PETRO VIKING ENERGY INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020

(Unaudited - Expressed In Canadian Dollars)

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Management's Responsibility for Financial Reporting

These financial statements have been prepared by and are the responsibility of the management of the Company. The financial statements have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments based on currently available information. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances.

The Company maintains an appropriate system of internal controls to provide reasonable assurance that financial information is accurate and reliable and that the Company's assets are appropriately accounted for and adequately safeguarded.

"Leonard Van Betuw"
President, CEO and
Director

Director

(Unaudited - in Canadian dollars)

	Note	**September 30, 2021**	December 31, 2020
		$	$
Assets			
Current assets			
Cash		**1,328,939**	136,072
Restricted cash		**-**	935,500
Sales tax receivable		**16,475**	6,847
Joint venture receivable		**111,701**	-
Prepaid expenses		**-**	163,533
Advance receivable	4	**1,502,465**	382,465
Total current assets		**2,959,580**	1,624,417
Non-current assets			
Property and equipment	5	**1,773,286**	1,054,611
Total assets		**4,732,866**	2,679,028
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	**105,795**	426,308
Flow-through premium liability	10	**21,250**	21,250
Convertible debenture		**-**	29,898
Due to related parties	9	**58,280**	-
Derivative liability	8	**474,643**	801,499
Subscription liability		**-**	935,500
Promissory note	7,9	**22,582**	-
Total current liabilities		**682,550**	2,214,455
Non-current liabilities			
Promissory note	7	**-**	175,362
Convertible debenture	8	**663,628**	673,628
Decommissioning obligation	5	**164,325**	164,325
Total non-current liabilities		**827,953**	1,013,315
Total liabilities		**1,510,503**	3,227,770
Shareholders' equity (deficit)			
Share capital	10	**9,002,024**	6,078,148
Contributed surplus		**3,062,066**	1,767,125
Convertible debenture – equity portion	8	**-**	2,292
Shares and units to be issued		**22,500**	127,950
Deficit		**(8,864,227)**	(8,524,257)
Total shareholders' equity (deficit)		**3,222,363**	(548,742)
Total liabilities and shareholders' equity		**4,732,866**	2,679,028

Going concern *(Note 1)*
Subsequent events *(Note 17)*

On Behalf of the Board of Directors

Signed "Leonard Van Betuw"	Signed "Michel Lebeuf, Jr."
Director and Chief Executive Officer	Director

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

(Unaudited in Canadian dollars)

	Note	For the three months ended September 30, **2021**	2020	For the nine months ended September 30, **2021**	2020
		$	$	**$**	$
Revenue					
Oil and natural gas revenue	13	**109,182**	-	**210,883**	-
Royalty expense		**(8,970)**	-	**(18,215)**	-
Operating costs		**(41,058)**	-	**(81,370)**	-
Net revenue		**59,154**	-	**111,298**	-
General and administrative expenses					
Management fees	9	**10,500**	9,410	**31,500**	43,660
Professional fees		**56,545**	18,087	**190,480**	99,106
Consulting fees		**137,781**	11,323	**419,538**	200,213
Interest expense	8	**21,206**	19,422	**57,816**	35,823
Outside services		**-**	13,944	-	13,994
Listing fees		**13,777**	8,234	**27,417**	8,515
Shareholder and trust services		**16,437**	8,427	**23,492**	13,817
Office and administration		**1,199**	938	**6,723**	1,420
Accretion expense	8	**-**	18,022		52,704
Depletion	5	**11,705**	-	**21,158**	-
Total Expenses		**269,150**	107,807	**778,124**	469,252
Loss before following items		**(209,996)**	(107,807)	**(666,826)**	(469,252)
Other income:					
Reversal of payables		**-**	-	**-**	11,786
Gain on derecognition of related party liabilities	7	**-**	54,218	**-**	54,218
Change in derivative liability	8	**-**	17,101	**326,856**	79,948
Net (loss) and comprehensive (loss) for the period		**(209,996)**	(36,488)	**(339,970)**	(323,300)
Basic and diluted loss per share		**(0.01)**	(0.01)	**(0.02)**	(0.04)

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

(unaudited - in Canadian dollars)

