PETRO VIKING ENERGY INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2021 and 2020

(Unaudited - Expressed In Canadian Dollars)

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NOTICE OF NO AUDIT REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, Subsection 4.3(3) (a), if an auditor has not performed a review of the interim condensed financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by the auditor. The accompanying unaudited interim condensed financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants for a review of the interim financial statements by the entity's auditors.

(in Canadian dollars)	*Notes*	**March 31, 2021**	*(unaudited)* December 31, 2020
		$	**$**
Assets			
Current assets			
Cash		**78,662**	136,072
Restricted cash		**-**	935,500
Sales taxes receivable		**30,302**	6,847
Joint venture receivable		**5,787**	-
Prepaid expenses		**317,700**	163,533
Other receivables	5	**702,465**	382,465
Total current assets		**1,134,916**	1,624,417
Long term assets			
Property, plant and equipment	6,7	**1,794,443**	1,054,611
Total assets		**2,929,359**	2,679,028
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	**537,480**	426,308
Flow-through premium liability		**-**	21,250
Convertible debenture	11	**-**	29,898
Derivative liability	11	**801,499**	801,499
Subscriptions liability	13	**-**	935,500
Total current liabilities		**1,338,979**	2,214,455
Non-current liabilities			
Promissory notes payable	11	**175,362**	175,362
Convertible Debenture	12	**663,628**	673,628
Asset retirement obligation		**164,324**	164,325
Total non-current liabilities		**1,003,314**	3,227,770
Shareholders' equity			
Share capital	14	**7,559,045**	6,078,148
Contributed surplus		**1,767,125**	1,767,125
Convertible debenture - equity portion	12	**-**	2,292
Shares to be issued		**-**	127,950
Deficit		**(8,739,104)**	(8,524,257)
Total shareholders' deficiency		**587,066**	(548,742)
Total liabilities and shareholders' deficiency		**2,929,359**	2,679,028

Going concern *(Note 1)*
Basis of preparation *(Note 2)*
Subsequent events (Note 18)
Approved on behalf of the directors:

//signed: Greg Doucette
Greg Doucette, Chief Executive Officer

//signed: Lars Glimhagen
Lars Glimhagen, Chief Financial Officer

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

Petro Viking Energy Inc.
Condensed Interim Statements of Loss and Comprehensive Loss
For the three months ended March 31
(unaudited)

(in Canadian dollars)

	Notes	**2021**	2020
Revenue			
Oil and natural gas revenue		**19,013**	-
Royalty expense		**(2,699)**	-
Net Revenue		**16,314**	-
Expenses			
Operating costs		**10,931**	-
Management fees	16	**10,500**	13,775
Professional fees		**60,049**	7,639
Consulting fees	20	**116,117**	-
Interest expense	11,12	**19,997**	7,735
Listing fees		**10,750**	-
Shareholder and trust services		**1,621**	2,137
Office and administration		**1,197**	3,052
Net loss before the following items		**231,161**	34,338
Other income:			
Reversal of payables	10	**-**	11,786
Net loss and comprehensive loss for the period		**(214,847)**	**(22,552)**
Net loss per share, basic and diluted	15	**(0.01)**	(0.00)

The accompanying notes are an integral part of these 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, 2019		8,877,623	6,663,083	(929,906)	1,617,760	2,292		(7,575,550)	(222,321)
Issued shares for cash		83,334	25,000	-	-	-	-	-	25,000
Net loss and comprehensive loss for the period		-	-	-	-	-	-	(22,552)	(22,552)
Balance, March 31, 2020		**8,960,957**	**6,688,083**	**(929,906)**	**1,617,760**	**2,292**	-	**(7,598,102)**	**(219,873)**
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)**
Issued shares for services	14	-	80,400	-	-	-	(80,400)	-	-
Issued shares for cash	14	2,660,000	479,050	-	-	-	(60,050)	-	419,000
Conversion of subscription receipts	13,14	5,635,835	935,500	(74,840)			-		860,660
Conversion of debentures	14	700,000	40,000	-	-	(2,292)	-	-	37,708
Conversion of interest on debentures	14	288,406	12,037	-	-	-	-	-	12,037
Flow-through share premium	19	-	8,750	-	-	-	12,500	-	21,250
Net loss and comprehensive loss for the period		-	-	-	-	-	-	(214,847)	(214,847)
Balance, March 31, 2021		**22,340,531**	**8,647,824**	**(1,088,779)**	**1,767,125**	-	-	**(8,739,104)**	**587,065**

