 2019.

(in Canadian Dollars)

13. Income taxes (continued)

The Company has recognized deferred tax assets and liabilities as follows:

	2019	2018
Property and equipment	$ (127,561)	-
Convertible debenture	(33,232)	-
Non-capital losses	160,793	-
Net deferred tax asset (liability)	-	-

The Company has not recognized a deferred tax asset in respect of the following deductible temporary differences:

	2019	2018
Derivative liability	$ 429,191	-
Asset retirement obligation	164,325	-
Non-capital losses	1,857,523	2,275,225
Capital losses	4,929,801	4,929,801
Unrecognized deductible temporary differences	7,380,840	7,205,026

The Company has non-capital losses of $1,857,523 (2018 - $2,275,225) for which no deferred tax asset has been recognized, which are available for carry forward against future taxable income that expire as follows:

	$
2032	109,940
2033	582,470
2034	306,960
2035	112,813
2036	98,122
2037	96,230
2038	269,590
2039	281,398
Total	1,857,523

The Company has $4,929,801 of capital losses which have on expiry date.

14. 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.

The Company's financial instruments include cash, accounts payable and accrued liabilities, subscriptions to convertible debentures, debenture and promissory notes payable, derivative liability and convertible debentures. 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 convertible debenture approximates its fair market value as the interest rates are based on market rates.

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.

Derivative liability is considered to be a Level 3 classification as inputs are not based on observable market data. Please see note 9 for details on inputs.

There were no transfers between levels during the year.

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

a. 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 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).

b. 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.

<u>Commodity price risk:</u>

The nature of the Corporation's operations results in exposure to fluctuations in commodity prices. Commodity prices for oil and natural gas are impacted by global economic events that dictate the levels of supply and demand. The Company's management continuously monitors commodity prices and may consider instruments to manage exposure to these risks when it deems appropriate.

14. Financial instruments and financial risk management (continued)

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 and convertible debenture.

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, 2019, the Company's capital structure was not subject to external restrictions.

15. Subsequent events

Issuances

On January 23, 2020 the Company received $25,000 for 166,667 units of the Company at $0.15 per unit. Each units consists of one common share of the Company and one half common share warrant entitling the holder to purchase common shares a price of $0.20 per share 18 months after issuance.

In June 2020 the Company received net proceeds of $85,000 for Debenture Units of the Company related to a Offering for Debenture unit maturing on April 30, 2023. Each unit being comprised of an aggregate principal amount of a 10% Convertible unsecured subordinated debenture and one detachable share common share warrant entitling its holder to purchase 10,000 common shares at a price of $0.125 for a period of 36 months following the closing. The convertible debentures are convertible at the option of the holder into common shares of the Company at a conversion price of $0.10.

COVID-19

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus ("COVID-19"). The outbreak and subsequent measures intended to limit the pandemic contributed to significant declines and volatility in financial markets. The pandemic adversely impacted global commercial activity. The full extent of the impact of COVID-19 on operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. These uncertainties may persist beyond when it is determined how to contain the virus or treat its impact. IFRS requires management to make estimates and assumptions that affect reported amounts and disclosures. These estimates and assumptions take into account historical and forward looking factors that the Company believes are reasonable, including but not limited to the potential impacts arising from COVID-19 and public and private sector policies and initiatives aimed at reducing its transmission. As the extent and duration of the impacts from COVID-19 remain unclear, the Company's estimates and assumptions may evolve as conditions change. Actual results could differ significantly from those estimates. The accounting policies applied in the preparation of these financial statements for the year ended December 31, 2019 are consistent.

In addition, the Company has experienced significant volatility with crude oil prices since year end due to macro-economic uncertainty, mainly due to OPEC and Russia abandoning production quotas and increasing production levels, along with demand destruction for crude oil products as a result of the COVID-19 outbreak and potential lack of storage forcing production shut-ins. The duration and impact of these global events remain uncertain and could impact cash flow and the Company's financial condition in the future.

16. Comparative figures

Comparative figures have been reclassified to conform with current year's presentation.