ALTIMA RESOURCES LTD.

Condensed Consolidated Interim Financial Statements

Three months ended May 31, 2022

Expressed in Canadian Dollars - unaudited

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

VANCOUVER, BC
October 11, 2022

ALTIMA RESOURCES LTD.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars - unaudited)

	Notes		May 31, 2022		February 28, 2022
ASSETS					
Current assets					
Cash	3	$	96,917	$	139,219
Prepaids and deposits			178,550		180,750
Receivables	5		439,182		474,809
			714,649		**794,778**
Non-current assets					
Petroleum and natural gas properties	4, 7		4,786,432		4,830,356
TOTAL ASSETS		**$**	**5,501,081**	**$**	**5,625,134**
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	6	$	5,916,611	$	5,945,895
Amounts payable to related parties	13		2,513,796		2,389,602
Convertible debenture subscriptions	8		25,000		25,000
Loans and advances	9		673,112		673,112
Promissory note	4		699,135		678,405
			9,827,653		**9,712,014**
Long-term liabilities					
Decommissioning provision	10		4,465,225		4,385,605
Loans and advances	9		-		-
Promissory note	4		-		-
TOTAL LIABILITIES			**14,292,879**		**14,097,619**
SHAREHOLDERS' DEFICIENCY					
Share capital	12		29,258,112		29,173,112
Reserves	12		1,794,293		1,794,293
Deficit			(39,844,203)		(39,439,890)
TOTAL SHAREHOLDERS' DEFICIENCY			**(8,791,798)**		**(8,472,485)**
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		**$**	**5,501,081**	**$**	**6,383,119**

Nature of operations and going concern	1
Contingencies	11
Subsequent events	16

Approved on behalf of the Board:

"Jurgen *Wolf*" Director *"Joe DeVries"* Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements

ALTIMA RESOURCES LTD.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars - unaudited)

	Notes	Three months ended May 31, 2022	Three months ended May 31, 2021
REVENUE			
Petroleum and natural gas sales		$ 407,963	$ 370,350
DIRECT COSTS			
Accretion	10	79,620	99,820
Depletion	7	55,340	58,652
Operating costs		295,113	331,059
Royalty expense		80,238	24,035
		510,311	513,566
GROSS PROFIT (LOSS)		**(102,348)**	**(143,216)**
EXPENSES			
Consulting		-	-
Property investigation		1,623	6,425
Foreign exchange loss (gain)		(473)	(14,130)
Interest and penalties	13	37,113	27,429
Investor communications		-	280
Management fees	13	28,500	28,500
Office facilities and miscellaneous	13	213,600	170,234
Professional fees		20,208	55,250
Transfer agent filing fees		1,394	706
Travel and promotion		-	3,406
		(301,965)	(278,100)
OPERATING LOSS		(404,313)	(421,316)
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		**$ (404,313)**	**$ (421,316)**
Income (loss) per share – basic and diluted		$ (0.01)	$ (0.01)
Weighted average shares outstanding – basic and diluted		34,474,949	34,474,949

The accompanying notes are an integral part of these condensed consolidated interim financial statements

ALTIMA RESOURCES LTD.

Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency
Three months ended May 31, 2022 and 2021
(Expressed in Canadian dollars - unaudited)

		Share capital				
	Notes	Number of shares	Amount	Reserves	Deficit	Total
Balance at February 28, 2021		**34,474,949**	**$ 29,173,112**	**$ 1,794,293**	**$ (35,133,069)**	**$ (4,165,664)**
Loss for the period		-	-	-	(421,316)	(421,316)
Balance at May 31, 2021		**34,474,949**	**$ 29,173,112**	**$ 1,794,293**	**$ (35,554,385)**	**$ (4,586,980)**
Balance at February 28, 2022		**34,474,949**	**$ 29,173,112**	**$ 1,794,293**	**$ (39,439,890)**	**$ (8,472,485)**
Share subscriptions received	12, 16	-	85,000	-	-	85,000
Loss for the period		-	-	-	(404,313)	(404,313)
Balance at May 31, 2022		**34,474,949**	**$ 29,258,112**	**$ 1,794,293**	**$ (39,844,203)**	**$ (8,791,798)**

