
**KR INVESTMENT LTD.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
AUGUST 31, 2022 AND 2021
(Audited)**

KR INVESTMENT LTD.

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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, 2022 and 2021, and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2022 and 2021, 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 audit 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 audit 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 \$160,150 during the year ended August 31, 2022 and, as of that date, the Company has a total accumulated deficit of \$4,225,205. 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.

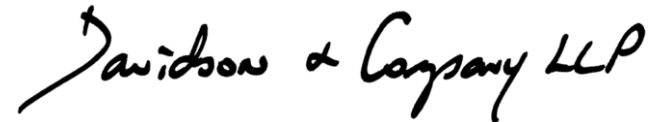
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

December 16, 2022

KR INVESTMENT LTD.**STATEMENTS OF FINANCIAL POSITION****AS AT AUGUST 31, 2022 AND 2021**(Expressed in Canadian Dollars)

	Note	August 31, 2022	August 31, 2021
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash		1,209	9,518
		<u>1,209</u>	<u>9,518</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	5	173,962	71,150
Due to related parties	5(d)	30,000	-
		<u>203,962</u>	<u>71,150</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	4	3,681,659	3,662,630
Contributed surplus		340,793	340,793
Deficit		(4,225,205)	(4,065,055)
		<u>(202,753)</u>	<u>(61,632)</u>
		<u>1,209</u>	<u>9,518</u>

Nature of operations and going concern (Note 1)

Approved and authorized for issue on behalf of the Board of Directors on December 16, 2022:

"Peter Kohl"
Peter Kohl, Director

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

KR INVESTMENT LTD.**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS****FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**(Expressed in Canadian Dollars)

		2022	2021
		\$	\$
	Note		
EXPENSES			
Accounting and legal	5(c)	51,925	117,528
Consulting	5(a)	63,000	134,000
Office and miscellaneous		5,463	5,609
Rent	5(b)	25,200	25,200
Stock based compensation		-	10,800
Telephone		-	880
Transfer agent, filing, and listing fees		14,561	16,447
Travel expense		-	437
		<hr/> 160,150	<hr/> 310,901
LOSS FROM OPERATIONS		<hr/> (160,150)	<hr/> (310,901)
OTHER INCOME			
Loss on write-off of prepaid expenses		-	31,000
		<hr/> -	<hr/> 31,000
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		<hr/> (160,150)	<hr/> (341,901)
Net Loss Per Share – Basic and Diluted		<hr/> (0.07)	<hr/> (0.25)
Weighted Average Number of Common Shares Outstanding (basic and diluted)		<hr/> 2,270,332	<hr/> 1,404,146

KR INVESTMENT LTD.**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)****FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**(Expressed in Canadian Dollars)

	Share Capital				
	Number of Common Shares	Amount \$	Contributed Surplus \$	Deficit \$	Total \$
Balance, August 31, 2020	1,135,625	3,579,256	335,393	(3,723,154)	191,495
Share issuance	585,000	40,950			40,950
Exercise of warrants	390,000	39,000			39,000
Exercise of options	60,000	6,000			6,000
Share issuance cost		(7,976)			(7,976)
Stock options granted			10,8000		10,800
Stock options exercised		5,400	(5,400)		-
Net loss	-	-	-	(341,901)	(341,901)
Balance, August 31, 2021	2,170,625	3,662,630	340,793	(4,065,055)	(61,632)
Balance, August 31, 2021	2,170,625	3,662,630	340,793	(4,065,055)	(61,632)
Exercise of warrants	195,000	19,500			19,500
Issuance cost		(471)			(471)
Net loss	-	-	-	(160,150)	(160,150)
Balance, August 31, 2022	2,365,625	3,681,659	340,793	(4,225,205)	(202,753)

KR INVESTMENT LTD.**STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**(Expressed in Canadian Dollars)

