PETRO VIKING ENERGY INC.

FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

Table of Contents: Page

Independent Auditor's Report

MNP SENCRL srl / LLP

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, 2020 and December 31, 2019, 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, 2020 and December 31, 2019, 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 loss during the year ended December 31, 2020 and, as of that date, the Company had an accumulated deficit. 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.

Montréal, Québec

MNP SENCRL, srl[1]

April 30, 2021

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

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

Assets	*Notes*	**2020**	**2019**
Current assets		**$**	**$**
Cash		**136,072**	**1,315**
Restricted cash	4	**935,500**	**-**
Sales taxes receivable		**6,847**	**2,047**
Prepaid expenses and other assets	13	**163,533**	**7,500**
Other receivable	5	**382,465**	**-**
Total current assets		**1,624,417**	**10,862**
Long term assets			
Property and equipment	6,7	**1,054,611**	**1,054,611**
Total assets		**2,679,028**	**1,065,473**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9	**426,308**	**310,014**
Flow-through premium liability	14	**21,250**	**-**
Convertible debentures	12	**29,898**	**-**
Derivative liability	12	**801,499**	**-**
Subscriptions liability	13	**935,500**	**-**
Total current liabilities		**2,214,455**	**310,014**
Non-current liabilities			
Promissory notes payable	11	**175,362**	**-**
Convertible Debentures	12	**673,628**	**384,264**
Decommissioning obligation	8	**164,325**	**164,325**
Derivative liability	12	**-**	**429,191**
Total non-current liabilities		**1,013,315**	**977,780**
Total liabilities		**3,227,770**	**1,287,794**
Shareholders' deficiency			
Share capital	14	**6,078,148**	**5,733,177**
Contributed surplus	14	**1,767,125**	**1,617,760**
Convertible debenture - equity portion	12	**2,292**	**2,292**
Shares to be issued	12	**127,950**	**-**
Deficit		**(8,524,257)**	**(7,575,550)**
Total shareholders' deficiency		**(548,742)**	**(222,321)**
Total liabilities and shareholders' deficiency		**2,679,028**	**1,065,473**

Going concern *(Note 1)*
Basis of preparation *(Note 2)*
Subsequent events *(Note 21)*
Covid-19 outbreak *(Note 1)*

Approved on behalf of the directors:

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

The accompanying notes are an integral part of the financial statements

(in Canadian dollars)

	Notes	**2020**	2019
Expenses			
Consulting fees	14,16	**363,912**	76,705
Professional fees	16	**163,395**	66,782
Accretion expense	12	**90,702**	-
Management fees	16	**54,910**	56,000
Interest expense	11,12	**51,044**	55,713
Shareholder and trust services		**28,165**	21,032
Translation services		**13,994**	-
Finance fees	12	**11,284**	-
Listing fees		**5,995**	2,454
Office and administration		**5,559**	4,499
Travel		**-**	2,441
Net loss before the following items		**788,960**	285,626
Other income (loss):			
Gain on business combination	6	**-**	84,692
Reversal of payables	10	**11,786**	-
Gain on derecognition of related party liabilities	11	**48,975**	-
Change in derivative liability	12	**(220,508)**	-
		(159,747)	84,692
Loss before income taxes		**948,707**	200,934
Deferred tax recovery		**-**	25,121
Net loss and comprehensive loss for the year		**948,707**	175,813
Net loss per share, basic	15	**(0.10)**	(0.02)
Net loss per share, diluted	15	**(0.10)**	(0.02)

Share consolidation of 2-to-1 on August 25, 2020 (Note 14). All shares presented are post consolidation.

