
**KR INVESTMENT LTD.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
August 31, 2020 AND 2019**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
KR Investment Ltd.

Opinion

We have audited the accompanying financial statements of KR Investment Ltd. (the "Company"), which comprise the statements of financial position as at August 31, 2020 and 2019, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company incurred a net loss of \$26,621 during the year ended August 31, 2020 and, as of that date, the Company has a total accumulated deficit of \$3,723,154 since inception. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Glenn Parchomchuk.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

November 26, 2020

KR INVESTMENT LTD.

Table of Contents

STATEMENTS OF FINANCIAL POSITION.....	6
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS	7
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY.....	8
STATEMENTS OF CASH FLOWS.....	9
NOTES TO THE FINANCIAL STATEMENTS.....	10

KR INVESTMENT LTD.**STATEMENTS OF FINANCIAL POSITION****AS AT AUGUST 31, 2020 AND 2019**(Expressed in Canadian Dollars)

	Note	2020	2019
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash		185,266	330,995
Prepaid expenses	7	37,000	24,000
		222,266	354,995
Property and equipment	4	-	1
Prepaid expenses	7	-	37,000
		-	37,001
		222,266	391,996
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		30,771	37,547
Due to related parties	7	-	4,000
		30,771	41,547
DECOMMISSIONING PROVISION	5	-	132,333
		30,771	173,880
SHAREHOLDERS' EQUITY			
Share capital	6	3,579,256	3,579,256
Contributed surplus		335,393	335,393
Deficit		(3,723,154)	(3,696,533)
		191,495	218,116
		222,266	391,996

Nature of operations and going concern (Note 1)

Subsequent events (Note 12)

Approved and authorized for issue on behalf of the Board of Directors on November 26, 2020:

"Steve Loo"
Steve Loo, Director

"S. John Kim"
S. John Kim, Director

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

KR INVESTMENT LTD.**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS****FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

(Expressed in Canadian Dollars)

		2020	2019
		\$	\$
	Note		
EXPENSES			
Accounting and legal		57,345	65,159
Accretion of decommissioning provision	5	7,920	7,920
Directors' fee		(4,000)	4,000
Consulting	7	75,701	49,200
Legal provision	11	4,000	-
Office and miscellaneous		3,283	1,539
Production costs		11,392	-
Rent	7	21,000	12,600
Telephone		2,449	2,687
Transfer agent, filing, and listing fees		16,322	13,375
Travel expense		5,979	7,315
		201,391	163,795
LOSS FROM OPERATIONS		(201,391)	(163,795)
OTHER INCOME			
Gain on sale of property and equipment	1,4	(140,252)	-
Gain on write-off of accounts payable	4	(34,518)	-
		(174,770)	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		(26,621)	(163,795)
Net Loss Per Share – Basic and Diluted		(0.00)	(0.01)
Weighted Average Number of Common Shares Outstanding (basic and diluted)		22,712,500	22,712,500

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

KR INVESTMENT LTD.**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY****FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

(Expressed in Canadian Dollars)

	Share Capital				
	Number of Common Shares	Amount \$	Contributed Surplus \$	Deficit \$	Total \$
Balance, August 31, 2018	22,712,500	3,579,256	335,393	(3,532,738)	381,911
Net loss	-	-	-	(163,795)	(163,795)
Balance, August 31, 2019	22,712,500	3,579,256	335,393	(3,696,533)	218,116
Net loss	-	-	-	(26,621)	(26,621)
Balance, August 31, 2020	22,712,500	3,579,256	335,393	(3,723,154)	191,495

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

KR INVESTMENT LTD.**STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**(Expressed in Canadian Dollars)

	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Net loss for the year	(26,621)	(163,795)
Items not involving cash:		
Accretion of decommissioning provision	7,920	7,920
Gain on sale of property and equipment	(140,252)	-
Gain on write-off of accounts payable	(34,518)	-
Changes in non-cash components of working capital:		
Prepaid expenses	24,000	(61,000)
Accounts payable and accrued liabilities	27,742	(27,071)
Due to related parties	(4,000)	(71,500)
Cash flows used in operating activities	(145,729)	(315,446)
DECREASE IN CASH	(145,729)	(315,446)
CASH – BEGINNING OF YEAR	330,995	646,441
CASH – END OF YEAR	185,266	330,995

There were no non-cash financing or investing activities for the years 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 ("TSX-V") Policy 2.4. The Company completed its initial public offering on March 24, 2011 and its common shares commenced trading on the TSX-V on March 29, 2011. On February 2, 2018, the Company was transferred to the NEX board of the TSX-V 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 363 West 6th Avenue, Vancouver, British Columbia, V5Y 1L1. The Company's registered address is at the same address.

On March 27, 2013, the Company acquired an undivided 20% working interest in certain Provost petroleum and natural gas rights, and related tangible assets located in Provost, 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 was previously 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.