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The accompanying notes are an integral part of these condensed consolidated interim financial statements

ALTIMA RESOURCES LTD.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars - unaudited)

		Three months ended	
		May 31, 2022	**May 31, 2021**
Operating activities			
Income (loss) for the period		$ (404,313)	$ (421,316)
Adjustments for non-cash items:			
Accretion of decommissioning liability		79,621	99,819
Accretion of note payable		20,730	18,378
Depletion	7	55,340	58,652
Net change in non-cash working capital items:			
Receivables		35,627	56,785
Prepaids and deposits		2,200	17,300
Accounts payable and accruals		(29,284)	(174,646)
Amounts payable to related parties		124,194	250,419
Net cash flows used in operating activities		(115,886)	(94,609)
Investing activities			
Cash on acquisition		-	-
Petroleum and natural gas properties		(11,416)	-
Net cash flows provided by investing activities		(11,416)	-
Financing activities			
Loans and advances		-	74,350
Share capital subscriptions		85,000	-
Convertible debenture subscription	8	-	-
Net cash flows provided by financing activities		85,000	74,350
Change in cash during period		(42,302)	(20,259)
Cash, beginning		139,219	79,631
Cash, ending		**$ 96,917**	**$ 59,372**

Supplemental cash flow information		
Cash paid for:		
Interest	$ -	$ -
Income tax	$ -	$ -

Non-cash transactions: **Non-cash transactions**: During the periods ended February 28, 2022 and February 29, 2021 there were no other non-cash transactions.

The accompanying notes are an integral part of these condensed consolidated interim financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Altima Resources Ltd. (the "Company") is engaged in the exploration for and the development of petroleum and natural gas in Canada. The Company was incorporated under the laws of British Columbia on November 14, 2003. The Company trades on the TSX Venture Exchange ("TSX – V").

The head office, the principal address, and the registered and records office of the Company are all located at 303-595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5.

At May 31, 2022, the Company had an accumulated deficit of $39,844,203 (February 28, 2022 - $39,439,890) and a working capital deficiency of $9,113,004 (February 28, 2022 - $8,917,236). The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon the continued support of its shareholders, obtaining additional financing and generating revenues sufficient to cover its operating costs. The recovery of the Company's investment in assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop the properties and establish future profitable production from the properties, or from the proceeds of their disposition. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the financial statements.

In January 2022, the Company filed the required notice to change its financial year end from November 30 to February 28. The change in financial year end was completed to align the parent and subsidiary's financial year ends. As a result of this change, the Company presented a transitional fifteen-month financial period ending February 28, 2022 in the comparative statement of financial position.

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. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These consolidated financial statements were authorized for issue on October 11, 2022 by the directors of the Company.

Statement of compliance

The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") applicable to interim financial statements, including IAS 34 Interim Financial Reporting. These interim financial statements do not contain all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the 15 months ended February 28, 2022, which have been prepared in accordance with IFRS.

Measurement basis

These consolidated financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies below.

(Expressed in Canadian Dollars - unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Details of these entities are as follows:

	Country of incorporation	Percentage owned* May 31, 2022	Percentage owned* February 28, 2022
Altima Resources Ltd.	Canada	100%	100%
Unbridled Energy Corp.	Canada	100%	100%
Crimson Oil and Gas Ltd.	Canada	100%	100%
Unbridled Energy USA Inc.	United States	100%	100%
Unbridled Energy New York LLC	United States	100%	100%
Unbridled Energy PA LLC	United States	100%	100%
Unbridled Energy Ohio LLC	United States	100%	100%

*Percentage of voting power is in proportion to ownership.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the determination of the acquisition of a business, the reserves of petroleum and natural gas properties, the recoverability of the carrying value of exploration and evaluation assets and petroleum and natural gas properties, fair value measurements for share-based payments and other equity-based payments, the recognition and valuation of provisions for decommissioning liabilities, and the recoverability and measurement of deferred tax assets and liabilities.