The accompanying notes are an integral part of the financial statements

(in Canadian dollars)

	Notes	**# Shares**	**Amount**	**Cost of Issued Shares**	**Contributed Surplus**	**Equity Portion of Debentures**	**Shares to be issued**	**Deficit**	**Total**
Balance, December 31, 2018		1,513,056	5,455,426	(929,906)	1,617,760			(7,399,737)	(1,256,456)
Issued shares for debt	14	6,952,067	1,091,407	-	-	-	-	-	1,091,407
Issued shares for payables	14	337,500	101,250	-	-	-	-	-	101,250
Issued shares for services	14	75,000	15,000	-	-	-	-	-	15,000
Equity portion of debentures	11(a)	-	-	-	-	2,292	-	-	2,292
Net loss and comprehensive loss for the year		-	-	-	-	-	-	(175,813)	(175,813)
Balance, December 31, 2019		8,877,623	6,663,083	(929,906)	1,617,760	2,292	-	(7,575,550)	(222,321)
Issued shares for cash	14	3,191,667	437,754		62,247	-	-	-	500,001
Warrants issued as finder's fee	14	-	-	(17,021)	62,230	-	-	-	45,209
Issued shares for services	14	670,000	-	-	24,888	-	80,400	-	105,288
Cash for shares to be issued	14	317,000	-	-	-	-	60,050	-	60,050
Share issuance costs				(67,012)					(67,012)
Flow-through share premium	14	-	(8,750)	-	-	-	(12,500)		(21,500)
Net loss and comprehensive loss for the year		-	-	-	-	-	-	(948,707)	(948,707)
Balance, December 31, 2020		13,056,290	7,092,087	(1,013,939)	1,767,125	2,292	127,950	(8,524,257)	(548,742)

Share consolidation of 2-to-1 on August 25, 2020 (Note 14). All shares presented are post consolidation.

The accompanying notes are an integral part of the financial statements

Petro Viking Energy Inc.
Statements of Cash Flows
For the years ended December 31,

	Notes	**2020**	2019
		$	$
Operating activities			
Net loss		**(948,707)**	(175,813)
Interest expense	12	**51,044**	55,713
Change in derivative liability	12	**220,508**	-
Reversal of payables	10	**(11,786)**	-
Shares and warrants issued	14		15,000
for services		**105,288**	
Accretion expense	12	**90,702**	-
Gain on loan discount	11	**(48,975)**	-
Change in prepaid expenses		**7,500**	(7,500)
Change in sales tax receivable		**4,800**	6,065
Change in accounts payable and accrued liabilities		**211,831**	212,372
Gain on business combination		**-**	(84,692)
Deferred tax recovery	17	**-**	(25,121)
Cash flow used by operating activities		**(317,795)**	(3,976)
Investing activities			
Increase in other receivable	**5**	**(382,465)**	**-**
Financing activities			
Issued debentures for debt (net of financing fees	12	**385,417**	-
Issued units for cash	14	**560,050**	-
Subscriptions to units	13	**935,500**	-
Restricted cash	13	**(935,500)**	
Share issuance costs	14	**(46,375)**	-
Share issuance costs in prepaid and other assets	13	**(64,075)**	
Cash flow from financing activities		**835,017**	-
Change in Cash		**134,757**	(3,976)
Cash, beginning of the year		**1,315**	5,291
Cash, end of the year		**136,072**	1,315
			-
Supplemental cash flow information:			
Promissory notes issued to accounts payable		217,195	-
Share issuance costs in accounts payable		74,884	

The accompanying notes are an integral part of the financial statements

1. Corporate information, going concern and COVID-19

Petro Viking Energy Inc. ("Petro Viking" or the "Company") is incorporated under the laws of the province of Alberta with shares listed on the Canadian Securities Exchange with the ticker symbol VIK (Note 19).

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 interest 50% into a producing oil & gas property in the province of Alberta from Avila Exploration and Development (Canada) Ltd, 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 6).

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, 2020, the Company reported a loss of $948,707 (2019 - $175,813), a cumulative deficit of $8,524,257 (2019 - $7,575,550) and a negative working capital of $590,037 (2019 - $299,152). The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing 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 conditions indicate a material uncertainty that may cast significant doubt about the Company's ability 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.

Covid-19 outbreak

Since period ended September 30, 2020, 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.

2. Basis of presentation

Statement of compliance

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretation Committee ("IFRIC") in effect at the closing date of December 31, 2020.

The financial statements were authorized by the Board of Directors for issue on April 30, 2021.

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.

Restricted cash relates to funds held in escrow until the escrow conditions are met for the subscription receipts issued during the year. The funds will be released once the escrow conditions are met (Note 21).

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.

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.