	Note	Number of Common Shares	Share Capital	Share Issuance Costs	Contributed Surplus	Equity Portion of Convertible Debentures	Shares and Units to be Issued	Deficit	Total
			$	$	$	$	$	$	$
Balance, December 31, 2019	10	8,877,623	6,663,083	(929,906)	1,617,760	2,292	-	(7,575,550)	(222,321)
Subscriptions received		566,667	-	-	-	-	85,000	-	85,000
Issued shares for cash		83,334	20,064	-	4,936	-	-	-	25,000
Issued shares for services		653,871	88,273	-	29,150	-	-	-	117,423
Issued warrants for cash		-	-	-	16,319	-	-	-	16,319
Equity portion of debentures		-	-	-	-	93,024	-	-	93,024
Net loss and comprehensive loss for the period			-	-	-	-	-	(323,300)	(323,300)
Balance, September 30, 2020		10,181,495	6,771,420	(929,906)	1,668,165	95,316	85,000	(7,898,850)	(208,855)
Balance, December 31, 2020	**10**	**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		-	80,400	-	-	-	(80,400)	-	-
Issued shares for cash		14,663,335	3,264,404	(350,763)	-	-	(25,050)	-	2,888,591
Conversion of subscription receipts		5,635,833	1,095,250	-	-	-	-	-	1,095,250
Conversion of debentures		100,000	40,000	-	-	(2,292)	-	-	37,708
Exercise of warrants		150,000	37,500	-	-	-	-	-	37,500
Conversion of broker warrants		223,300	26,723	-	-	-	-	-	26,723
Conversion of interest on debentures		1,062,104	25,303	-	-	-	-	-	25,303
Warrants issued		-	(1,381,568)	86,627	1,294,941	-	-	-	-
Net loss and comprehensive loss for the period		-	-	-	-	-	-	(339,970)	(339,970)
Balance, September 30, 2021		**34,890,862**	**10,280,099**	**(1,278,075)**	**3,062,066**	**-**	**22,500**	**(8,864,227)**	**3,222,363**

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

(Unaudited - in Canadian dollars)

	Note	**September 30, 2021**	September 30, 2020
		$	$
Operating activities			
Net loss for the period		**(339,970)**	(323,300)
Items not involving cash			
Depletion		**21,158**	-
Change in derivative liability		**(326,856)**	(79,948)
		(645,668)	(403,248)
Changes in non-cash working capital accounts			
Change in prepaid expenses		**163,533**	-
Change in sales tax receivable		**(9,628)**	(4,791)
Change in joint venture receivable		**(111,701)**	-
Change in accounts payable and accrued liabilities		**(262,233)**	171,852
Shares and warrants issued for services		**-**	117,423
Accretion expense		**-**	52,704
Gain on loan discount		**-**	(54,218)
Reversal of payables		**-**	(11,786)
Cash flows used in operating activities		**(865,697)**	(132,064)
Investing activity			
Increase in advances	4	**(1,120,000)**	(224,965)
Cash flows used in investing activity		**(1,120,000)**	(224,965)
Financing activities			
Issued shares for cash	10	**3,264,404**	-
Issued debentures for debt (net of financing fees)		**-**	376,218
Issued units for cash		**-**	25,000
Share issuance costs		**-**	(34,498)
Subscriptions to units		**-**	85,000
Change in convertible debenture		**66,940**	-
Change in promissory notes		**(152,780)**	-
Cash flows provided by financing activities		**3,178,564**	451,720
Change in cash		**1,192,867**	94,691
Cash, beginning of period		**136,072**	1,315
Cash, end of period		**1,328,939**	96,006

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. 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. On September 30, 2021, the Company reported a loss of $339,970, a cumulative deficit of $8,864,227, and a working capital of $2,277,030.

On August 16, 2021, the Company announced the Avila Transaction (the "Transaction"). It was subsequently determined that the Transaction considered a "fundamental change" within the meaning of Canadian Securities Exchange ("CSE") policies.

On September 9, 2021, the trading of the Company's stock was temporarily suspended ("halt") by the CSE The Company's common shares will remain halted from trading until additional required documentation with respect to the Transaction has been received by the CSE and the CSE and regulatory authorities declare that the halt should be lifted. The Company's management is in the process of submitting the required documentation and expect the halt to be lifted shortly.

2. Basis of presentation

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting of International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"). These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS.