Cash Generating Units ("CGU's")

The Company's assets are aggregated into cash-generating units ("CGU's"), based on the unit'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.

Significant accounting estimates include:

Reserves

Estimating reserves requires significant judgment based on geological, geophysical, engineering and economic data. Estimated changes in expected future cash flows in reported reserves can impact the impairment of assets, decommissioning obligations, the economic feasibility of exploration and evaluation assets and depletion and depreciation of property, plant, and equipment. As information becomes available, these estimates may change which could have a material impact on earnings.

Recoverability of assets carrying value

The Company reviews its exploration and evaluation assets and its petroleum and natural gas properties for indications of impairment at least annually. The assessment of impairment is dependent upon estimates of recoverable amounts that consider reserves, economic and market conditions, cash flows and the useful life of assets and their salvage value.

Share-based payments

The Company uses the Black-Scholes option pricing model to measure share-based compensation. The Company's estimate of share-based payments is dependent on measurement inputs including the share price on measurement date, exercise price of the option, volatility, risk-free rate, expected dividends, and the expected life.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Decommissioning provisions

The Company's decommissioning provisions for its operations are based on current legal and constructive requirements and expected plans for remediation. The actual costs and cash outflows may differ from these estimates due to changes in laws and regulations, site conditions, cleanup requirements, prices, and future removal technologies.

Deferred taxes

The Company applies judgment when interpreting and applying tax laws to determine tax provisions. The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized in the near future and has accordingly not recognized the value for any potential deferred tax assets.

Details of judgments, estimates and assumptions are further disclosed in the respective notes below.

Net assets acquired in business acquisition

Significant judgement includes:

Net assets acquired in business acquisition

The Company records the fair value of assets and liabilities acquired in a business acquisition. The Company has applied the expected credit loss model in determining receivable balance, expected financial outlays for liabilities including probability estimates, and reserve report from engineers and discounted cash flows from a valuator for determination of the value of oil and gas assets and asset retirement obligation.

Acquisition of a business

The Company considers guidance from IFRS 3 to determine if an acquisition meets the definition of a business. The Company determined in assessing the business of Crimson, that it met the definition of a business under IFRS 3 and accordingly recorded the acquisition of Crimson a business combination under IFRS 3.

Foreign currency translation

These financial statements are presented in Canadian dollars which is also the Company's and its subsidiaries functional currency.

Transactions and balances:

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Farm outs

The Company does not record any expenditure made by the farmee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm out arrangements but reallocates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalized.

Share-based payments

The Company has an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using a Black–Scholes option pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. The proceeds received, net of any directly attributable transaction costs, are credited to share capital when the options are exercised.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Impairment of assets

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its CGU exceeds its recoverable amount.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model was used. These calculations are corroborated by external valuation metrics or other available fair value indicators whenever possible. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

Impairment of assets (continued)

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period 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 substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically valuates 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 recognized in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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 by the end of the reporting period.

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.

Decommissioning provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets and petroleum and natural gas properties along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other petroleum and natural gas assets.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Decommissioning provisions (continued)

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to exploration and evaluation assets and petroleum and natural gas assets with a corresponding entry to the decommissioning provision; except in instances where no future economic benefits are expected to be derived through operation of the related assets, in which case the change to the associated closure and reclamation costs are charged to profit and loss. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets and petroleum and natural gas properties.

Exploration and evaluation assets

Exploration and evaluation assets include the costs of acquiring licenses, technical services and studies, exploration drilling and testing, and directly attributed general and administrative costs, and are initially capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired. Exploration and evaluation assets are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for when an indicator of impairment exists. For purposes of impairment testing, exploration and evaluation assets are allocated to CGUs.

