KR INVESTMENT LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

November 30, 2018 AND 2017

KR INVESTMENT LTD.

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KR INVESTMENT LTD.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT NOVEMBER 30, 2018 AND AUGUST 31, 2018

(Expressed in Canadian Dollars)

	Note	**November,30 2018**	**August 31, 2018**
		$	$
ASSETS			
CURRENT ASSETS			
Cash		578,927	646,441
		578,927	646,441
PROPERTY AND EQUIPMENT	4	1	1
		578,928	646,442
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		36,040	64,618
Due to related parties	7	77,000	75,500
		113,040	140,118
DECOMMISSIONING PROVISION	5	125,868	124,413
		238,908	264,531
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	6	3,579,256	3,579,256
Contributed surplus		335,393	335,393
Deficit		(3,574,630)	(3,532,738)
		340,019	381,911
		578,928	646,442

Nature of operations and going concern (Note 1)

Approved and authorized for issue on behalf of the Board of Directors on January 28, 2019:

"Steve Loo"	*"S. John Kim"*
Steve Loo, Director	S. John Kim, Director

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

KR INVESTMENT LTD.

CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE THREE MONTHS ENDED NOVEMBER 30, 2018 AND 2017

(Expressed in Canadian Dollars)

		THREE MONTHS ENDED NOVEMBER 30,	
		2018	**2017**
		$	**$**
EXPENSES	Note		
Accounting and legal		18,396	11,868
Accretion of decommissioning provision	5	1,455	1,455
Consulting	7	18,300	27,600
Office and miscellaneous		108	353
Rent	7	3,150	9,450
Telephone		68	256
Transfer agent, filing, and listing fees		414	1,406
Travel expense		-	2,683
		41,891	55,070
LOSS FROM OPERATIONS		(41,891)	(55,070)
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		(41,891)	(55,070)
Net Loss Per Share – Basic and Diluted		(0.00)	(0.04)
Weighted Average Number of Common Shares Outstanding (basic and diluted)		22,712,500	12,712,500

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

KR INVESTMENT LTD.

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

FOR THE THREE MONTHS ENDED NOVEMBER 30, 2018 AND 2017

(Expressed in Canadian Dollars)

	Share Capital				
	Number of Common Shares	Amount $	Contributed Surplus $	Deficit $	Total $
Balance, August 31, 2017	12,712,500	2,589,401	335,393	(3,174,079)	(249,285)
Net loss	-	-	-	(55,070)	(55,070)
Balance, November 30, 2017	12,712,500	2,589,401	335,393	(3,229,150)	(304,356)
Balance, August 31, 2018	22,712,500	3,579,256	335,393	(3,532,738)	381,911
Net loss	-	-	-	(41,891)	(41,891)
Balance, November 30, 2018	22,712,500	3,579,256	335,393	(3,574,630)	340,019

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

(Expressed in Canadian Dollars)

	THREE MONTHS ENDED NOVEMBER 30,	
	2018	**2017**
	$	**$**
OPERATING ACTIVITIES		
Net loss for the period	(41,891)	(55,070)
Items not involving cash:		
Accretion and decommissioning provision	1,455	1,455
Changes in non-cash components of working capital:		
Accounts payable and accrued liabilities	(28,579)	(8,344)
Due to related parties	1,500	37,050
Cash flows used in operating activities	(67,515)	(24,910)
INCREASE IN CASH	(67,515)	(24,910)
CASH – BEGINNING OF PERIOD	646,441	94,366
CASH – END OF PERIOD	578,927	69,456

There were no non-cash financing or investing activities for the periods presented.

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

1. NATURE OF OPERATIONS AND GOING CONCERN

On August 3, 2010, KR Investment Ltd. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) as a Capital Pool Company ("CPC") as defined in TSX Venture Exchange Policy 2.4. The Company completed its initial public offering on March 24, 2011 and its common shares commenced trading on the TSX Venture Exchange on March 29, 2011. On February, 2, 2018, the Company was transferred to the NEX board of the TSX Venture Exchange due to the Company no longer satisfying the Exchange's tier maintenance requirements for Tier 2 issuers.

