Financial statements of

Oronova Energy Inc.

Years ended January 31, 2021 and 2020
(Expressed in Canadian dollars)

KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB T2P 4B9
Tel (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Oronova Energy Inc.

Opinion

We have audited the financial statements of Oronova Energy Inc. (the "Company"), which comprise:

- the statements of financial position as at January 31, 2021 and January 31, 2020
- the statements of loss and comprehensive loss for the years then ended
- the statements of equity for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2021 and January 31, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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 "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the financial statements, which indicates that the Entity's ability to continue as a going concern depends on the Entity's ability to raise sufficient resources to fund the Entity's current expenditures and future development plan and that there is no assurance that it will be able to complete or obtain adequate financing in the future.

As stated in note 1 in the financial statements, these events or conditions, along with other matters as set forth in note 1 in the financial statements, 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. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

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 as issued by the IASB, 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.

Auditors' 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 auditors' 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 the 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 auditors' 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 auditors' 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.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 auditors' report is Shane Doig.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
May 12, 2021

Oronova Energy Inc.
Statements of Financial Position
(Expressed in Canadian dollars)

	January 31, 2021	January 31, 2020
Assets		
Current assets		
Cash	**$ 8,285**	$ 33,944
Total assets	**$ 8,285**	$ 33,944
Liabilities		
Current liabilities		
Amounts payable and accrued liabilities	**$ 159,289**	$ 25,603
	159,289	25,603
Shareholders' equity (deficiency)		
Share capital (Note 5)	**9,347,357**	9,347,357
Equity reserve (Note 5)	**1,162,976**	1,107,574
Deficit	**(10,661,337)**	(10,446,590)
Total shareholders' equity (deficiency)	**(151,004)**	8,341
Total liabilities and shareholders' equity (deficiency)	**$ 8,285**	$ 33,944

Nature and continuance of operations and going concern (Note 1)

Approved by the Board of Directors and authorized for issue on May 12, 2021:

"Geir Liland" Director

"David Farrell" Director

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

Oronova Energy Inc.

Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Years ended January 31, **2021**	2020
Expenses		
Advisory and consulting	**$ 120,000**	$ 310,000
Professional fees	**13,159**	20,968
Regulatory and transfer agent	**13,397**	13,880
Rent and office	**13,365**	13,622
Salaries and benefits	**-**	211
Share-based compensation (Note 5(c) and 6)	**55,402**	4,702
Travel	**-**	11,195
	(215,323)	(374,578)
Foreign exchange gain	**424**	34
Finance income	**152**	2,377
	576	2,411
Net loss and comprehensive loss	**$ (214,747)**	$ (372,167)
Basic and diluted loss per share	**$ (0.00)**	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	**43,602,828**	43,602,828

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

Oronova Energy Inc.
Statements of Equity
(Expressed in Canadian dollars)

	Share capital		Equity		Total shareholders'
	Number	Amount	reserve	Deficit	equity (deficiency)
Balance at January 31, 2019	43,602,828	$ 9,347,357	$ 1,102,872	$ (10,074,423)	$ 375,806
Share-based compensation	-	-	4,702	-	4,702
Net loss and comprehensive loss	-	-	-	(372,167)	(372,167)
Balance at Janaury 31, 2020	43,602,828	9,347,357	1,107,574	(10,446,590)	8,341
Share-based compensation	-	-	55,402	-	55,402
Net loss and comprehensive loss	-	-	-	(214,747)	(214,747)
Balance at January 31, 2021	43,602,828	$ 9,347,357	$ 1,162,976	$ (10,661,337)	$ (151,004)

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

Oronova Energy Inc.
Statements of Cash Flows
(Expressed in Canadian dollars)

	Years ended January 31, 2021	2020
Operating activities		
Net loss	**$ (214,747)**	$ (372,167)
Items not involving cash:		
Share-based compensation	**55,402**	4,702
Changes in non-cash working capital items:		
Amounts receivable	**-**	11,921
Prepaid expenses and deposits	**-**	70,000
Amounts payable and accrued liabilities	**133,686**	(8,488)
	(25,659)	(294,032)
Change in cash	**(25,659)**	(294,032)
Cash, beginning of year	**33,944**	327,976
Cash, end of year	**$ 8,285**	$ 33,944

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

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN

The Company was incorporated under the laws of the province of British Columbia, Canada, and its principal activity is acquisition, exploration, development and production of crude oil and natural gas reserves in strategic countries. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "ONV." The Company's registered and records office is located at 25th Floor, 700 West Georgia Street, Vancouver BC, V7Y 1B3.

These financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at January 31, 2021, the Company had a working capital deficit of $151,004. For the year ended January 31, 2021, the Company incurred a loss of $214,747. As at January 31, 2021, the Company has an accumulated deficit of $10,661,337. The Company's ability to continue as a going concern depends on management's ability to raise sufficient resources to fund the Company's working capital deficit, current expenditures and future operations. There is no assurance that it will be able to complete or obtain adequate financing in the future. This material uncertainty casts significant doubt about the Company's ability to continue as a going concern. These financial statements do not give effect to adjustments that would be necessary to the carrying values of assets and liabilities, reported revenues and expenses and the statement of financial position classifications used. Such adjustments could be material.

These financial statements were approved and authorized for issuance by the Board of Directors on May 12, 2021.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These financial statements as at and for the year ended January 31, 2021, including comparatives, are prepared in accordance with International Financial Reporting Standings ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of measurement

These financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Critical Judgments

The preparation of these financial statements requires the Company to make judgments regarding the going concern of the Company as discussed in Note 1.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Financial instruments

Financial Assets

Financial assets are classified and measured at: amortized cost; fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The Company's financial assets which consist of cash is classified at amortized cost.

Financial Liabilities

Financial liabilities are initially recognized on the date they are originated and are derecognized when the contractual obligations are discharged or cancelled or expire. These financial liabilities are recognized initially at fair value and subsequently are measured at amortized costs using the effective interest method, when materially different from the initial amount. Fair value is determined based on the present value of future cash flows, discounted at the market rate of interest. The Company's financial liabilities which consist of amounts payable are recorded at amortized cost.

(b) Cash

Cash include cash on deposit.

(c) Share Capital

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from shareholders' equity, net of any tax effects.

(d) Impairment

Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that financial asset. An impairment loss in respect of a financial asset, measured at amortized cost, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Material financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

The Company follows the expected credit loss model for calculating impairment for financial assets. A triggering event is not required to have occurred before credit losses are recognized. The Company recognizes expected credit losses when financial instruments are initially recognized and updates the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments.

For financial assets, an impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Impairment (Continued)

All impairment losses are recognized in the statement of loss.

Non-financial Assets

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If indicators are present, the assets are written down to their recoverable amount being the higher of an asset's fair value less costs to sell and its value-in-use.

(e) Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted, at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

Deferred income tax is provided using the balance sheet method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income taxes are recognized for all taxable temporary differences, except:

- where deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting earnings nor taxable earnings or loss; and
- in respect of taxable temporary differences associated with the investments in subsidiaries, associate and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable earnings will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at the statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent that is has become probable that future taxable earnings will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Per Share Amounts

Basic loss per share information is computed by dividing the loss by the weighted average number of shares outstanding during the reporting period. The Company utilizes the treasury stock method in the determination of diluted earnings per share amounts. Under this method, the diluted weighted average number of shares is calculated assuming the proceeds that arise from the exercise of outstanding, in-the-money warrants are used to purchase common shares of the Company at their average market price for the period. The weighted average number of shares outstanding is then adjusted by the net change.

(g) Recent accounting standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. There are no new standards which the Company reasonably expects are applicable to the Company and will significantly impact the Company.

4. FINANCIAL INSTRUMENTS

Financial Risk Management and Fair Value Measurement

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and amounts payable and accrued liabilities. Their carrying values approximate fair value due to the short-term nature of these instruments. There are no financial instruments carried at fair value.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company is exposed to credit risk on cash. The Company reduces its credit risk on cash by maintaining its bank account with a large international financial institution. The maximum exposure to credit risk is equal to the carrying value of its cash.

Liquidity Risk

The Company's cash is invested in bank accounts which are available on demand. As at January 31, 2021, the Company had a working capital deficit of $151,004 and requires additional funding to continue operations for the next twelve months (Note 1).

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign currency and price risk.

a) *Interest Rate Risk*

The Company is nominally exposed to interest rate risk. The Company's cash earns interest at variable rates. Interest rate exposure is considered to be insignificant.

4. FINANCIAL INSTRUMENTS (Continued)

Financial Instrument Risk Exposure (Continued)

Market Risk (Continued)

b) *Foreign Currency Risk*

The Company is nominally exposed to foreign currency risk.

c) *Price Risk*

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

5. EQUITY

(a) Authorized

Unlimited common shares without par value.
Unlimited number of preferred shares issuable in series.

(b) Issued and outstanding common shares

There were no common shares issued during the year ended January 31, 2021 and 2020.

As at January 31, 2021 and 2020, there were 43,602,828 common shares issued and outstanding.

(c) Share options

The Company has adopted an incentive share option plan which provides that the Board of Directors of the Company may from time to time, in its discretion and in accordance with the TSX-V requirements, grant to directors, officers, employees, charitable organizations and technical consultants of the Company, non-transferable share options to purchase common shares, provided that the number of common shares reserved for issuance in any twelve month period will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant at a price not less than the closing price of the Company's shares on the last trading day before the grant of such options less any discount, if applicable, but in any event not less than $0.05 per share. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee insider in any twelve month period will not exceed 10% of the issued and outstanding common shares and the number of common shares reserved for issuance to any one employee or consultant will not exceed 2% of the issued and outstanding common shares. Share options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities.