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

Petro Viking Energy Inc.
Condensed Interim Statements of Cash Flows
For the three months ended March 31,
(Unaudited - in Canadian dollars)

	Note	2021	2020
		$	$
Operating activities			
Net loss		**(214,847)**	(22,552)
Accrued interest expense	11,12	**19,997**	11,683
Change in prepaid expenses		**(154,167)**	-
Change in sales tax receivable		**(23,455)**	(5,143)
Change in joint venture receivable		**(5,787)**	-
Change in accounts payable and accrued liabilities		**91,175**	(10,220)
Cash flow from operating activities		**(287,084)**	(26,232)
Investment activity			
Increase in other receivable	5	**(320,000)**	-
Acquisition of assets	6,7	**(739,832)**	-
Cash used in investment activity		**(1,059,832)**	**-**
Financing activity			
Issued shares for cash	13,14	**1,289,506**	25,000
Cash flow from financing activity		**1,289,506**	25,000
Change in Cash		**(57,410)**	**(1,232)**
Cash, beginning of the year		**136,072**	1,315
Cash, end of the year		**78,662**	**83**

The accompanying notes are an integral part of these financial statements

1. Corporate information

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

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 and gas property in the province of Alberta from a private company consisting of production, pipelines, facilities and approximately 1,280 acres (net) of Petroleum and Natural Gas mineral and exploitation rights in Western Alberta. During February 2021, the Company commenced production at the property.

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 March 31, 2021, the Company reported a loss of $214,847, a cumulative deficit of $8,739,104 and a working capital deficit of $204,063, including a non-cash derivative liability in the amount of $801,499 that has been classified as a current liability.

2. Basis of presentation

Statement of Compliance

These unaudited condensed interim financial statements have been prepared by management in accordance with International Accounting Standard 34 'Interim Financial Reporting' using accounting principles consistent with International Financial Reporting Standards ("IFRS") issued by the Accounting Standards Board.

The Company has consistently applied the same accounting policies throughout all periods presented. These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2020 which was prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The preparation of these condensed interim financial statements requires the use of certain critical accounting estimates and also requires management to exercise judgment in applying the Company's accounting policies. In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied to the financial statements for the year ended December 31, 2020. The condensed interim financial statements have been prepared following the same accounting policies as the financial statements for the year ended December 31, 2020. These condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

The financial statements were authorized by the Board of Directors for issue on May 26, 2021.

2. Basis of presentation, *(continued)*

Basis of measurement

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

3. Summary of significant accounting policies

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

a. Cash and cash equivalents

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

b. Convertible debentures

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

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

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

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

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

net proceeds and the balance is allocated to the shares. Contributed surplus includes charges related to share options and warrants until such equity instruments are exercised. Deficit includes all current and prior year profits or losses.

d. Equity-settled share-based payment transactions

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

e. Income taxes

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

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

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

f. Loss per share

Basic loss per share ("LPS") is calculated by dividing the net loss for the year attributable to equity owners of the Company by the weighted average number of common shares outstanding during the year. Diluted LPS is calculated by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for dilutive instruments. The

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

Company's potentially dilutive instruments are comprised of stock options granted and warrants issued.

g. Financial instruments

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

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

Measurement – initial recognition

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

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

Classification of financial assets

Amortized cost:

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

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

b. 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

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

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

Financial assets measured subsequently at fair value through profit or loss ("FVTPL"): By default, all other financial assets are measured subsequently at FVTPL.

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

Classification of financial liabilities and equity:

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

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

Classification of financial liabilities

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

Impairment

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

h. Borrowing costs and discounts on issuance of new debt

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

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

i. Significant accounting judgments and estimates

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

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

Estimates

Convertible debt

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

Derivative liability

In determining the fair value for the convertible debenture conversion feature considered to be a derivative liability, the Company uses the Monte Carlo method and makes estimates of the expected volatility of the shares, risk-free interest rate, effective discount rate, share price, and major event expected date and probability as the conversion feature is dependent on these estimates. 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 petroleum and natural gas properties 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

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

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*.