During the year ending August 31, 2019, third parties acquired the 80% working interest from Canadian Oil & Gas International Inc. and partially reactivated the Provost operations license. As of November 18, 2019, AER reversed its suspension, however, the Company's continuation of its operations is further dependant on the third party's full acquisition of all necessary oil and gas leases.

Despite the current progress towards restarting the Company's operations, the Company is determined to seek, pursue and evaluate other opportunities beyond the resource sector.

As of August 31, 2020, the Company entered into an agreement with one of the third parties co-owners of the 80% working interest, who purchased the Company's 20% working interest for its carried value of \$1 and assumed all current and future liabilities of the Company's reclamation liability in the amount of \$140,253 (Note 4).

Management of the Company continues to investigate and pursue other opportunities of merit to enhance shareholder value of the Company.

These 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 year ended August 31, 2020, the Company had a net loss of \$26,621 and had an accumulated deficit of \$3,723,154 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 financial statements do not reflect any adjustments that may be necessary should the Company be unable to continue as a going concern.

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

The 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").

(b) Basis of Measurement

The 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 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 years presented in these financial statements as if the policies have always been in effect.

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgments

The preparation of 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 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 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 due from related parties, 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 financial statement areas that require significant estimates and judgments are set out in the following paragraphs:

2. BASIS OF PRESENTATION (continued)

(d) Use of Estimates and Judgments (continued)

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).

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.

2. BASIS OF PRESENTATION (continued)

(d) Use of Estimates and Judgments (continued)

In such circumstances, management may consider the application of other facts and circumstances to conclude that a joint arrangement 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 financial statements. The other facts and circumstances considered are the provisions for output to the parties of the joint arrangements.

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 year 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 August 31, 2020 and 2019.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 years available to common shareholders (numerator) by the weighted average number of common shares outstanding during the year (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 years ended August 31, 2020 and 2019, 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.

(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 year 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 year 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

The Company classified its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (FVTOCI), or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

The Company's accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in the statement of (loss) income in the year. Financial instruments included under this classification include cash.

Financial assets at FVTOCI: Financial instruments designated at FVTOCI are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at fair value with changes in fair value recognized in other comprehensive income, net of tax.

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date, and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets

An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods, if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Amortized cost - This category includes accounts payable and accrued liabilities, and due to related parties, which are recognized at amortized cost using the effective interest method.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognized in the statement of loss and comprehensive loss immediately, while transaction costs associated with all amortized costs are included in the initial measurement of the financial instrument.

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**(h) Provisions (continued)****(ii) Decommissioning provisions**

The Company's activities give rise to dismantling, decommissioning and site disturbance re-remediation 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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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 of Alberta.

(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, 2019:

(a) *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 and did not have a significant impact on the Company's financial statement presentation.

There are no other IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

KR INVESTMENT LTD.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**(Expressed in Canadian Dollars)

4. PROPERTY AND EQUIPMENT

	Petroleum and natural gas properties	
Cost:		
Balance, August 31, 2018	\$	305,132
Additions		-
Balance, August 31, 2019	\$	305,132
Additions		-
Balance, August 31, 2020	\$	305,132

	Petroleum and natural gas properties	
Accumulated depletion and disposal:		
Balance, August 31, 2018	\$	305,131
Depletion and disposal		-
Balance, August 31, 2019	\$	305,131
Depletion and disposal		1
Balance, August 31, 2020	\$	305,132

Net book value:		
As at August 31, 2018	\$	1
As at August 31, 2019	\$	1
As at August 31, 2020	\$	-

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. Due to the uncertainties in respect of the Provost well operations, the Company wrote down the carrying value of its working interest to a nominal value of \$1.

During the year ended August 31, 2019, COGI's 80% interest in the Provost wells was acquired by other parties and the Company received its operating license to restart its Provost operations by the end of the calendar year 2019.

As of August 31, 2020, the Company entered into an agreement with one of the third parties co-owners of the 80% working interest, to purchase the Company's 20% working interest for its carried value of \$1 and assumed all current and future liabilities of the Company's reclamation liability in the amount of \$140,253 (Note 5). As a further consequence of the sale, the Company reviewed certain of its accounts payable balances and recorded a write-off of \$34,518 pursuant to the statute of limitations.

KR INVESTMENT LTD.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

(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:

	August 31, 2020	August 31, 2019
Balance, beginning of year	\$ 132,333	\$ 124,413
Accretion expense	7,920	7,920
Reversal of provision upon sale of gas properties	(140,253)	-
Balance, end of year	\$ -	\$ 132,333

The present value of the obligation was calculated using an average discount rate of 8.00% (2019 – 8.00%) and an inflation rate of 2% (2019 – 2%). Responsibility of all reclamation activities has been assumed by the purchaser of the gas properties (see Note 1 and Note 4).