	2022	2021
	\$	\$
OPERATING ACTIVITIES		
Net loss for the year	(160,150)	(341,901)
Items not involving cash:		
Stock based compensation	-	10,800
Changes in non-cash components of working capital:		-
Prepaid expenses	-	37,000
Accounts payable and accrued liabilities	102,812	40,379
Due to related parties	30,000	-
	<hr/>	<hr/>
Cash flows used in operating activities	(27,338)	(253,722)
FINANCING ACTIVITIES		
Share issuance	19,500	85,950
Issuance cost	(471)	(7,976)
	<hr/>	<hr/>
	19,029	77,974
		-
DECREASE IN CASH	(8,309)	(175,748)
CASH – BEGINNING OF YEAR	9,518	185,266
CASH – END OF YEAR	1,209	9,518

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

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 was further dependant on the third party's full acquisition of all necessary oil and gas leases. As of August 31, 2021, the Company finalized its 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 its current and future reclamation and decommissioning liabilities associated with the working interest.

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, 2022, the Company had a net loss of \$160,150, a working capital deficiency of \$202,753, and had an accumulated deficit of \$4,225,205 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(g), 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, 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)

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, 2022 and August 31, 2021.

(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 Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) 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.

(e) 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, 2022 and 2021, the existence of stock options and warrants causes the calculation of diluted loss per share to be anti-dilutive. Accordingly, diluted loss per share is equal to basic loss per share.

(f) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments

Financial assets

The Company classifies 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.

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 and comprehensive loss. 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 and comprehensive loss 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments (continued)

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 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.

(h) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Provisions

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.

(i) Recent Accounting Pronouncements

There are no IFRS or IFRC 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, 2022 AND 2021**(Expressed in Canadian Dollars)

4. SHARE CAPITAL

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

On November 27, 2020, the Company received shareholder approval for its share consolidation in a 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 consolidation was approved by the TSX-V and effective on February 16, 2021, resulting in 1,135,625 post-consolidation issued and outstanding common shares.

On March 29, 2021, the Company closed a portion of its non-brokered private placement offering. The Company issued 585,000 units at a price of \$0.07 per unit for gross proceeds of \$40,950. Each Unit is comprised of one common share and one share purchase warrant. Each Warrant entitles the holder to acquire one additional common share at a price of \$0.10 per share for a period of 12 months.

During the year ended August 31, 2021, the Company issued 450,000 common shares at a price of \$0.10 per share pursuant to the exercise of 390,000 share purchase warrants and 60,000 stock options.

During the year ended August 31, 2022, the Company issued 195,000 common shares at a price of \$0.10 per share pursuant to the exercise of 195,000 share purchase warrants.

As at August 31, 2022, the Company has a total of 2,365,625 issued and outstanding common shares.

- (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.

On March 28, 2021, the Company mutually terminated all unexpired, vested, and outstanding stock options.

On March 31, 2021, the Company has granted 120,000 incentive stock options to directors of the Company. The options are exercisable at a price of \$0.10 per common share until March 31, 2031.

On August 30, 2021, 60,000 stock options have been exercised.

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 as of August 31, 2020	13,125	\$0.8
Expired or terminated	(13,125)	\$0.88
Granted	120,000	\$0.10
Exercised	(60,000)	\$0.10
Outstanding as of August 31, 2022 and 2021	60,000	\$0.10

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(Expressed in Canadian Dollars)

KR INVESTMENT LTD.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

(Expressed in Canadian Dollars)

4. SHARE CAPITAL (continued)

(b) Stock options (continued)

As at August 31, 2022 and 2021, the following incentive stock options are outstanding and exercisable:

	Number of Options	Weighted Average Exercise Price	Expiry Date
Directors' and Officers' options	60,000	\$0.10	March 31, 2031

As at August 31, 2022, the weighted average remaining life of the outstanding options was 8.59 years.

(c) Warrants

As at August 31, 2022 and 2021, the Company had the following outstanding warrants to purchase common shares of the Company.

