# PETRO VIKING ENERGY INC.

## AMENDED CONDENSED INTERIM FINANCIAL STATEMENTS

**For the three and nine months ended September 30, 2020 and 2019**

(Unaudited - Expressed In Canadian Dollars)

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Table of Contents: Page

**Amended Condensed Interim Statements of Financial Position**
*Unaudited*
*As at September 30, 2020 compared to December 31, 2019*
*(in Canadian dollars)*

| **Assets** | *Notes* | **September 30, 2020** | **December 31, 2019 (audited)** |
|---|---|---|---|
| Current assets | | **$** | **$** |
| Cash | | **96,006** | **1,315** |
| Sales taxes receivable | | **6,838** | **2,047** |
| Prepaid expenses and other assets | | **41,998** | **7,500** |
| Other receivable | 5 | **224,965** | **-** |
| **Total current assets** | | **369,807** | **10,862** |
| **Long term assets** | | | |
| Property, plant and equipment | 4 | **1,054,611** | **1,054,611** |
| **Total assets** | | **1,424,418** | **1,065,473** |
| **Liabilities** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 6 &7 | **251,820** | **310,014** |
| Convertible debentures | 9 | **29,613** | **-** |
| Total current liabilities | | **281,433** | **310,014** |
| Non-current liabilities | | | |
| Promissory notes payable | 8 | **163,542** | **-** |
| Convertible debentures | 9 | **674,729** | **384,264** |
| Asset retirement obligation | | **164,324** | **164,325** |
| Derivative liability | 9 | **349,244** | **429,191** |
| Total non-current liabilities | | **1,351,839** | **977,780** |
| **Total liabilities** | | **1,633,721** | **1,287,794** |
| **Shareholders' deficiency** | | | |
| Share capital | 11 | **5,841,514** | **5,733,177** |
| Contributed surplus | 11 | **1,668,165** | **1,617,760** |
| Convertible debenture - equity portion | 9 | **95,316** | **2,292** |
| Subscriptions received | 10 | **85,000** | **-** |
| Deficit | | **(7,898,850)** | **(7,575,550)** |
| **Total shareholders' deficiency** | | **(208,855)** | **(222,321)** |
| **Total liabilities and shareholders' deficiency** | | **1,424,418** | **1,065,473** |

Going concern *(Note 1)*
Basis of preparation *(Note 2)*
Subsequent events *(Note 17)*
Covid-19 outbreak *(Note 18)*

**Approved on behalf of the directors:**

| | |
|---|---|
| *//signed: Greg Doucette* | *//signed: Lars Glimhagen* |
| Greg Doucette | Lars Glimhagen |
| Chief Executive Officer | Chief Financial Officer |

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

**Petro Viking Energy Inc.**
**Amended Condensed Interim Statements of Loss and Comprehensive Loss**
*Unaudited*
*For the three and nine months ended September 30,*
*(in Canadian dollars)*

| | | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| | *Notes* | **2020** | 2019 | **2020** | 2019 |
| **Expenses** | | | | | |
| Management fees | 13 | **9,410** | 9,000 | **43,660** | 27,000 |
| Consulting | 13 | **11,323** | - | **200,213** | 61,705 |
| Professional fees | 13 | **18,087** | 3,612 | **99,106** | 53,304 |
| Interest | 8,9 | **19,422** | 9,011 | **35,823** | 50,055 |
| Outside services | | **13,944** | - | **13,994** | - |
| Listing fees | | **8,234** | - | **8,515** | - |
| Shareholder and trust services | | **8,427** | 13,332 | **13,817** | 20,418 |
| Office and administration | | **888** | 3,227 | **1,420** | 456 |
| Accretion expense | 8,9 | **18,022** | **-** | **52,704** | - |
| **Net loss before the following items** | | **107,807** | 38,182 | **469,252** | 212,938 |
| **Other income (loss):** | | | | | |
| Reversal of payables | 7 | **-** | - | **11,786** | - |
| Gain on derecognition of related part liabilities | 8 | **54,218** | - | **54,218** | - |
| Change in derivative liability | 9 | **17,101** | - | **79,948** | - |
| **Net loss and comprehensive loss for the period** | | **36,488** | 38,182 | **323,300** | 212,938 |
| Net loss per share, basic | 12 | **(0.00)** | (0.01) | **(0.04)** | (0.07) |
| Net loss per share, diluted | 12 | **(0.00)** | (0.01) | **(0.04)** | (0.07) |