6. SHARE CAPITAL

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

There were no share issuances during the years ended August 31, 2020 and 2019.

(b) Stock Options

The Company has established an incentive stock option plan for granting options to directors, employees and consultants. 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 years ended August 31, 2020 and 2019.

KR INVESTMENT LTD.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)**(a) Stock Options (continued)****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, August 31, 2020 and 2019 and 2018	262,500	\$0.88

As at August 31, 2020, 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 August 31, 2020, the weighted average remaining life of the outstanding options was 2.66 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:

- During the year ended August 31, 2020, the Company was charged a total of \$50,400 (2019 - \$25,200) to operations in consulting fees provided by a company controlled by a director and officer of the Company.
- During the year ended August 31, 2020, the Company was charged a total of \$24,000 (2019 - \$24,000) to operations in consulting fees provided by a director and officer of the Company.

As of August 31, 2020, \$37,000 (August 31, 2019 - \$24,000) and \$Nil (August 31, 2019 - \$37,000) are included in current and long-term prepaid expenses, respectively, relating to prepayments made to a director.

- During the year ended August 31, 2020, the Company was charged a total of \$21,000 (2019 - \$12,600) to operations for office premises provided by a company controlled by a director of the Company.
- During the year ended August 31, 2020, the Company reversed a total of \$4,000 (2019 - \$Nil) to operations for directors' fees. As at August 31, 2020, the Company has accrued a total amount of \$Nil (August 31, 2019 - \$4,000) as due to related parties.

KR INVESTMENT LTD.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**(Expressed in Canadian Dollars)

8. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes are as follows:

	2020	2019
	\$	\$
Loss for the year	(26,621)	(163,795)
Expected income tax (recovery)	(7,000)	(44,000)
Change in statutory, foreign tax, foreign exchange rates, and other	2,000	3,000
Share Issuance Costs	-	-
Change in unrecognized deductible temporary differences	5,000	41,000
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:

	2020	2019
	\$	\$
Deferred Tax Assets (Liabilities):		
Property and equipment	420,000	420,000
Share issuance costs	2,000	3,000
Non-capital losses available for future years	483,000	477,000
	905,000	900,000
Unrecognized deferred tax assets	(905,000)	(900,000)
Net deferred tax assets	-	-

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:

	2020	Expiry Date Range	2019	Expiry Date Range
Property and equipment	\$ 1,554,000	No expiry date	\$ 1,554,000	No expiry date
Share issuance costs	\$ 7,000	2041 to 2042	\$ 12,000	2040 to 2042
Non-capital losses available for future years	\$ 1,790,000	2030 to 2040	\$ 1,768,000	2030 to 2039

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

KR INVESTMENT LTD.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

(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 August 31, 2020, 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 FVTPL. The Company classifies its accounts payable and accrued liabilities, and due to related parties at amortized cost. The fair values of these financial instruments approximate their carrying values because of their current or on demand nature.

	August 31, 2020	August 31, 2019
FVTPL	\$185,266	\$330,995
Amortized cost	\$30,771	\$41,547

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:

KR INVESTMENT LTD.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**(Expressed in Canadian Dollars)

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 August 31, 2020 are as follows:

	Balance at August 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	\$	\$	\$	\$
Financial Assets:				
Cash	\$ 185,266	\$ 185,266	\$ –	\$ –

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 \$185,266.

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.

KR INVESTMENT LTD.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**(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 August 31, 2020 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	\$ 30,771	\$ -	\$ -	\$ -	\$ 30,771
	\$ 30,771	\$ -	\$ -	\$ -	\$ 30,771

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.

11. CIVIL CLAIM

On July 29, 2020, the Company has been named as co-defendant in a civil claim filed at the Provincial Court of Alberta in Calgary, AB. The plaintiff claims against all defendants a total estimated sum of \$20,000 debt of surface lease payments in reference to the Provost oil wells. The Company's financial risk is limited by its 20% working interest which resulted in the Company to accrue an amount of \$4,000 as of August 31, 2020. The Company's legal counsel remains in joint negotiations with the plaintiff. A settlement is expected in three to six months.

12. SUBSEQUENT EVENTS

- a) On October 23, 2020, the Company entered into an agreement with one of its directors with the intent to terminate previous consulting agreements and to resign from the Company's Board effective November 27, 2020. In return, the director will be relieved by the Company from his repayment obligation of \$31,000 from a previously received overpayment (see Note 7).

- b) On October 9, 2020, the Company proposed a share consolidation in a maximum ratio of twenty (20) pre-consolidation common shares for one (1) post-consolidation common share in order to increase its flexibility with respect to potential business transactions. The Company will seek shareholder approval at its annual and special meeting of shareholders scheduled for November 27, 2020. The consolidation is subject to the approval of the TSX-V and would result in 1,135,625 post-consolidation issued and outstanding common shares.