During the year ended January 31, 2021, 1,200,000 share options were granted to directors, officers, and consultants of the Company, vested immediately, exercisable at $0.06 per common share until May 27, 2030. Using the Black-Scholes valuation model, the grant date fair value was $55,402, or $0.05 per option.

(Expressed in Canadian dollars)

5. EQUITY (Continued)

The following weighted average assumptions were used for the valuation of the share options:

	2020
Risk-free interest rate	0.44%
Expected life (years)	10 years
Annualized volatility	75.00%
Dividend rate	0.00%

Share-based compensation of $4,702 was recognized in the statements of loss and comprehensive loss during the year ended January 31, 2020, for the vesting of options granted during the year ended January 31, 2019.

Following is a summary of changes in share options outstanding:

	Number of options	Weighted average exercise price
Balance, January 31, 2019	4,100,000	$ 0.08
Expired	(940,000)	0.05
Balance, January 31, 2020	3,160,000	0.09
Granted	1,200,000	0.06
Expired	(600,000)	0.11
Cancelled	(200,000)	0.09
Balance, January 31, 2021	3,560,000	$ 0.08

The following table summarizes information about share options outstanding and exercisable at January 31, 2021:

Outstanding and exercisable	Exercise price	Expiry date
1,410,000	$ 0.05	November 15, 2026
950,000	0.14	February 15, 2028
1,200,000	0.06	May 27, 2030
3,560,000		

6. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

During the year ended January 31, 2021, key management personnel compensation paid, including directors and officers, was comprised of share-based compensation of $36,934 (2020: $nil).

(Expressed in Canadian dollars)

7. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, business opportunity and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or return capital to its shareholders. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis. During the year ended January 31, 2021, there has been no change in the Company's management of capital policies. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets. Refer to Note 1 for additional details of the Company's ability to continue as a going concern.

8. INCOME TAX

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before income taxes due to the following:

	Years ended January 31, **2021**	2020
Loss before income taxes	**$ (214,747)**	$ (372,167)
Canadian federal and provincial income tax rates	**27%**	27%
Tax provision for income taxes	**(57,982)**	(100,485)
Deferred tax benefits deemed not probable to be recovered and other	**57,982**	100,485
Income tax recovery	**$ -**	$ -

The Company had non-capital losses of approximately $3.3 million (January 31, 2020 - $ 3.1 million) that expire between 2026- 2041 and have not been recorded in the Company's records as they are not deemed more likely than not to be recovered.

9. COVID-19 UNCERTAINTY

To the date of this report, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. As at the date of this report, the Company has not been significantly impacted by the spread of COVID-19.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

10. CONTINGENCY

In September 2018, the Company engaged Advantage Energy Services Ltd. (“Advantage”) of Calgary, Alberta to identify strategic oil and gas assets and generate projects in the Western Canadian Sedimentary Basin that can be leveraged into high impact plays. The Company agreed to pay a monthly consulting fee to Advantage of $60,000. As at January 31, 2021, the Company has contingent liabilities of $693,000 (January 31, 2020: $598,500) owing to Advantage, which are dependent upon the completion of the JV Agreement and Financing described below.

In November 2018, pursuant to the agreement with Advantage, Advantage’s affiliated company, 2136983 Alberta Ltd. ("2136983") entered into a joint venture and operating revenue sharing agreement with a third party company (the "JV Agreement") whereby 2136983 will acquire, subject to Financing (defined below) and directors’ approval, an undivided 50% working interest in certain producing and non-producing oil and gas assets and oil and gas plant and facility assets in the Province of Alberta. Pursuant to the JV Agreement, 2136983 must invest $4 million as an initial joint venture contribution.

In December 2018, in connection with the proposed acquisition, the Company announced a non-brokered private placement for $6,000,000 through the issuance of 40,000,000 units at $0.15 per unit, subject to TSX-V approval (the "Financing"). Each unit consists of one common share of the Company and one half of a warrant. Each full warrant will entitle the warrant holder to purchase one common share of the Company for two years at an exercise price of $0.25 per share subject to accelerated expiry in the event the Company's common shares trade at or above $0.45 per share for a period of 10 consecutive trading days after expiry of the four-month hold period. The Company may pay a finder's fee to qualified persons in regard to the Financing. Proceeds from the Financing will be used to fund acquisitions and for general working capital purposes.

This Financing remains in discussions but it is likely the terms will change if it does proceed.

Upon completion of the Financing and the closing of the JV Agreement, the Company anticipates acquiring all of the issued and outstanding shares of 2136983 from Advantage in exchange for 10 million common shares of the Company. Members of the Advantage oil and gas team are planned to become the officers, directors, and management of the Company, subject to TSX-V approval.