3. Summary of significant accounting policies *(continued)*

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. Flow-through shares

The Company, from time to time, issue flow-through common shares to finance significant portions of its property development programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. The premium is recognized as other income and the related deferred tax is recognized as a tax provision which is reduced when qualifying flow-through expenditures are incurred.

Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian Development and Canadian Renewable Conservation Expenses within a two-year period in accordance with the Government of Canada flow-through share regulations.

The Company may also be subject to Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through share regulations. When applicable, this tax is accrued as a financial expense until paid.

f. 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 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.

g. 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.

3. Summary of significant accounting policies *(continued)*

h. 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
Restricted cash	Financial assets at amortized cost
Accounts payable and accrued liabilities	Financial liabilities at amortized cost
Subscription liability	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

Amortized cost:

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

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

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

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.

3. Summary of significant accounting policies *(continued)*

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

i. Borrowing costs and discounts on issuance of new debt

Borrowing costs that are 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.

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.

3. Summary of significant accounting policies *(continued)*

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. 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 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.

Warrants

Estimating fair value for warrant requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the warrants. The fair value of warrants is evaluated using the Black-Scholes or the Monte Carlo valuation model at the date of grant. The Company has made estimates as to the expected volatility, share price and expected life of warrants. The expected volatility is based on the historical volatility of the Company, over the period of the expected life of the warrants. The expected life of the warrant is based on historical data. These estimates may not necessarily be indicative of future actual patterns. Share price is based on the price of shares issued in recent raises.

3. Summary of significant accounting policies *(continued)*

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.

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.

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.. The Company has not recognized any deferred asset for the years ended December 31, 2020 and 2019.

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.

3. Summary of significant accounting policies *(continued)*

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 2020, the Company had one CGUs (2019– one). The Company reviews the composition of its CGU 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 Company's oil and natural gas activities involve jointly controlled assets and are conducted under joint non-operating agreement. The financial statements include the Company'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.

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 does not lack commercial substance or 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.

3. Summary of significant accounting policies *(continued)*

(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 Company'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

IAS 1 "Presentation of Financial Statements" ("IAS 1")

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. On January 1, 2020, the Company adopted IAS 1 and has concluded that, based on its current operations, the adoption of IAS 1 had no significant impact on the Company's consolidated financial statements.

IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" ("IAS 8")

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. On January 1, 2020, the Company adopted IAS 8 and has concluded that, based on its current operations, the adoption of IAS 8 had no significant impact on the Company's consolidated financial statements.

4. Restricted cash

Upon closing of the Offering Memorandum (note 13) on November 5, 2020, $935,500 received from the offering was placed in escrow until the conditions of the escrow were met. The condition for release was having the Company listed on the Canadian Stock Exchange (“CSE”). On March 5, 2021 the company was approved for listing on the CSE and these funds were subsequently released to the company. See Note 19.

5. Other receivable

During the year, the Company advanced $382,465 to the operating company Avila Exploration and Development Canada Ltd. for expenditures to be incurred under a joint venture agreement dated December 9, 2019 to develop its property. The receivable in unsecured, interest-free and bears no terms of repayment.

6. Business combination

On December 9, 2019 the Company purchased an oil and gas property 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 working interest on the oil and gas property. The additional terms and accounting of this debenture is described in note 10.

For accounting purposes, the Company has been identified as the acquirer and the non-operating working interest in Avila is deemed to be the acquiree. As the non-operating working 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 and fair value of consideration	780,467

If the acquisition was effective on January 1st of 2019, it 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, 2020.

7. Property and equipment

	Natural gas and liquids interest
Cost	
Balance at December 31, 2018	-
Decommissioning provisions	132,711
Acquisition (Note 6)	921,900
Balance at December 31, 2019 and 2020	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, 2020, the Company identified indicators of impairment in relation to its CGU such as a decline in forward commodity prices and current challenging economic climate relating to the effect of the COVID-19 and performed an impairment test at December 31, 2020. Management estimated the recoverable amount of its CGU based on fair value less costs of disposal approach.