COVID-19

The duration and extent of the impact from the COVID-19 pandemic remains uncertain and depends on future developments that cannot be accurately predicted at this time. This situation is changing rapidly, and future impacts may materialize that are not yet known. There are no comparable recent events that provide guidance as to the effect the COVID-19 pandemic may have, and, as a result, the ultimate impact and lasting effects that provide guidance as to the effects on the Company's business, operations, and financial condition, and on the energy industry as a whole, are highly uncertain.

Estimates and judgments made by management in the preparation of the Company's September 30, 2021 unaudited condensed interim financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

The financial statements were authorized by the Board of Directors for issue on November 9, 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.

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, 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. Revenue recognition

The Company principally generates revenue from the sale of commodities, which primarily consist of natural gas. Revenue associated with the sale of commodities is recognized when control is transferred from the Company to its customers. The Company's commodity sale contracts represent a series of distinct transactions. The Company considers its performance obligations to be satisfied and control to be transferred when all the following conditions aresatisfied:

- The Company has transferred title and physical possession of the commodity to the buyer;
- The Company has transferred significant risks and rewards of ownership of the commodityto the buyer; and,
- The Company has the present right to payment.

Revenue is measured based on the consideration specified in a contract with the customer. Payment terms for the Company's commodity sales contracts are on the 25th of the month following delivery. The Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust its revenue transactions for the time value of money. Revenue represents the Company's share of commodity sales net of royalty obligations to governments and other mineral interest owners.

The Company enters into contracts with customers that can have performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The Company applies a practical expedient of IFRS 15 and does not discloseinformation about remaining performance obligations that have original expected durations of one year or less, or for performance obligations where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date.

Contract modifications with the Company's customers could change the scope of the contract, the price of the contract,or both. A contract modification exists when the parties to the contract approve the modification either in writing, orally,or based on the parties' customary business practices. Contract modifications are accounted for either as a separate contract when there is an additional product at a stand-alone selling price, or as part of the existing contract, through either a cumulative catch-up adjustment or prospectively over the remaining term of the contract, depending on the nature of the modification and whether the remaining products are distinct.

The Company has applied the practical expedient to recognize revenue in the amount to which the Company has the right to invoice. As such, no disclosure is included relating to the amount of transaction price allocated to remaining performance obligations and when these amounts are expected to be recognized as revenue.

d. 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 option pricing 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.

e. 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.

f. Flow-through shares

The Company, from time to time, issues 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.

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.

h. Financial instruments

The classification for each class of the Company's financial assets and financial liabilities are summarized 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.

<u>Classification of financial assets</u>

<u>Amortized cost:</u>

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

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

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

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

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

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

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

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

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

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

Classification of financial liabilities and equity:

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

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

Classification of financial liabilities

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

Impairment

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

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.

j. 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 position 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 on 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.

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 are 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 warrants 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.

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.

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 follow 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 a business and the Company obtains control of the business inputs and processes.

Cash generating units

Management makes judgments in determining its CGUs and evaluates the geography, geology, production profile and infrastructure of its assets in making such determinations. Based on this assessment, the Company's CGUs are generally composed of significant development areas. As at September 30, 2021, the Company had one CGU (2020– one). The Company reviews the composition of its CGUs at each reporting date to assess whether any changes are required considering new facts and circumstances.

k. 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.

l. Jointly controlled assets

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

m. 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.

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, considering 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.

(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 is 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.

n. 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.

o. 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.

4. Advance receivable

During the period, the Company has advanced a total of $1,502,465 to its joint venture partner for the continuing development of assets under a joint venture agreement dated December 9, 2019. These expenditures qualify as flow-through expenditures for which the flow-through tax credits are passed on to its flow-through investors.

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5. Property and equipment

	Natural gas and liquids interests	Mineral Rights	Total
	$	**$**	**$**
Cost			
Balance, December 31, 2020	1,054,611	-	1,054,611
Acquisition	-	739,833	739,833
Balance, September 30, 2021	**1,054,611**	**739,833**	**1,794,444**
Accumulated asset retirement obligation			
Balance, December 31, 2020	164,325	-	164,325
Current provision	-	-	-
Balance, September 30, 2021	**164,325**	**-**	**164,325**
Accumulated depletion			
Balance, December 31, 2020	-	-	-
Current provision	21,158	-	21,158
Balance, September 30, 2021	**21,158**	**-**	**21,158**
Carrying amounts			
Balance, December 30, 2020	**890,286**	**-**	**890,286**
Balance, September 30, 2021	**869,128**	**739,833**	**1,608,961**

For the period ended September 30, 2021, management completed a review of the market conditions for its products and determined that no impairment indicators were present and as such, did not perform an impairment test.