Technical feasibility and commercial viability of extracting oil and gas is considered to be determinable when proved or probable reserves have been identified.

Once the proven or probable reserves have been identified, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to development assets or property plant and equipment depending on production. Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Petroleum and natural gas properties

Petroleum and natural gas development and production assets where proven or probable reserves have been identified, represent expenditures that are directly attributable to developing the oil and gas reserves and maintaining or enhancing such reserves.

Gains and losses on disposal of an item of property, plant and equipment, including petroleum and natural gas properties, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in profit or loss.

Farm outs of petroleum and natural gas properties are accounted for as a disposition of an interest in the asset in exchange for the fair value of goods and services received pertaining to the Company's retained interest in the asset.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of petroleum and natural gas properties are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such costs generally represent amounts incurred in developing proved and/or probable reserves and bringing in 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. The costs of the day-to-day servicing of petroleum and natural gas properties are recognized in profit or loss as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Depletion and depreciation

Petroleum and natural gas properties are depleted using the unit of production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually. Depletion is calculated separately for each CGU.

Proved and probable reserves are estimated by independent, qualified reserve engineer valuations and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs which are considered commercially producible.

Revenue from Contracts with Customers

Revenue from the sale of petroleum and natural gas products is recognized when control of the product passes to the customer and it is probable that the Company will collect the consideration to which it is entitled. The Company considers the completion of its performance obligation to be the point in time when the product is delivered to a location specified in a contract. The Company assesses customer creditworthiness throughout the revenue recognition process.

The Company operates its petroleum and natural gas properties through Contract Operator(s) and thereby defers to the terms set out by the Operating Agreement, whereby, the Contract Operator(s) executes the sales contracts with customers.

Sales of the Company's petroleum and natural gas products to customers are made pursuant to contracts based on prevailing commodity pricing at or near the time of delivery. Revenues are typically recorded in the month following delivery and accordingly, the Company has elected to apply the practical expedient to not adjust consideration for the effects of a financing component.

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the consideration transferred, measured at the acquisition date fair value. Assets and liabilities acquired are recorded at fair value. If consideration is less than net assets acquired, a purchase gain is recorded. Acquisition costs incurred are expensed.

Basic and diluted income (loss) per share

Basic income (loss) per share is computed by dividing the net income or loss applicable to the common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted income (loss) per share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

Flow-through shares

The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for Canadian income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. When the flow-through shares are issued, the premium paid, if any, for the flow-through shares in excess of the value of the shares without the flow-through feature is credited to a liability which is reversed in profit or loss when the eligible expenditures are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments (continued)

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading 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. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company's financial instruments:

Financial assets/liabilities	Classification
Cash	FVTPL
Receivables	Amortized cost
Accounts payable	Amortized cost
Amounts payable to related parties	Amortized cost
Loans and advances	Amortized cost
Convertible debenture subscriptions	Amortized cost
Promissory note	Amortized cost

(ii) Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

Debt investments at FVOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(Expressed in Canadian Dollars - unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

(iv) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

New accounting standards

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a material impact on the Company's consolidated financial statements.

3. CASH

The Company considers deposits with banks or highly liquid short-term interest-bearing securities that are readily convertible to known amounts of cash to be cash.

4. ACQUISITION OF CRIMSON OIL AND GAS LTD.

During the year ended November 30, 2020, effective April 1, 2020, the Company completed the acquisition of Crimson Oil and Gas Ltd ("Crimson"), a company with petroleum and natural gas operations in Alberta, Canada. Pursuant to the acquisition agreement, the Company acquired all of the issued and outstanding common stock of Crimson, in consideration for the issuance of a promissory note of $750,000, with a discounted value of $692,155, maturing on or before November 30, 2020, secured by the assets purchased, and repayable at any time at the Company's option prior to maturity. On November 30, 2020, the term of the promissory note was extended to December 31, 2022 with a discounted value of $583,621 using an effective discount rate of 12.1% and the Company recorded a gain on refinancing of $166,379.