The head office, principal address and records office of the Company are located at Suite 1780 – 400 Burrard Street, Vancouver, British Columbia, V6C 3A6. The Company's registered address is at the same address.

On March 27, 2013, the Company acquired an undivided 20% working interest in certain petroleum and natural gas rights, and related tangible assets located in Alberta. The transaction constituted the Qualifying Transaction of the Company under TSX-V Policy 2.4 Capital Pool Companies, and was approved by the TSX-V on March 28, 2013. Effective April 1, 2013, the Company became a Tier 2 oil and gas issuer.

The operating license for the Company's 20% working interest is held by Canadian Oil & Gas International Inc., a company which filed for receivership on October 26, 2015. As a consequence, the Alberta Energy Regulator ("AER") suspended the license on February 18, 2016 resulting in the Company not receiving any revenues since November 30, 2017.

The Company is determined to seek, pursue and evaluate other opportunities beyond the resource sector. A letter of intent, previously entered into on February 22, 2018, was terminated on November 21, 2018. Management of the Company continues to investigate and pursue other opportunities of merit to enhance shareholder value the Company.

These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the three months period ended November 30, 2018, the Company had a net loss of $41,891 and had an accumulated deficit of $3,574,630 since inception. These factors raise significant doubt about the Company's ability to continue as a going concern. The continuance of the Company's operations is dependent on obtaining and maintaining sufficient debt or equity financing in order to realize the recoverability of the Company's investments. Management is of the opinion that sufficient working capital will need to be obtained from financing and operations to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These condensed interim financial statements do not reflect any adjustments that may be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

The condensed interim financial statements, including comparative figures, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 Interim Financial Reporting.

(b) Basis of Measurement

The condensed interim financial statements have been prepared on a historical cost basis except for financial instruments described in Note 3(f), which are measured at fair value.

In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements as if the policies have always been in effect.

(c) Functional and Presentation Currency

The condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of Estimates and Judgments

The preparation of condensed interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts within the condensed interim financial statements. Judgments, estimates and underlying assumptions are reviewed on a continuous basis and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing the condensed interim financial statements, management makes judgments regarding the application of IFRS for the Company's accounting policies. Significant judgments relate to the determination of the recovery of accounts receivable, amortization, depreciation, depletion and impairment of property and equipment, petroleum and natural gas reserves, decommissioning provisions, deferred income tax assets and liabilities, and assumptions used in valuing options in share-based payments calculations. The condensed interim financial statement areas that require significant estimates and judgments are set out in the following paragraphs:

Oil and Gas Accounting—Reserves Determination
The process of estimating reserves is complex. It requires significant estimates based on available geological, geophysical, engineering and economic data. To estimate the economically recoverable crude oil and natural gas reserves and related future net cash flows, management incorporates many factors and assumptions including the expected reservoir characteristics, future commodity prices and costs and assumed effects of regulation by governmental agencies. Reserves are used to calculate the depletion of the capitalized oil and gas costs and for impairment purposes as described in Note 3(b).

2. BASIS OF PRESENTATION (continued)

(d) Use of Estimates and Judgments (continued)

Property and Equipment
The Company evaluates its long-lived assets (petroleum and natural gas properties) for impairment if indicators exist. Cash flow estimates for impairment assessments require assumptions and estimates about the following primary elements—future prices, future operating and development costs, remaining recoverable reserves and discount rates. In assessing the carrying values of unproved properties, management makes assumptions about future plans for those properties, the remaining terms of the leases and any other factors that may be indicators of potential impairment.

Impairment Testing
Impairment testing is based on discounted cash flow models prepared by internal experts with assistance from third-party advisors when required. The inputs used are based on management's best estimates of what an independent market participant would consider appropriate and are reviewed by senior management. Changes in these inputs may alter the results of impairment testing, the amount of the impairment charges recorded in the statement of loss and comprehensive loss and the resulting carrying values of assets.