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

*(in Canadian dollars)*

| | *Notes* | **# Shares** | **Amount** | **Cost of Issued Shares** | **Contributed Surplus** | **Equity portion of debentures** | **Units not yet issued** | **Deficit** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| Balance, December 31, 2018 | | 1,513,056 | 5,455,426 | (929,906) | 1,617,760 | - | - | (7,399,737) | (1,256,457) |
| Issued shares for debt | 11 | 6,952,067 | 1,091,407 | - | - | - | - | - | 1,091,407 |
| Issued shares for payables | 11 | 337,500 | 101,250 | - | - | - | - | - | 101,250 |
| Equity portion of debentures | | - | - | - | - | 2,292 | - | - | 2,292 |
| Net loss and comprehensive loss for the year | | - | - | - | - | - | - | (212,938) | (212,938) |
| Balance, September 30, 2019 | | 8,802,623 | 6,648,083 | (929,906) | 1,617,760 | 2,292 | - | (7,612,675) | (274,446) |
| **Balance, December 31, 2019 (post consolidation)** | | 8,877,623 | 6,663,083 | (929,906) | 1,617,760 | 2,292 | - | (7,575,550) | (222,321) |
| Subscriptions received | 10 | 566,667 | - | - | - | - | 85,000 | - | 85,000 |
| Issued shares for cash | 11 | 83,334 | 20,064 | - | 4,936 | - | - | - | 25,000 |
| Issued shares for services | 11 | 653,871 | 88,273 | - | 29,150 | - | - | - | 117,423 |
| Issued warrants for cash | 11 | - | - | - | 16,319 | - | - | - | 16,319 |
| Equity portion of debentures | 9 | - | - | - | - | 93,024 | - | - | 93,024 |
| Net loss and comprehensive loss for the period | | - | - | - | - | - | - | (323,300) | (323,300) |
| **Balance, September 30, 2020** | | **10,181,495** | **6,771,420** | **(929,906)** | **1,668,165** | **95,316** | **85,000** | **(7,898,850)** | **(208,855)** |

Share consolidation of 2-to-1 on August 25, 2020 (Note 11). All shares presented are post consolidation.

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

**Petro Viking Energy Inc.**
**Amended Condensed Interim Statements of Cash Flows**
*Unaudited*
*For the nine months ended September 30,*
*(in Canadian dollars)*

| | *Notes* | **2020** | 2019 |
|---|---|---|---|
| | | **$** | $ |
| **Operating activities** | | | |
| Net loss | | **(323,300)** | (212,938) |
| Accrued interest expense | | **-** | 50,055 |
| Change in derivative liability | 9 | **(79,948)** | - |
| Reversal of payables | 7 | **(11,786)** | - |
| Shares and warrants issued for services | 11 | **117,423** | - |
| Accretion expense | 6,7 | **52,704** | - |
| Gain on loan discount | 8 | **(54,218)** | - |
| Change in sales tax receivable | | **(4,791)** | (2,862) |
| Change in accounts payable and accrued liabilities | | **171,852** | 160,902 |
| **Cash flow used in operating activities** | | **(132,064)** | (4,843) |
| **Investing activities** | | | |
| Increase in other receivable | | **(224,965)** | **-** |
| **Financing activities** | | | |
| Issued debentures for debt (net of financing fees | 9 | **376,218** | - |
| Issued units for cash | 11 | **25,000** | - |
| Subscriptions to units | 11 | **85,000** | - |
| Share issuance costs | 11 | **(34,498)** | - |
| **Cash flow from financing activities** | | **451,720** | - |
| Change in Cash | | **94,961** | (4,843) |
| Cash, beginning of the period | | **1,315** | 5,290 |
| **Cash, end of the period** | | **96,006** | 447 |
| | | | - |

| | **2020** | 2019 |
|---|---|---|
| Non-cash financing activities are as follows: | **$** | $ |
| Promissory notes issued to accounts payable | **217,195** | - |