	Number of Warrants	Weighted Average Exercise Price
Outstanding as of August 31, 2020	-	-
Issued	585,000	\$0.10
Exercised	(390,000)	\$0.10
Outstanding as of August 31, 2021	195,000	\$0.10
Issued	-	-
Exercised	(195,000)	\$0.10
Outstanding as of August 31, 2022	-	-

5. 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 year ended August 31, 2022, the Company was charged a total of \$63,000 (2021 - \$63,000) to operations in consulting fees provided by a company controlled by a director and officer of the Company. As at August 31, 2022, a total amount of \$84,000 (August 31, 2021 - \$21,000) of previously charged fees has been included in accounts payable.
- b. During the year ended August 31, 2022, the Company was charged a total of \$25,200 (2021 - \$25,200) to operations for office premises provided by a company controlled by a director of the Company. As at August 31, 2022, a total amount of \$33,600 (August 31, 2021 - \$8,400) has been included in accounts payable.
- c. During the year period ended August 31, 2022, the Company was charged a total of \$15,750 (2021 - \$15,750) to operations in accounting fees provided by a company controlled by a director and officer of the Company. As at August 31, 2022, a total amount of \$15,750 (August 31, 2021 - \$Nil) has been included in accounts payable.
- d. During the year ended August 31, 2022, the Company received \$30,000 (2021 - \$Nil) in loan advances from a director of the Company. The loans are non-interest bearing and due on demand. As at August 31, 2022, the total amount of loan payable to related parties is \$30,000 (August 31, 2021 - \$Nil).

During the fiscal year ended August 31, 2021, the Company incurred a total of \$4,788 of operational expenses advanced by director of the Company. As of August 31, 2022, a total amount of \$2,334 (August 31, 2021 - \$2,334) of which is outstanding and included in accounts payable.

KR INVESTMENT LTD.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**(Expressed in Canadian Dollars)

6. INCOME TAXES

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

	2022	2021
	\$	\$
Loss for the year	(160,150)	(341,901)
Expected income tax (recovery)	(43,000)	(92,000)
Permanent differences	(6,000)	(3,000)
Share Issuance Costs	-	(2,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	-	(26,000)
Change in unrecognized deductible temporary differences	49,000	123,000
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:

	2022	2021
	\$	\$
Deferred Tax Assets (Liabilities):		
Property and equipment	423,000	420,000
Share issuance costs	1,000	2,000
Non-capital losses available for future years	653,000	606,000
	1,077,000	1,028,000
Unrecognized deferred tax assets	(1,077,000)	(1,028,000)
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:

	2022	Expiry Date Range	2021	Expiry Date Range
Property and equipment	\$ 1,566,000	No expiry date	\$ 1,554,000	No expiry date
Share issuance costs	\$ 5,000	2043 to 2046	\$ 8,000	2042 to 2045
Non-capital losses available for future years	\$ 2,420,000	2027 to 2042	\$ 2,246,000	2026 to 2041

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

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**(Expressed in Canadian Dollars)

7. 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, 2022, 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.

8. 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, 2022	August 31, 2021
FVTPL	\$1,209	\$9,518
Amortized cost	\$203,962	\$71,150

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:

8. 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, 2022 are as follows:

	Balance at August 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	\$	\$	\$	\$
Financial Assets:				
Cash	\$ 1,209	\$ 1,209	\$ –	\$ –

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 \$1,209.

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, 2022 AND 2021**

(Expressed in Canadian Dollars)

8. 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, 2022 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	\$ 203,962	\$ -	\$ -	\$ -	\$ 203,962
	\$ 203,962	\$ -	\$ -	\$ -	\$ 203,962

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.

9. 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 claimed against all defendants a total estimated sum of \$20,000 debt of surface lease payments in reference to the Provost oil wells.

On June, 21, 2021 and June 29, 2021, the Land & Property Rights Tribunal, Alberta issued a notice and demand of payment to the licensed operator of a total amount of \$33,040. The disputed amount was settled in the Alberta Land and Property Rights Tribunal and the plaintiff received full payment, however, the plaintiff has yet to rescind its civil claim.

On October 19, 2021, Company's legal council stated an increased amount further claimed by the plaintiff of \$58,440.

The Company's financial risk is limited by its former 20% working interest which resulted in the Company to increase its accrued liabilities during fiscal 2022 by a further provision of \$5,080 to a total amount of \$11,688 (August 31, 2021 - \$6,608).

The Company's legal counsel remains in joint negotiations with the plaintiff.

The Company is currently waiting for the plaintiff to rescind its civil claim since the disputed amount has been settled.