Canadian Domestic Forecast Effective: December 31, 2020	WTI Oil	Foreign Exchange 7ate	WCS 20.5 Deg. API Hardisty Reference Price	Pentanes + Condenstate	AECO Natural Gas
	(US$/bbl)	*(Cdn$/US$)*	*(Cdn$/bbl)*	*(Cdn$/mmbtu)*	*(Cdn$/mmbtu)*
2021	$46.00	0.770	$42.85	$53.25	$2.65
2022	$54.05	0.778	$49.65	$62.80	$2.65
2023	$59.80	0.800	$55.30	$68.30	$2.65
2024	$61.00	0.800	$56.40	$69.65	$2.65
2025	$62.25	0.800	$57.55	$71.05	$2.65
Annual escalation thereafter	2%	2%	2%	2%	2%

Source: Petro Viking Energy Inc. - NI 51-101 Price Deck @ December 31, 2020

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6. Accounts payable and accrued liabilities

Significant components of Accounts Payable and Accrued Liabilities

	September 30, 2021	December 31, 2020
	$	$
Accounts payable - trade	**39,320**	371,318
Interest payable	**66,475**	54,990
	105,795	426,308

7. 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, interest 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 as a recognition of the promissory notes and the de-recognition of the related party liabilities on December 30, 2020.

During the current period, an amount of $152,780 has been applied against the balance of the promissory note. On September 30, 2021, the balance outstanding is $78,860, inclusive of accrued interest, with a fair market value of $22,582.

8. Convertible debentures

a) 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 bears a compounded interest of 5% per annum. The debenture matures on July 31, 2022, at which time the debenture and any accrued interest is payable. The convertible debenture can be converted at the lower of $0.25 or 80% of the major event price. The major event price means the price per common share that

(i) a common share is being issued by the Company before the maturity date pursuant to an initial public offering of the common shares for listing on a recognized stock exchange;

(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;

(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.

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. As a result of the conversion price of the debenture not being fixed at the time of issuance, the conversion feature is considered a derivative liability and is revalued each month. The value of the derivative liability at the date of issuance and the rear end was determined using the Monte Carlo method.

On September 30, 2021, the conversion price of the debenture was determined at the lower of $0.25 or 80% of the major event price as indicated above. On March 5, 2021, the Company's shares were listed on the Canadian Securities Exchange with an opening price of $0.25. As a result, the price of the shares was $0.20 used in estimating the present value of the derivative liability using the Black-Scholes method. At September

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30, 2021, the present value of the derivative liability was estimated at $274,247 (December 31, 2020 - $351,179).

b) On June 28, 2020, the Company offered a non-brokered private placement of $400,000 debenture units, each unit being comprised of an aggregate $1,000 principal amount of a 10% convertible unsecured subordinated debenture due on April 30, 2023, and one detachable common share purchase warrant entitling the holder to purchase 10,000 common shares at a price of $0.10 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.

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.

On June 30, 2021, the conversion price of the debenture was determined at the lower of $0.25 or 80% of the major event price as indicated above. On March 5, 2021, the Company's shares were listed on the Canadian Securities Exchange with an opening price of $0.25. As a result, the price of the shares was $0.20 used in estimating the present value of the derivative liability using the Black-Scholes method. At September 30, 2021, the present value of the derivative liability was estimated at $200,396 (December 31, 2020 - $450,320).

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 make up the full amount of the debenture unit transaction price, no value has been assigned to the warrants.

9. Related party disclosures

	For the nine months ended September 30, 2021	2020
	$	$
Key management personnel compensation:		
Management and consulting fees	**85,500**	243,873
Interest on promissory notes	**5,944**	-
Legal	**112,045**	-
	203,489	243,873

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

Amount owing to related parties	**September 30, 2021**	December 31, 2020
	$	$
Accounts payable and accrued liabilities including management fees and interest	**58,280**	93,903
Unsecured promissory notes due September 15, 2022, bearinginterest at 5% per annum compounded semi-annually	**22,582**	175,362
	80,862	269,265

10. Equity

Share capital

a. Authorized

Unlimited number of common shares, without nominal or par value.

b. Issued and outstanding common shares

On April 8, 2019, the Company had a share consolidation on a 10:1 basis. All disclosure of shares in thefinancial 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.