*The accompanying notes are an integral part of these amended condensed interim 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 December 9, 2019, the Company acquired a non-operating 50% interest in a producing oil & gas property in the province of Alberta from Avila Exploration and Development (Canada) Ltd ("Avila") consisting of production, pipelines, facilities and approximately 1,280 acres (net) of Petroleum and Natural Gas mineral and exploitation rights in Western Alberta and more particularly, in the Ferrybank area (see Note 4).

The amended condensed interim 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 September 30, 2020, the Company reported a loss of $323,300, a cumulative deficit of $7,898,850 and a working capital of $88,374. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing which will allow that will provide the Company with a revenue stream. Even if the Company has been successful in the past, 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 condensed interim financial statements, approved by the Board of Directors on January 25, 2021, have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting". These condensed interim financial statements as well as the related notes should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 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.

*Unaudited – in Canadian Dollars*

## 3. Summary of significant accounting policies

***Overall considerations***

The significant accounting policies that have been applied in the preparation of these financial statements are summarized in Note 3 - Significant Accounting Policies, of the Company's annual audited financial statements for the year ended December 31, 2019.

***Significant accounting judgments and estimates***

The preparation of these condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the condensed interim financial statements and accompanying notes. Management believes that the estimates used in the preparation of the condensed interim financial statements are reasonable; however, actual results may differ materially from these estimates. The areas involving significant judgments, estimates and assumptions have been detailed in note 3 to the Company's audited financial statements for the year ended December 31, 2019.

## 4. Property and equipment

| | **Oil and natural gas interests** |
|---|---|
| **Cost** | |
| Balance at December 31, 2019 | $ 1,054,611 |
| Additions during the period | nil |
| Balance at September 30, 2020 | $ 1,054,611 |

There was no depletion and depreciation taken during the period as the property and equipment was temporarily not in production.

As at September 30, 2020, the Company determined that a low commodity price was an indicator of impairment and tested its cash-generating units for impairment. The recoverable amounts of CGUs was estimated based on the higher of the value in use and the fair value less costs to sell. The estimate of fair value less costs to sell was determined using a cost of sell of 2%, a discount rate of 15% and forecasted cash flows, with escalating prices and future development costs, as obtained from an independent reserve engineer for the Corporation's proved plus probable reserves. The impairment calculations for September 30, 2020 and December 31, 2019 resulted in no impairment charges.

The sensitivity analysis performed on the impairment assessment using a 20% discount rate would result in an impairment of approximately $179,000 for September 30, 2020.

The impairment test was based on the following future prices at September 30, 2020:

*Unaudited – in Canadian Dollars*

## 4. Property and equipment (continued)

| Year | Avg. Price $C/BOE |
|---|---|
| 2020 (3) | 21.20 |
| 2021 | 18.29 |
| 2022 | 17.30 |
| 2023 | 16.84 |
| 2024 | 16.97 |
| 2025 | 17.41 |
| 2026 | 17.83 |
| 2027 | 18.30 |
| 2028 | 18.69 |
| 2029 | 19.14 |

## 5. Other receivable

During the nine months period ended September 30, 2020, the Company advanced $224 965 to the operating company Avila for expenditures to be incurred under a joint venture agreement to develop its property.