Joint Arrangements
The Company may be a party to an arrangement in which they do not have control. Judgment is required in determining whether joint control over such arrangements exists and if so, which parties have joint control and whether each arrangement is a joint venture or joint operation. In assessing whether the Company has joint control, management analyzes the activities of each arrangement and determines which activities most significantly affect the returns of the arrangement. These activities are determined to be the relevant activities of the arrangement. If unanimous consent is required over the decisions about the relevant activities, the parties whose consent is required would have joint control over the arrangement. The judgments around which activities are considered the relevant activities of the arrangement are subject to analysis by each of the parties to the arrangement and may be interpreted differently. When performing this assessment, the Company considers decisions about activities such as managing the asset during its life, acquisition, expansion and dispositions of assets, financing, operating and capital decisions. Management may also consider activities including the approval of budgets, appointment of key management personnel, representation on the board of directors and other items. If management concludes that the Company has joint control over the arrangement, an assessment of whether the arrangement is a joint venture or joint operation is required. This assessment is based on whether the Company has rights to the assets, and obligations for the liabilities, relating to the arrangement or whether the Company has rights to the net assets of the arrangement. In making this determination, management reviews the legal form of the arrangement, the terms of the contractual arrangement, and other facts and circumstances. In a situation where the legal form and the terms of the contractual arrangement do not give the Company rights to the assets and obligations for the liabilities, an assessment of other facts and circumstances is required, including whether the activities of the arrangement are primarily designed for the provision of output to the parties and whether the parties are substantially the only source of cash flows contributing to the arrangement. In such circumstances, management may consider the application of other facts and circumstances to conclude that a joint arrangement is a joint operation is appropriate. This conclusion requires judgment and is specific to each arrangement.

Management has applied the use of other facts and circumstances to conclude that the extraction of petroleum and natural gas in the Provost Area in Alberta, Canada (see Notes 4 and 5) is a joint operation for the purposes of the condensed interim financial statements. The other facts and circumstances considered are the provisions for output to the parties of the joint arrangements.

2. BASIS OF PRESENTATION (continued)

(d) Use of Estimates and Judgments (continued)

Joint Arrangements (continued)

The Company will take its share of the output from the assets directly over the life of the arrangement. Management has concluded that this, combined with other factors, gives the Company direct rights to the assets and obligations for the liabilities of these arrangements, proportionate to the Company's ownership interest.

Cash Generating Unit (CGU)

The Company's assets are aggregated into cash-generating units ("CGU"), based on the CGU's ability to generate independent cash inflows. The determination of the Company's CGUs is based on management's judgments in regards to shared infrastructure, geographical proximity, resource type and materiality.

Decommissioning Provisions
In estimating future asset retirement obligations, the Company makes assumptions about activities that occur many years into the future including the cost and timing of such activities. The ultimate financial impact is not clearly known as asset removal and remediation techniques and costs are constantly changing, as are legal, regulatory, environmental, political, safety and other such considerations. In arriving at amounts recorded, numerous assumptions and estimates are made on ultimate settlement amounts, inflation factors, discount rates, timing and expected changes in legal, regulatory, environmental, political and safety environments.

Share-Based Payments
Management uses judgment when applying the Black-Scholes option pricing model to determine the fair value of the options granted during the period and forfeiture rates. Volatility is calculated using historical trading data of the Company. The zero coupon bond yield per the Bank of Canada is used as the risk-free rate.

Income Taxes
Judgments are made by management at the end of the reporting period to determine the likelihood that deferred income tax assets will be realized from future taxable earnings. Assessing the recoverability of deferred income tax assets requires the Company to make judgments related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in profit or loss in the period in which the change occurs.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and Cash Equivalents

Cash and cash equivalents include cash in bank accounts and, when applicable, cashable securities that on acquisition have a term to maturity of three months or less, or may be redeemed during this period. Cash and cash equivalents are highly liquid marketable securities and deposits, which are designated as fair value through profit or loss and are recorded at their fair values with changes recognized in net loss. Fair values are determined by reference to quoted market prices at the statement of financial position date. The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. The Company did not have any cash equivalents as at November 30, 2018 and 2017.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Impairment of Long-Lived Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

When the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the statement of loss and comprehensive loss.