At December 31, 2020, the estimated recoverable amount of the CGU was determined to be higher than the December 31, 2020 carrying amount based on 15% discounted before-tax cash flows expected to be derived from the CGU's proved plus probable reserves from the externally prepared December 31, 2020 reserve report. Therefore, no impairment has been recognized in the statement of loss and comprehensive loss. A 5% increase in the discount rate would result in no impairment.

The 2020 impairment tests used the following commodity price estimates:

	December 31, 2020
	Natural gas, $C/Mcf
2021	2.58
2022	2.64
2023	2.70
2024	2.76
2025	2.82
2026	2.94
2027	3.00
2028	3.06
2029	3.12
Escalation rate thereafter	+ 2% per year

8. Decommissioning obligation

The Company's estimated net present value of decommissioning liabilities is $164,325 as at December 31, 2020 (2019 - $164,325), based on an undiscounted total future liability of $221,962 (2019 – $184,520). These payments are expected to be incurred over a period of 17 years with the majority of costs to be incurred in 2038. At December 31, 2020, risk-free rate 1.21% (2019 – 1.55% - 1.90%) and an inflation rate of 2% (2019 – 2%) were used to calculate the net present value of the decommissioning liabilities.

8. Decommissioning obligation *(continued)*

		2020	2019
Balance - beginning of period		**164,325**	-
Liabilities acquired through business combination - Note 6	$	-	31,443
Change in estimates		-	132,711
Accretion		-	171
	$	**164,325**	164,325

9. Accounts payable and accrued liabilities

Significant components of Accounts Payable and Accrued Liabilities	**December 31, 2020**	December 31, 2019
	$	**$**
Accounts payable and accrued liabilities - trade	**371,318**	205,066
Interest Payable (Note 10 and 11)	**54,990**	3,947
Accrued management fees	-	101,000
	426,308	310,014

10. Reversal of payable

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.

11. 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 $168,220 was calculated as being equivalent to the discounted cash flows for the promissory notes assuming an effective interest rate of 20%.

A gain of $48,975 was recognized a recognition of the promissory notes and the derecognition of the related party liabilities.

12. Convertible debentures

	December 31, 2020 $	December 31, 2019 $
Debenture (a)	29,898	28,753
Debenture (b)	411,764	355,511
Debenture (c)	261,864	-
Total	**703,526**	**384,264**
Short-term	29,898	-
Long-term	673,628	384,264

	December 31, 2020 $	December 31, 2019 $
Derivative liability (b)	351,179	429,191
Derivative liability (c)	450,320	-
Total	**801,499**	**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.

12. 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 $0.50 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 a derivative liability and is revalued at each period end. The value of the derivative liability at the date of issuance and the 2019 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 as at December 31, 2020 was determined using the Monte Carlo method with the following input:

Discount rate: 20%
Volatility: 120%
Risk-free rate: 0.18 %

As a result of the convertible debenture being issued as consideration in the business combination (note 6), 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. 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 6 of $780,467 is made up of the fair value of the conversion feature of $429,191 and liability component of $351,276.

(c) On June 28, 2020 the Company issued a non-brokered private placement of $400,000 by way of 400 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 issuer at the option of the subscriber.

12. Convertible debentures *(continued)*

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.

As a result of the conversion price at maturity of the debentures not being fixed at the time of issuance, the conversion feature is considered to be a derivative liability and is revalued at each period end. The value of the derivative liability at the date of issuance and at the 2020 year-end date was determined using the Monte Carlo method with the following input:

Volatility: 118% - 119%
Risk-free rate: 0.22% - 0.29%

The fair value of the liability component of the convertible debentures at the time of issue was initially 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. As the fair value of the derivative liability component and the fair value of the liability component were determined to have a greater combined fair value than the face value of the debentures, the difference between the face value of the debenture and the fair value of the derivative liability was attributed to the debt component. The fair value of the derivative was $ 151,800 and debt component was determined to be $248,200 on the date of issuance.

The value of the warrants is determined by allocating the residual of the debenture units transaction price after all financial liabilities in the debenture units are recognized. As the financial liabilities and the derivative make up the full amount of the debenture unit transaction price, no value has been assigned to the warrants.

13. Subscriptions received

On August 13, 2020 the Company issued an Offering Memorandum ("OM") in order to complete a raise 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 (Note 14), 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 subscription receipts B convertible into flow-through shares in the capital of the Company.