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

Decommissioning provisions

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

Fair value of common share

As the Company's shares are not traded on a listed exchange, the Company was required to estimate the fair value of the common shares issued on debt conversion, 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.

Judgments Derivative liability

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

Going concern

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

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

Deferred taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount and the tax basis of assets and liabilities. An estimate is required for both the timing and corresponding tax rate for this reversal. Should these estimates change, it may impact the measurement of asset or liability as well as deferred tax recovery or expense recognized to earnings. The Company only recognizes deferred tax assets arising from unused tax losses to the extent that the Company has sufficient taxable temporary differences, or it is probable that sufficient taxable profit will be available against which the unused tax losses can be utilized (Note 11). The Company has not recognized any deferred asset for the years ended December 31, 2020 and 2019.

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 Corporation's CGUs are generally composed of significant development areas. As at

March 31, 2021, the Corporation had one CGUs (2020 – one). The Corporation reviews the composition of its CGUs at each reporting date to assess whether any changes are required in light of new facts and circumstances.

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

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.

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

Jointly controlled assets

Many of the Corporation's oil and natural gas activities involve jointly controlled assets and are conducted under joint operating agreements. The financial statements include the Corporation's share of these jointly controlled assets, the relevant revenue and related costs.

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

(ii) Depletion and depreciation

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

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

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

k. Impairment of non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than exploration and evaluation assets and 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, exploration and evaluation assets and 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.

l. Decommissioning provisions

Decommissioning provisions are recognized for decommissioning and restoration obligations associated with the Corporation's exploration and evaluation assets and 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 exploration and evaluation asset or 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.

Unaudited - in Canadian Dollars

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

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.

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 Securities Exchange ("CSE"). On March 5, 2021 the Company was approved for listing on the CSE and these funds were subsequently released to the Company.

5. Other receivable

During the year ended December 31, 2020, 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. During the three months ended March 31, 2021 additional advances in the amount of $1,067,640 were made of which $747,640 was used in the 50% participation of undeveloped mineral rights and infrastructure.

6. Business combinations

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

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

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

The Company incurred no acquisition-related costs.

Unaudited - in Canadian Dollars

6. Property and equipment

	Oil and natural gas interests
Cost	
Balance at December 31, 2018	$ -
Acquisition (note 6)	921,900
Decommissioning provisions (note 8)	132,711
Balance at December 31, 2019	$ 1,054,611
Acquisition of undeveloped mineral rights	739,832
Balance at March 31, 2021	**$ 1,794,443**

7. Asset retirement obligation

The Company's estimated net present value of decommissioning liabilities is $164,325 as at March 31, 2021 (December 31, 2020 - $164,325), based on an undiscounted total future liability of $221,962 (December 31, 2020 – $221,962). These payments are expected to be incurred over a period of 17 years with the majority of costs to be incurred in 2038. At March 31, 2021, risk-free rate 1.34% (2020 – 1.21%) and an inflation rate of 1.69% (2020 – 2%) were used to calculate the net present value of the decommissioning liabilities.

8. Accounts payable and accrued liabilities

	2021	2020
	$	$
Accounts payable – trade	**357,902**	299,796
Accrued consulting fees	**123,333**	-
Interest payable (Notes 11 and 12)	**56,245**	11,683
	537,480	294,151

9. 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.

10. Promissory notes

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 de-recognition of the related party liabilities.

11. Convertible debentures

On November 20, 2018, the Company received cash proceeds of $30,000 for the issuance of convertible debentures. As at December 31, 2018, the cash proceeds were considered to be subscription payables. The debentures certificates were issued on February 1, 2019. The debentures are unsecured and 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.

On March 31, 2021 the Company issued shares in settlement of the debentures.