Assets that have been impaired are tested for possible reversal of the impairment at each reporting date for any indications that the impairment loss may have reversed. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of loss and comprehensive loss.

(c) Share Issuance Costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs, if completion of the transaction is considered to be more likely than not. Share issuance costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

(d) Basic and Diluted Earnings (Loss) per Share

Basic and diluted earnings (loss) per share is computed by dividing the net earnings (loss) for the period available to common shareholders (numerator) by the weighted average number of common shares outstanding during the period (denominator). The Company applies the treasury stock method in calculating diluted earnings (loss) per share. Diluted earnings (loss) per share excludes all dilutive potential common shares if their effect is anti-dilutive. For the period ended November 30, 2018 and 2017, the existence of stock options causes the calculation of diluted loss per share to be anti-dilutive. Accordingly, diluted loss per share is equal to basic loss per share.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income Taxes

Tax provisions are recognized when it is probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted tax laws. Changes in those laws could affect amounts recognized in income in the period of change, which would include any impact on cumulative provisions, or in future periods.

Deferred tax assets or liabilities arising from temporary differences between the tax and accounting values of assets and liabilities are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized and judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets or liabilities, as well as in the amounts recognized in income in the period in which the change occurs.

(f) Financial Instruments

Financial assets

All financial assets are initially recognized at fair value and are classified into one of four categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity, loans and receivables or available-for-sale financial assets.

(i) Financial assets at FVTPL

Financial assets are classified as FVTPL if they are held-for-trading or are designated as such upon initial recognition. Financial assets at FVTPL are measured at fair value, and changes are recognized in profit or loss. Upon initial recognitions transaction costs are expensed as incurred.

(ii) Held-to-maturity financial assets

Financial assets are classified as held-to-maturity if the Company has the positive intent and ability to hold them to maturity. These financial assets are recognized initially at fair value together with directly attributable costs, and are subsequently measured at amortized cost using the effective interest method less any impairment losses.

(iii) Loans and receivables

These assets are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognized initially at fair value plus any directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method less any impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

(iv) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and any changes, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity. When an available-for-sale financial asset is derecognized, the cumulative gain or loss in other comprehensive income is reclassified through profit or loss.

(v) Impairment of financial assets

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

Financial liabilities are initially recognized at fair value and are classified into one of two categories: financial liabilities at FVTPL or other financial liabilities.

(vi) Financial liabilities at FVTPL

These financial liabilities are acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are measured at fair value, and changes therein are recognized in profit or loss. The Company has not classified any financial liabilities as FVTPL.

(vii) Other financial liabilities

These financial liabilities are recognized initially at fair value plus any directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method.

(g) Share-Based Payments

The Company grants share-based awards to employees, directors, officers and non-employees under its stock option plan. Share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments on the grant date. The fair value of share-based payments is determined using the Black-Scholes option pricing model, and each tranche is recognized on a graded-vesting basis over the period in which options vest. The amount recognized as a share-based payment expense during a reporting period is adjusted to reflect the number of awards expected to vest. The offset to this recorded cost is to contributed surplus. No expense is recognized for awards that do not ultimately vest. Share-based payment arrangements with non-employees in which the Company receives goods or services are measured based on the estimated fair value of the goods or services received, unless the fair value cannot be estimated reliably, in which case the Company will measure their value by reference to the fair value of the equity instruments granted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Share-Based Payments (continued)

When stock options are exercised, the proceeds received, together with any related amount in contributed surplus, are credited to share capital.

(h) Provisions

(i) Legal matters

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows at a pre-tax rate. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(ii) Decommissioning provisions

The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. Decommissioning provisions are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Subsequent to initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs, whereas increases/decreases due to changes in the estimated future cash flows are recorded against the related asset. Actual costs incurred upon settlement of the decommissioning provisions are charged against the provision to the extent the provision was established.

(i) Property and Equipment

Property and equipment includes crude oil and natural gas development and production assets, including costs incurred in developing oil and natural gas reserves and maintaining or enhancing production from such reserves and directly attributable general and administrative costs. Property and equipment is measured at cost, less accumulated depletion and depreciation and accumulated impairment losses.