13. Subscriptions received *(continued)*

At December 31, 2020 the Company had received subscriptions for 1,916,666 (Note 14) units at a price of $0.15 per unit for gross proceeds of $287,250, 3,833,333 subscription receipts A at a price of $0.15 per units for gross proceeds of $575,000 and 1,802,500 flow-through subscription receipts B at a price of $0.20 per unit for gross proceeds of $360,500.

The subscription receipts A and B were subject to escrow release conditions (Note 21) which were not fulfilled until after December 31, 2020. As such, funds received were classified as liabilities as at December 31, 2020 as the funds would be required to be returned if conditions were not met.

As at December 31, 2020, the Company has incurred $160,998 of direct share issuance costs which a portion related to units issued, $42,674, were recorded to share issuance while the portion related to subscription receipts, $118,324, are considered to be prepaid expense and other assets as the Company has not issued any units at the end of the period.

Related to the OM, the Company issued 460,000 subscription A broker units warrants convertible at $0.15 for a period of 3 years per unit into one (1) common share and one-half (1/2) warrant convertible into shares at a price of $0.20 for a 3 year period starting at the date of the initial issuance of broker unit warrants.

Related to the OM, the Company issued 144,200 subscription B broker units warrants convertible at $0.15 for a period of 3 years per unit into one (1) common share.

Total value of the broker warrants issued is $62,230. The portion relating to the units issued by the December 31, 2020 year-end, $17,021, was recorded to share issuance cost, while the portion relating to subscription receipts, $45,209, was recorded to prepaid expense and other assets.

14. 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 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.

2019 transactions

On January 31, 2019 there were 300,000 issued related to settlement of debenture at $1.00 per share.

In June 2019, the Company issued 4,786,831 shares of the Company at $0.10 per share for partial settlement of debenture and full conversion of promissory notes.

In August 2019, the Company issued 125,000 shares of the Company at $0.10 per share for partial settlement of debenture.

14. Equity *(continued)*

In September 2019, the Company issued 750,000 shares of the Company at $0.20 per share for partial settlement of debenture.

In September 2019, the Company issued 990,236 shares of the Company at $0.20 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 262,500 shares of the Company at $0.30 per share for the settlement of accrued management fees.

In November 2019, the Company issued 75,000 shares of the Company at $0.30 per share for the settlement of accrued management fees.

In November 2019, the Company issued 75,000 shares of the Company at $0.20 per share for consulting services.

In November 2019, 250,000 shares of the Company were cancelled at $0.10 per share and were reissued at the same price in December 2019.

2020 transactions

On January 8, 2020 the Company issued 83,334 units of the Company at $0.30 for net proceeds of $25,000. Each unit consists of one common share and one-half warrant with an 18 month terms exercisable at $0.40. Based on the residual method, a value of $19,955 was assigned to the common shares and $5,045 to warrants.

On June 1, 2020, the Company entered into consulting agreement where the Company was required to issue 20,000 shares in June 2020, July 2020, August 2020, September 2020, October 2020 and November 2020 for a cumulative of 120,000 shares. On signing of the agreement, the Company was required to issue 550,000 common shares and 412,500 warrants at an exercise price of $0.20 for a term of 3 years. There shares and warrants were formally issued after the year-end.

On November 5, 2020, the Company issued 1,916,666 (Note 13) units (one common share and one-half warrant) of the Company at $0.15 per share for gross proceeds of $287,500.

On December 15, 2020, the Company issued 350,000 common shares of the Company at $0.15 per share for gross proceeds of $52,500. Also on that date, the Company received a subscription for 67,000 common shares at $0.15 per share for gross proceeds of $10,050. There shares were issued after the year-end.

On December 21, 2020, the Company issued 333,334 common shares of the Company at $0.15 per share for gross proceeds of $50,000.

On December 23, 2020, the Company issued 333,333 common shares of the Company at $0.15 per share for gross proceeds of $50,000 and 175,000 flow-through shares at $0.20 per share for gross proceeds of $35,000. Also on that date, the Company received a subscription for 250,000 flow-through shares at $0.20 per share for gross proceeds of $50,000, these shares were issued after year-end. The flow-through shares were issued at a premium of $0,05 per share to the most recent raise by the Company. The premium was recognized as a liability of $21,250.