## 6. Accounts payable and accrued liabilities

| **Significant components of Accounts Payable and Accrued Liabilities** | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| | **$** | **$** |
| Accounts payable - trade | **205,828** | 208,209 |
| Interest Payable (Note8 and 9) | **38,492** | 59,805 |
| Accrued consulting fees | **7,500** | 42,000 |
| | **251,820** | 310,014 |

## 7. Reversal of payables

On March 30, 2015 a supplier filed a claim against the Company for services rendered in August 24, 2014. The Company filed a dispute indicating that the claim related to the Company's wholly-owned subsidiary and was not directly responsible for the underlying outstanding debt. The Plaintiff subsequently issued a garnishee against the subsidiary which, at the time, had filed for Creditor Protection under the Bankruptcy and Insolvency Act. The amount garnisheed was recovered by the Trustee and returned the funds to the subsidiary. The Company does not anticipate further action by the Plaintiff and has reversed the amount of $11,786.

*Unaudited – in Canadian Dollars*

## 8. Promissory notes payable

On September 15, 2020, the Company converted related party liabilities to unsecured promissory notes in the amount of $217,195. The promissory notes bear simple interest at 5% per annum with principal and interest payable on maturity being two years from the date of issuance.

For accounting purposes, the promissory notes have been recorded at fair market value of $163,542 was calculated as being equivalent to the discounted cash flows for the promissory notes assuming an effective interest rate of 22%.

A gain of $54,218 was recognized on recognition of the promissory notes and the derecognition of the related party liabilities.

## 9. Convertible debentures

| | **September 30, 2020 $** | December 31, 2019 $ |
|---|---|---|
| Debenture (a) | 29,613 | 28,753 |
| Debenture (b) | 397,739 | 355,511 |
| Debenture (c) | 276,990 | - |
| **Total** | **704,342** | **384,264** |
| Short-term | 29,613 | - |
| Long-term | 674,279 | 384,264 |

| | **September 30, 2020 $** | December 31, 2019 $ |
|---|---|---|
| Derivative liability (b) | 349,244 | 429,191 |

(a) 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 bear 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.

**9. Convertible debentures (continued)**

(b) 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 shares 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%

The value of the derivative liability at the 9-month 2020 period end date was determined using the Monte Carlo method with the following input:

Volatility: 120%
Risk-free rate: 0.20 %

(c) On June 28, 2020 the Company offered a non-brokered private placement of $400,000 debenture units, each unit being comprised of an aggregate $1,000 principal amount of a 10% convertible unsecured subordinated debenture due on April 30, 2023 and one detachable common share purchase warrant entitling the holder to purchase 10,000 common shares at a price of $0.125 for a period of 36 months following the closing. The debenture bears an interest rate of 10% per annum payable semi-annually, payable either in cash or common shares in the capital of the Company at the option of the Subscriber.

Each unit is convertible at the option of the holder into 10,000 common shares of the issuer at a price of $0.10.

At maturity, each unit is convertible at the option of the holder at price being determined at the higher of the VWAP (Volume Weighted Average Price) in the common shares of the Company over the previous ten trading day period on a listed exchange prior to the maturity date or $0.025.

The offering closed on July 7, 2020 for gross proceeds of $400,000.

## 9. Convertible debentures (continued)

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 22%. 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 $93,024, the value of the warrants (Note 11) were determined to be $16,319, and the liability component was determined to be $290,657. Deferred finance fees of $22,717 were recorded against the convertible debenture.

## 10. Subscriptions received

On August 13, 2020, the Company issued an Offering Memorandum (OM) to raise a minimum of $1,000,000 and a maximum of $2,250,000 consisting of:

- Units consisting of one (1) common share in the capital of the Company and one-half (1/2) of one common share purchase warrant where a full warrant entitles the holder to purchase one additional common share;
- 3,333,333 Subscription Receipts A convertible into units where each unit consists of one (1) common share in the capital of the Company and one-half (1/2) of one common share purchase warrant where a full warrant entitles the holder to purchase one (1) additional common share in the capital of the Company, and;
- 7,500,000 Subscription Receipts B convertible into flow-through shares in the capital of the Company.

At September 30, 2020 the Company had received subscriptions for 566,667 units at a price of $0.15 per unit for gross proceeds of $85,000.