Gains and losses on disposal of an item of property and equipment, including crude oil and natural gas interests, are determined by comparing the proceeds from disposal with the net carrying amount of property and equipment and are recognized within "gain or loss on sale of assets" in income (loss).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property and Equipment (continued)

Subsequent measurement

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in earnings as incurred. Capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing on or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized at the time of replacement or sale. The costs of the day-to-day servicing of property and equipment are recognized in earnings as incurred.

Depletion and depreciation

The net carrying value of development or production assets is depleted on a field-by-field basis using the unit-of-production method by reference to the ratio of production in the year to the related proven reserves. 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 reserve estimates used in prior periods, such as proved reserves, that affect the unit-of-production calculations do not give rise to prior year adjustments and are dealt with on a prospective basis.

(j) Revenue recognition

Revenue from sales of petroleum and natural gas is recognized when title and risks and rewards of ownership pass to an external party, the amount of revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company. Revenue is measured net of discounts, customs duties and royalties.

(k) Interests in Joint Arrangements

A joint arrangement can take the form of a joint venture or joint operation. All joint arrangements involve a contractual arrangement that establishes joint control, which exists only when decisions about the activities that significantly affect the returns of the investee require unanimous consent of the parties sharing control. A joint operation is a joint arrangement in which we have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement in which we have rights to only the net assets of the arrangement.

Joint ventures are accounted for in accordance with the policy “Investments in Associates and Joint Ventures.” Joint operations are accounted for by recognizing the Company’s share of the assets, liabilities, revenues, expenses and cash flows of the joint operation in the Company’s condensed interim financial statements.

The Company’s operations are conducted through joint operations where it holds a 20% working interest in a joint arrangement to conduct oil and gas exploration and development activities on the properties in Provost Area, Alberta.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Recent Accounting Pronouncements

Certain new accounting standards, amendments to standards and interpretations have been issued, effective for annual years beginning on or after January 1, 2018. These standards have been assessed to not have a significant impact on the Company's existing accounting policies or financial statement presentation:

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") is a new standard on revenue that will supersede the following standards: *IAS 11 – Construction Contracts*; *IAS 18 – Revenue; IFRIC 13 – Customer Loyalty Programmes; IFRIC 15 – Agreements for the Construction of Real Estate; IFRIC 18 – Transfers of Assets from Customers; and SIC 31 – Revenue – Barter Transactions Involving Advertising Services.* IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. This standard is effective for years beginning on or after January 1, 2018.

IFRS 9 – Financial Instruments

IFRS 9 – Financial Instruments ("IFRS 9") is a new standard on financial instruments that will replace *IAS 39 – Financial Instruments: Recognition and Measurement*. The standard addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value through profit or loss. This standard is effective for years beginning on or after January 1, 2018.

IFRS 16 – Leases

IFRS 16 – Leases ("IFRS 16") is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract: the lessee and the lessor. IFRS 16 eliminates the classification of leases as either operating or finance leases, as is currently required by *IAS 17 – Leases*, and instead introduces a single lessee accounting model. This standard is effective for years beginning on or after January 1, 2019.

(Expressed in Canadian Dollars)

4. PROPERTY AND EQUIPMENT

		Petroleum and natural gas properties
Cost:		
Balance, August 31, 2017	$	305,132
Additions		-
Balance, August 31, 2018	$	305,132
Additions		-
Balance, November 30, 2018	$	305,132

		Petroleum and natural gas properties
Accumulated depletion:		
Balance, August 31, 2017	$	305,131
Depletion		-
Balance, August 31, 2018	$	305,131
Depletion		-
Balance, November 30, 2018	$	305,131
Net book value:		
As at August 31, 2017	$	1
As at August 31, 2018	$	1
As at November 30, 2018	$	1

The Company's property and equipment is comprised of its 20% working interest in oil production wells and additional injection and battery wells located in the Provost area in Alberta, Canada.