14. Equity *(continued)*

	December 31, 2020		December 31, 2019	
	Number	**Amount**	Number	Amount
		$		$
Balance, beginning of year	8,877,623	6,663,083	1,513,056	5,455,423
Issued for cash	3,191,667	429,004	-	-
Issued shares for debt	-	-	6,952,067	1,091,407
Issued shares for payables	-	-	337,500	101,250
Issued shares for services	-	-	75,000	15,000
Balance, end of year	12,069,290	7,092,087	8,877,623	6,663,083

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.

There were no options issued or outstanding as at December 31, 2020 (2019 – none).

Warrants

A summary of the Company's warrant transactions follows:

	Number of warrants **#**	**Exercise Price** **$**
Balance, December 31, 2019	-	-
Issued - Jan 2020 raise (Note 14(b))	41,667	0.40
Issued - Debentures (Note 12 (c))	2,000,000	0.25
Issued – Warrants for services (Note 14(b))	412,500	0.40
Issued – November 2020 raise (Note 13)	958,333	0.20
Issued – Subscription A broker warrants	460,000	0.15
Issued – Subscription B broker warrants	144,200	0.15
Balance, December 31, 2020	**4,016,700**	**0.24**

14. Equity *(continued)*

At December 31, 2020, the following warrants were outstanding:

Expiry Date	Number of warrants	Exercise price ($/share)
July 6, 2021	41,667	$0.40
November 5, 2022	958,333	$0.20
June 1, 2023	412,500	$0.40
July 7, 2023	2,000,000	$0.25
November 5, 2023	460,000	$0.15
November 5, 2023	144,200	$0.15
Balance, December 31, 2020	**4,016,700**	**0.24**

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

Expected dividend yield: 0%

Expected volatility: 118% to 140%

Risk-free interest rate: 0.26% to 1.63%

Expected term: 18 months to 36 months

15. Net loss per share

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

	2020 $	2019 $
Net loss and comprehensive loss	(948,707)	(175,813)
Weighted average number of shares		
- Basic	9,307,679	8,519,053
- Diluted	9,307,679	8,519,053
Loss per share:		
Basic	(0.10)	(0.02)
Diluted	(0.10)	(0.02)

16. Related party disclosures

Key management personnel compensation:

	2020	2019
	$	$
Management and consulting fees	**340,773**	133,825

(Key management personnel are comprised of the Company's directors and officer and a consultant who is a significant shareholder.)

Amount owing to related parties:

	2020	2019
	$	$
Accounts payable and accrued liabilities including management and consulting fees	**93,903**	151,475
Unsecured promissory notes due September 15, 2022 bearing interest at 5% per annum compounded semi-annually.	**175,362**	-

A partner in a legal firm is also a director of the Company. For the year ended December 31, 2020, legal expense and share issuance cost related charges totalled $118,280 (2019 - $59,016). Amounts owed to the legal firm at December 31, 2020 were $132,409 (2019 - $97,199) and were included in accounts payable and accrued liabilities.

17. 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:

	2020	2019
	$	$
Loss before taxes	(948,707)	(200,934)
Statutory tax rate	24.00%	26.5%
Expected income tax recovery	(227,690)	(53,248)
Gain on business combination	-	(22,490)
Permanent differences and other	(9,697)	-
Changes in tax benefits not recognized	237,387	50,617
Deferred tax recovery	-	(25,121)

The statutory tax rate declined from 26.5% to 24% (2019 - 27% to 26.5%) to due to a reduction of the Alberta tax rate on July 1, 2020.