As at September 30, 2020, the Company has incurred $34,498 of direct share issuance costs which are considered to be prepaid as the Company has not issued any units at the end of the period.

## 11. 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 pre-consolidated shares of the Company at $0.05 per share for partial settlement of debenture and full conversion of promissory notes.

*Unaudited – in Canadian Dollars*

**11. Equity (continued)**

In August 2019, the Company issued 250,000 pre-consolidated shares of the Company at $0.05 per share for partial settlement of debenture.

In September 2019, the Company issued 1,500,000 pre-consolidated shares of the Company at $0.10 per share for partial settlement of debenture.

In September 2019, the Company issued 1,980,472 pre-consolidated shares of the Company at $0.10 per share for full settlement of debenture. 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 pre-consolidated shares of the Company at $0.15 per share for the settlement of accrued management fees (note 6).

In November 2019, the Company issued 150,000 pre-consolidated shares of the Company at $0.15 per share for the settlement of accrued management fees (note 6).

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

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

On January 3, 2020, the Company issued 166,667 pre-consolidated units of the Company at $0.15 for net proceeds of $25,000. Each unit consists on one common share and one half warrant with an 18 month term exercisable at $0.20. Based on the residual method, a value of $20,064 was assigned to the common shares.

On June 1, 2020, the Company entered into a consulting agreement where the Company issued 40,000 shares in June 2020, July 2020, August 2020, and September 2020 for a cumulative of 160,000 shares. On signing of the agreement, the Company issued 1,100,000 common shares (pre-consolidated) and 825,000 warrants (pre-consolidated) and an exercise price of $0.20 (pre-consolidated) for a term of 3 years.

| | **September 30, 2020** | | December 31, 2019 | |
|---|---|---|---|---|
| | **Number** | **Amount** | Number | Amount |
| | | **$** | | $ |
| Balance, beginning of year | 8,877,623 | 6,663,083 | 1,513,056 | 5,455,426 |
| Issued for cash | 83,334 | 20,064 | - | - |
| Issued shares for debt | - | - | 6,952,067 | 1,091,407 |
| Issued shares for payables | - | - | 337,500 | 101,250 |
| Issued shares for services | 653,871 | 88,273 | 75,000 | 15,000 |
| Subscriptions received (note 11) | 566,667 | 85,000 | - | - |
| Balance, end of year | 10,181,495 | 6,856,420 | 8,877,623 | 6,663,083 |

On August 25, 2020, the Company had a share consolidation on a 2:1 basis. All disclosure of shares in the financial statements is post-consolidation.

*Unaudited – in Canadian Dollars*

## 11. Equity (continued)

### 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.

### Warrants

A summary of the Company's warrant transactions (post-consolidation) follows:

| | Number of warrants # | Exercise Price $ |
|---|---|---|
| Balance, December 31, 2019 | - | - |
| Issued - January 2020 raise | 41,667 | 0.40 |
| Issued - Debentures (Note 9 (c)) | 200,000 | 0.25 |
| Issued – Warrants for services | 412,500 | 0.40 |
| **Balance, September 30, 2020** | **654,167** | **0.35** |

At September 30, 2020, the following warrants were outstanding:

| Expiry Date | Number of warrants | Exercise price ($/share) |
|---|---|---|
| June 1, 2023 | 412,500 | 0.40 |
| July 7, 2023 | 200,000 | 0.25 |
| July 6, 2021 | 41,667 | 0.40 |

The value of the warrants was determined using the Black-Scholes option pricing model with the range of following assumptions:

Expected dividend yield: 0%

Expected volatility: 120% to 140%

Risk-free interest rate: 0.0169% to 0.028%

Expected term:18 months to 36 months

*Unaudited – in Canadian Dollars*

## 12. Net loss per share

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

| | **9 month September 30, 2020 $** | **3 month September 30, 2020 $** | **9 month September 30, 2019 $** | **3 month September 30, 2019 $** |
|---|---|---|---|---|
| Net loss and comprehensive loss | (323,300) | (36,488) | (212,938) | (38,182) |
| Weighted average number of shares (basic and diluted) | 9,180,588 | 9,660,114 | 3,088,151 | 6,650,861 |
| Loss per share: | | | | |
| Basic | (0.04) | (0.00) | (0.07) | (0.01) |
| Diluted | (0.04) | (0.00) | (0.07) | (0.01) |

## 13. Related party disclosures

**Key management personnel compensation:**

| | **9 month - September 30, 2020 $** | 9-month September 30, 2019 $ | **3 month September 30, 2020 $** | 3 month September 30, 2019 $ |
|---|---|---|---|---|
| Management and consulting fees | **243,873** | 88,705 | **20,733** | 9,000 |

A partner in a legal firm is also a director of the Company. All legal fees and deferred share issuance costs incurred for the 9-month and 3-month periods ended 2020 and 2019 were with that firm. Amounts owed to that related party as at September 30, 2020 were $109,604 ($97,199 at December 31, 2019) and were included in accounts payable and accrued liabilities.

*(Key management personnel are comprised of the Company's directors and officers.)*

**Amount owing to related parties:**

| | **September 30, 2020 $** | December 31, 2019 $ |
|---|---|---|
| Accounts payable and accrued liabilities including management and consulting fees | - | 104,729 |
| Unsecured promissory notes due September 15, 2022 bearing interest at 5% per annum compounded semi-monthly. | **163,542** | - |

## 14. Financial instruments and financial risk management

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 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, other receivable, accounts payable and accrued liabilities, promissory notes payable, convertible debentures, and derivative liability. The carrying values of cash, other receivable, accounts payable and accrued liabilities and convertible debentures approximate their fair values due to their relatively short periods to maturity. The carrying value of convertible debenture and promissory notes 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:

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.

### c. Interest rate risk:

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.

## 14. Financial instruments and financial risk management (continued)

**d. Commodity price risk:**

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.

## 15. 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 September 30, 2020, the Company's capital structure was not subject to external restrictions.

## 16. Commitments

On June 1, 2020, the Company entered into a 24-month term consulting agreement where it is to compensate the consultant $6,000 per month. The consulting fee will be settled with 40,000 shares each month for the initial 6 months.

## 17. Subsequent events

On November 5, 2020 the Company completed the first closing of its brokered private placement of units and Subscriptions A and B pursuant to an Offering Memorandum. The Company issued 1,916,666 units, 3,833,333 Subscription Receipts A and 1,802,500 Subscription Receipts B for gross proceeds of $1,223,000. Each unit consists of one (1) common share in the capital of the Company and one-half (1/2) of one common share purchase warrant at a price of $0.15 per unit. Each full warrant entitles the holder to purchase one (1) additional common share for a period of twenty-four (24) months from the date of issuance at an exercise price of $0.20 per common share, each Subscription Receipt A convertible into one (1) unit at a price of $0.15 per unit and each Subscription Receipt B is convertible into one (1) Flow Through at a price of $0.20.

Upon closing, the Company received gross proceeds of $1,123,500 from which $935,500 is being held in escrow subject to the listing of the Company on the Canadian Securities Exchange ("**CSE**"). A total of $99,250.00 was paid in costs and the issuance of 604,200 Broker Warrants.

**18. Covid-19 outbreak**

Since the year ended December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in a widespread international health crisis that has materially affected economies and financial markets, resulting in the rapid onset of an economic downturn. This unprecedented pandemic may result in, among other things, supply chain issues, transportation delays, changes in customer demand for the Company’s products, increased government regulations or interventions, and ongoing economic uncertainty, all of which may negatively impact the business, financial condition or results of operations of the Company. The Company continues to monitor COVID-19 developments but since the duration and impact of the COVID-19 pandemic is unknown at this time, it is not possible to reliably estimate the length of the outbreak or the severity of its impact at this time.