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 term 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 a 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. These 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. These 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 $0.20per 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 were 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 common shares of the Company for debt. Of these shares, 100,000 shares were issued at $0.10 per share, 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 was priced in accordance to the conversion price as determined in each debt instrument.

On May 21, 2021, the Company issued 1,753,333 common shares of the Company at $0.25 per share for cash for gross proceeds of $438,333.

On June 14, 2021, the Company issued 73,698 common shares of the Company at $0.18 per share for conversion of outstanding debenture interest. The debenture agreement provides for the holder of each debenture to convert outstanding interest at a price equivalent to the ten-day Weighted Volume Average Price at the date of conversion.

On June 17, 2021, the Company issued 24,000 common shares of the Company at $0.15 per share for the conversion of broker warrants.

On June 23, 2021, the Company issued 103,100 common shares of the Company at $0.15 per share for the conversion of broker warrants.

On June 28, 2021, the Company issued 51,050 common shares of the Company at $0.15 per share for the conversion of broker warrants.

On July 7, 2021, the Company issued 150,000 common shares of the Company at $0.25 per share for the exercise of warrants.

On July 15, 2021, the Company issued 45,150 common shares of the Company at $0.15 per share for the exercise of broker warrants.

On August 19, 2021, the Company issued 100,000 common shares of the Company at $0.15 per share for the conversion of a debenture.

On August 25, 2021, the Company issued 290,000 common shares of the Company at $0.25 per share for gross proceeds of $72,500.

On September 9, 2021, the Company issued 2,000,000 common shares of the Company at $0.25 per share for gross proceeds of $500,000.

On September 13, 2021, the Company issued 7,710,000 common shares of the Company at $0.25 per share for gross proceeds of $1,927,500.

On September 20, 2021, the Company issued 200,000 common shares of the Company at $0.25 per share for gross proceeds of $50,000.

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Warrants

A summary of the Company's warrant transactions are as follows:

	Number of warrants	Exercise price
	#	$
Balance, December 31, 2020	4,016,700	0.40
Issued	8,658,961	0.31
Exercised	(373,300)	0.18
Expired	(41,667)	0.40
Balance, September 30, 2021	12,260,694	0.34

11. 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 nine months ended September 30, 2020 and 2021.

12. Net loss per share

Basic and diluted earnings per common share is calculated as follows:	**2021**	2020
Net loss and comprehensive loss	**$(339,970)**	$ (323,300)
Weighted average number of shares (basic and diluted)	**34,980,862**	9,180,588
Loss per share:		
Basic and Diluted	**$(0.02)**	$(0.04)

13. Oil and natural gas sales

The following table represents the Company's 50% interest in oil and natural gas sales for the three and nine months ended September 30, 2021:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
	$	$	$	$
Oil	**2,719**	-	**5,662**	-
Gas	**87,741**	-	**170,629**	-
Liquids	**18,722**	-	**34,592**	-
Total	**109,182**	-	**210,883**	-

14. Financial instruments and financial risk management

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

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - inputs for the asset or liability that are not based on observable market data.

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

The Company's financial instruments include cash, 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 basedon 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 8 for details on inputs.

There were no transfers between levels during the year.

The Company has exposure to liquidity risk and market risk because of its financial instruments.

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.

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.

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.

15. Capital management

The Company's objective when managing capital is to maintain a flexible capital structure which will allow it to execute its current strategy to get the Company listed again. The Company considers its capital structure to include share capital and convertible debenture. To maintain or adjust the capital structure, from time to timethe Company may issue common shares, debt, or other securities, sell assets, or adjust capital spending to manage current and projected debt levels. On September 30, 2021, the Company's capital structure was not subject to external restrictions.

16. Commitments

On June 1, 2020, the Company entered into a 24-month term consulting agreement where it is to compensate the consultant $6,000 per month. The consulting fee was paid through the issuance of 120,000 shares for the initial 6 months pursuant the terms of the contract.

17. Subsequent events

On October 20, 2021, the Company at the election of a debenture holder, converted $50,000 to equity through the issuance of 500,000 common shares at $0.10 per share of the Company as priced at the time of issuance on June 28, 2020 (see Note 8(b)).