17. Income taxes *(continued)*

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

	2020	2019
Property and equipment	(127,5621)	$ (127,561)
Promissory note payable	(4,811)	-
Convertible debenture	(50,429)	(33,232)
Non-capital losses	182,800	160,793
Net deferred tax asset (liability)	-	-

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

	2020 **$**	2019 $
Derivative liability	801,499	429,191
Decommissioning liability	164,324	164,325
Share issuances costs and other	57,722	-
Non-capital losses	2,456,889	1,857,523
Capital losses	4,929,801	4,929,801
Unrecognized deductible temporary differences	8,410,235	7,380,840

The Company has non-capital losses of $2,456,889 (2019 - $1,875,523) for which no deferred tax asset has been recognized, which are available for carry forward against future taxable income that expires as follows:

		$
2033		564,025
2034		306,960
2035		112,813
2036		98,122
2037		96,230
2038		269,590
2039		281,398
2040		727,751
	Total	2,456,889

The Company has $4,929,801 of capital losses which have an expiry date of 2040.

18. 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, restricted cash, accounts payable and accrued liabilities, promissory notes payable, convertible debentures, subscription liability and derivative liability. The carrying values of cash, restricted cash, accounts payable and accrued liabilities, subscription liability 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 12 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 is dependant on equity financing and the future revenue generation in order to discharge its liabilities (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.

18. 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.

19. 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, 2020, the Company's capital structure was not subject to external restrictions.

20. 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 was settled with 120,000 shares for the initial 6 months.

On December 1, 2020, the Company entered into a 6-month term consulting agreement where it is to compensate the consultant $22,500 per month.

The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian Development or Canadian Renewable Conservation expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusal of certain expenses by tax authorities would have negative consequences for investors. As of December 31, 2020, the Company has an obligation to incur $445,500 of eligible expenses pursuant to the terms of the flow-through shares financing.

21. Subsequent events

On January 1, 2021 the Company issued 1,867,000 common shares (includes 67,000 of common shares subscribed but not issued in Note 14 (b)) in the capital of the Company at $0.15 per share for gross proceeds of $280,500 and 500,000 (includes 250,000 of flow-through shares subscribed but not issued in Note 14 (b)) common flow-through shares at $0.20 per share for gross proceeds of $100,000.

On February 8, 2021 the Company issued 660,000 common shares in the capital of the Company at $0.15 per share for gross proceeds of $99,000.

On March 5, 2021 the Company received approval from the CSE for listing its common shares and began trading on the CSE as of March 5, 2021 under the ticker symbol "VIK".

21. Subsequent events *(continued)*

On March 8, 2021 the Company received the funds being held in escrow subject to the listing of the Company on the CSE (Note 4 and 13).

On March 8, 2021 the Company acquired 50% participation in undeveloped mineral rights including 7,680 (3,840 net) acres (net) and associated infrastructure for $747,640. The mineral rights acquired are economically producing from the Belly River, Viking, Ellerslie, Duvernay and Wababum regions. This acquisition will be accounted for as an asset acquisition.

On March 9, 2021 the Company issued 3,833,333 common shares in the Company at $0.15 per share and 1,802,500 flow-through commons shares in the capital of the Company at $0.20 per share in exchange of the sub-receipts issued in the November 5, 2020 Offering Memorandum (Note 13).

On March 15, 2021 the Company made a non-brokered private placement offering up to a maximum of $1,250,000 by the issuance of 5,000,000 units. Each unit is comprised of one common share in the share capital of the Company as a price of $0.25 per common share and one half warrant, each whole warrant entitling its holder to purchase one additional share at a price of $0.35 for a period of 24 months following the closing. As at the date of this report date, there was a total of 1,753,333 units subscribed for gross proceeds of $483,333. Share issuance costs of $129,500 were incurred related to this placement.

On March 31, 2021 the holders of the 15% unsecured convertible debenture converted their debentures in exchange of 600,000 common shares in the capital of the Company at $0.05 per. The Company also issued an additional 193,062 common shares at $0.05 per share in the capital of the Company in settlement of outstanding interest accrued on the debentures. Upon conversion of these debentures, there were 600,000 common share warrants granted to the holders of the debentures. Each holder is entitled to purchase one common share in the share capital of the Company at a price of $0.05 per share for a period of 60 months

On March 31, 2021 the Company issued 100,000 common shares at $0.10 in the share capital of the company as a result of conversion of a 10% unsecured convertible debenture issued on July 7, 2020. There were also 95,344 shares at $0.025 in the capital of the Company as settlement of outstanding interest.