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

12. Convertible debentures

price per common share that (i) a common share is being issued by the Company before the maturity date pursuant to an initial public offering of the common chares for listing on a recognized stock exchange; or (ii) a common share is being issued by the Company pursuant to a financing of no less than $500,000 net of fees and commissions; or (iii) results from a purchase by a third party of substantially all the assets of the Company by dividing the said purchase price by the number of issued common shares on a fully diluted basis.

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

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

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.

On March 5, 2021, the subscription receipts were converted to shares of the Company (note 14)

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 sharesin 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.

14. Equity, *(continued)*

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.

2021 transactions

On January 18, 2021, the Company issued 1,867,000 common shares of the Company at $0.15 per share for gross proceeds of $280,500 and 500,000 flow-through shares at $0.20 per share for gross proceeds of $100,000.

On February 8, 2021, the Company issued 660,001 common shares of the Company at $0.15 per share for gross proceeds of $99,000.

On March 9, 2021, the Company exchanged the subscription receipts in the amount of $935,500 from the November 5, 2020 Offering Memorandum as the conditions for the shares being released was met by the completed listing of the Company on the Canadian Securities Exchange on March 5, 2021. As a result of this exchange, the Company issued 3,833,333 common shares at a price of $0.15 in the Company and 1,802,500 flow-through shares at a price of $0.20 per share.

On March 31, 2021 the Company issued 988,406 shares of the Company for debt. Of these shares, 100,000 shares were issued at $0.10, 793,062 shares were issued at $0.05 per share and 95,344 shares were issued at $0.025 per share. Each of the shares were priced in accordance to the conversion price as determined in each debt instrument.

Unaudited - in Canadian Dollars

14. Equity, *(continued)*

	2021		2020	
	Number	**Amount**	Number	Amount
		$		$
Balance, January 1,	12,069,290	7,092,087	8,877,623	6,663,084
Issued for cash	2,977,000	479,050	83,335	25,000
Conversion of subscription receipts	5,635,835	935,500	-	-
Conversion of debentures	700,000	40,000	-	-
Conversion of interest on debentures	288,406	12,037	-	-
Issued shares for services	670,000	80,400	-	-
Reversal of flow-through share premium	-	8,750	-	-
Balance, March 31,	**22,340,531**	**8,647,824**	**8,960,958**	**6,663,084**

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 granted or outstanding during the three months ending March 31, 2020 and 2021.

15. Net loss per share

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

	2021	2020
Net loss and comprehensive loss	**$ (214,847)**	$ (22,552)
Weighted average number of shares (basic and diluted)	**16,015,753**	8,857,939
Loss per share:	**$**	$
Basic	**(0.01)**	(0.00)
Diluted	**(0.01)**	(0.00)

Unaudited - in Canadian Dollars

16. Related party disclosures

	2021	2020
	$	$
Key management personnel compensation:		
Management and consulting fees	**39,543**	13,775

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

Amount owing to related parties	**2021**	2020
	$	$
Accounts payable and accrued liabilities including management fees and interest	**85,409**	140,335
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 three months ended March 31, 2021, legal expense and share issuance cost related charges totaled $57,995 (2020 - $6,180). Amounts owed to the legal firm at March 31, 2021 were $64,007 (2020 - $103,379).

17. 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, accounts payable and accrued liabilities, subscriptions to convertible debentures, debenture and promissory notes payable, derivative liability and convertible debentures. The carrying values of cash, accounts payable and accrued liabilities and subscriptions to convertible debentures approximate their fair values due to their relatively short periods to maturity. The carrying value of convertible debenture approximates its fair market value as the interest rates are based on market rates.

Fair values

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

17. Financial instruments and financial risk management, *(continued)*

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

There were no transfers between levels during the year.

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

a. Liquidity risk

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

b. Market risk

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

<u>Interest rate risk:</u>

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

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.

18. 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 March 31, 2021, the Company's capital structure was not subject to external restrictions.

19. 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 31, 2020, the Company entered into a 6-month term marketing services agreement where it is to compensate the consultant a one-time fee of $50,000 and a monthly fee of $22,500.

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. At March 31, 2021, the Company had met this obligation.

20. Subsequent events

On May 6, 2021, the Company closed a private placement by issuing 1,753,333 common shares of the Company at a price of $0.25 per share for gross proceeds of $438,333.