Current Status of Provost Operations

On October 26, 2015, the operator of the Provost wells, Canadian Oil & Gas International Inc. ("COGI"), went into receivership. On February 18, 2016, the AER revoked COGI's operating license to operate the Provost well resulting in the suspension of the Provost operation. As the well license has not been transferred out of receivership and the Provost operations remain suspended, the carrying value of its working interest in the Provost operations remain reduced at a nominal value of $1 as at November 30, 2018.

Due to the uncertainties in respect of COGI's operations and the Provost well interests, the Company had provided for an impairment charge in the amount of $921,722 during the year ended August 31, 2016. Accordingly, the Company will be exploring possibilities of divesting its interest in the Provost asset as the Company seeks business opportunities outside of the oil and gas industry.

(Expressed in Canadian Dollars)

5. DECOMMISSIONING PROVISION

The following table presents the reconciliation of the opening and closing aggregate carrying amount of the decommissioning provision associated with the petroleum and natural gas properties:

	November 30, 2018	August 31, 2018
Balance, beginning of period	$ 124,413	$ 118,593
Accretion expense	1,455	5,820
Balance, end of period	$ 125,868	$ 124,413

The present value of the obligation was calculated using an average discount rate of 8.00% (2017 – 8.00%) and an inflation rate of 2% (2017 – 2%). Reclamation activities are expected to occur between 2020 and 2035.

6. SHARE CAPITAL

(a) Authorized Share Capital: Unlimited number of common shares without par value.

(b) Issued and Outstanding Share Capital:

On December 8, 2017, the Company closed a portion of a non-brokered private placement and issued 10,000,000 common shares of the Company at a price of $0.10 per share for gross proceeds of $1,000,000.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

(c) Stock Options

The Company has established an incentive stock option plan for granting options to directors, employees and consultants in accordance with TSX Venture Exchange policies. The Stock Option Plan is a rolling plan allowing the Company to issue 10% of the outstanding shares for a maximum term of ten years from the day of the grant of stock options.

No stock options were granted during the periods ended November 30, 2018 and 2017.

Directors' and Officers' Options

The following table summarizes the continuity of the Company's stock options outstanding:

	Number of Options	Weighted Average Exercise Price
Outstanding, November 30, 2018 and August 31, 2018 and 2017	262,500	$0.88

As at November 31, 2018, the following incentive stock options are outstanding and exercisable:

	Number of Options	Weighted Average Exercise Price	Expiry Date
Directors' and Officers' options	12,500	$0.80	March 29, 2021
Directors' and Officers' options	250,000	$0.88	June 3, 2023
	262,500	$0.88	

As at November 30, 2018, the weighted average remaining life of the outstanding options was 4.41 years.

7. RELATED PARTY TRANSACTIONS AND BALANCES

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel and companies related to them were recorded as follows:

a. During the three months period ended November 30, 2018, the Company was charged a total of $6,300 (2017 - $12,600) to operations in consulting fees provided by a company controlled by a director and officer of the Company, of which $Nil (August 31, 2018 – $6,300) has been accrued as due to related parties.

b. During the three months period ended November 30, 2018, the Company was charged a total of $12,000 (2017 - $15,000) to operations in consulting fees provided by a director and officer of the Company, of which $69,000 (August 31, 2018 – $57,000) has been accrued as due to related parties.

c. During the three months period ended November 30, 2018, the Company was charged a total of $3,150 (2017 - $9,450) to operations for office premises provided by a company controlled by a director of the Company, of which $Nil (August 31, 2018 – $4,200) has been accrued as due to related parties.

d. During the three months period ended November 30, 2018, the Company charged a total of $Nil (2017 - $Nil) to operations for directors' fees. As at November 30, 2018, the Company has accrued a total amount of $8,000 (August 31, 2018 - $8,000) as due to related parties.

e. Balance owing to related parties as at November 30, 2018 was $77,000 (August 31, 2018 - $75,500). The amounts owing to related parties are unsecured, non-interest bearing and are due on demand.

(Expressed in Canadian Dollars)

8. INCOME TAXES

The following table reconciles the amount of income tax recoverable upon application of statutory Canadian federal and provincial income tax rates to the amount reported in these condensed interim financial statements:

	2018	**2017**
	$	$
Loss for the period	(358,659)	(300,741)
Expected income tax (recovery)	(95,000)	(78,000)
Change in statutory, foreign tax, foreign exchange rates, and other	(28,000)	(42,000)
Share Issuance Costs	(3,000)	-
Permanent difference	-	1,000
Change in unrecognized deductible temporary differences	126,000	119,000
Income tax expense (recovery)	-	-

The significant components of the Company's deferred tax assets that have not been included on the statement of financial position are as follows:

	2018	**2017**
	$	$
Deferred Tax Assets (Liabilities):		
Property and equipment	420,000	404,000
Share issuance costs	4,000	3,000
Non-capital losses available for future periods	435,000	326,000
	859,000	733,000
Unrecognized deferred tax assets	(859,000)	(733,000)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

	2018	Expiry Date Range	2017	Expiry Date Range
Property and equipment	$ 1,554,000	No expiry date	$ 1,554,000	No expiry date
Share issuance costs	$ 16,000	2039 to 2042	$ 13,000	2038 to 2041
Non-capital losses available for future periods	$ 1,611,000	2030 to 2038	$ 1,252,000	2030 to 2037

Tax attributes are subject to review and potential adjustment by tax authorities.

(Expressed in Canadian Dollars)

9. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can ultimately provide returns for shareholders and benefits for other stakeholders. The board of directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company does not pay dividends and is not subject to any externally imposed capital requirements.

As at November 30, 2018, the Company considers capital to consist of shareholders' equity (deficiency). The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares or long-term debt.

10. FINANCIAL INSTRUMENTS AND RISKS

Financial instruments and fair value measurements

The Company's financial instruments include cash, accounts payable and accrued liabilities, and due to related parties. The Company classifies its cash as fair value through profit or loss, and its accounts payable and accrued liabilities, and due to related parties as other financial liabilities. The fair values of these financial instruments approximate their carrying values because of their current or on demand nature.

	November 30, 2018	August 31, 2018
FVTPL	$578,927	$646,441
Other financial liabilities	$113,040	$140,118

Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values.

Certain financial assets and liabilities are measured at fair value on a recurring basis and classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value the Company's financial assets and liabilities are described below:

10. FINANCIAL INSTRUMENTS AND RISKS (continued)

Financial instruments and fair value measurements (continued)

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The Company's financial assets and liabilities measured at fair value on a recurring basis as of November 30, 2018 are as follows:

	Balance at November 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	$	$	$	$
Financial Assets:				
Cash	$ 578,927	$ 578,927	$ –	$ –

Financial Risks

The Company examines the various financial instrument risks to which it is exposed, and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by management. There have not been any significant changes from the previous year as to how these risks are reviewed and monitored by management. The types of financial instrument risk exposures and the objectives and policies for managing these risk exposures is described below.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk through its cash which is held with large Canadian financial institutions, the Company's maximum risk exposure to credit risk is the carrying value of cash of $578,927.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short-term interest rates through the interest earned on cash balances; however, management does not believe this exposure is significant.

(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS AND RISKS (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accounts payable and accrued liabilities, and amounts due to related parties are all current.

The Company ensures that it has sufficient capital to meet short-term financial obligations after taking into account its administrative obligations. Contractual undiscounted cash flow requirements for financial liabilities as at November 30, 2018 are as follows:

	Less Than 1 Month	1 – 3 Months	4 Months to Less Than 1 Year	Years 1 – 3	Total
Accounts payable and accrued liabilities	$ 36,040	$ -	$ -	$ -	$ 36,040
Due to related parties	-	-	-	77,000	77,000
	$ 36,040	$ -	$ -	$ 77,000	$ 113,040

Foreign Exchange Risk

Foreign exchange risk is the risk related to the fluctuation of foreign exchange rates. The Company is not exposed to significant foreign exchange risk.

Commodity Price Risk

The Company's revenues and ability to raise capital to fund operating activities are subject to risks associated with fluctuations in the market price of its commodities. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

The Company does not use derivative instruments or hedges to manage risks because the Company's exposure to credit risk, interest rate risk and currency risk is small.