The transaction is being accounted for using the acquisition method in accordance with IFRS 3, Business Combinations with the assets and liabilities acquired recorded at their fair values at the acquisition date.

The Company is required to allocate the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The excess or shortage of the purchase price of those fair values of the net assets acquired is recorded as goodwill or purchase gain respectively. The purchase price and the allocation of the purchase price is as follows:

Consideration:	**$**
Promissory note	692,155
Acquisition advances	140,000
	832,155
Net assets acquired:	
Cash	7,430
Accounts receivable	824,667
Prepaid expenses and deposits	146,525
Petroleum and natural gas properties	5,143,100
Accounts payable	(2,998,903)
Other accounts payable and accrued liabilities	(308,188)
Decommissioning provision	(1,556,700)
	1,257,931
Purchase gain	425,776

The fair values of the petroleum and natural gas properties and decommissioning provision were measured and assessed using an NI 51-101 reserve report from engineers and discounted cash flows from a third-party valuation.

(Expressed in Canadian Dollars - unaudited)

5. RECEIVABLES

	May 31, 2022 - $ -	15 months ended Feb.28, 2022 - $ -
Government tax credits receivable	70,956	67,645
Joint venture receivables	364,885	403,823
Trade receivables	3,341	3,341
	439,182	474,809

The Company has tested the receivables for collectability using the expected credit loss model, which includes the number of days outstanding and the likelihood of collection from the counterparty. During the fifteen month period ended February 28, 2022, the total allowance recognized in profit and loss for expected credit loss is $506,991.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	May 31, 2022 - $ -	15 months ended Feb.28, 2022 - $ -
Accounts payable	5,246,675	5,290,866
Accrued liabilities	669,936	655,029
	5,916,611	5,945,895

7. PETROLEUM AND NATURAL GAS PROPERTIES

The Company's petroleum and natural gas properties are as follows:

Alberta, Canada	Cost -$-	Accumulated Depletion -$-	Net -$-
At November 30, 2020	7,103,174	(1,600,607)	5,502,567
Other additional capitalized expenditures	488	-	488
Depletion	-	(596,019)	(596,019)
Change in estimate of decommissioning asset (Note 10)	(76,680)	-	(76,680)
At February 28, 2022	7,026,982	(2,196,626)	4,830,356
Other additional capitalized expenditures	11,416	-	11,416
Depletion	-	(55,340)	(55,340)
At May 31, 2022	7,038,398	(2,251,966)	4,786,432

Alberta, Canada:

During the year ended November 30, 2020, the Company completed the acquisition of Crimson (Note 4). In connection with the acquisition, the Company acquired petroleum and natural gas properties of $5,143,100. Crimson has the Red Earth oil property, the Whiskey Creek liquids rich natural gas property and a number of smaller assets in Alberta and British Columbia.

The properties are comprised of a number of operated interests, non-operated working interests and non-operated facility interests with third party processing revenues. The working interest and processing facility interests are in or servicing long-life wells and units.

(Expressed in Canadian Dollars - unaudited)

7. PETROLEUM AND NATURAL GAS PROPERTIES (continued)

During the three months ended Mat 31, 2022, the Company had the following activities related to its petroleum and natural gas properties including capitalized expenditures of $11,416 (15 months ended February 28, 2022 - $488), depletion expense of $55,340 (15 months ended February 28, 2022 - $596,019) and in addition, in connection to the change in estimate of the capitalized portion of decommissioning obligation of $nil (15 months ended February 28, 2022 - decrease of $76,680) (Note 10).

8. CONVERTIBLE DEBENTURE SUBSCRIPTIONS

As at May 31, 2022 and February 28,2022, the Company held convertible debenture subscription receipts of $25,000.

Subsequent to the three months ended May 31, 2022, the Company completed a private placement equity financing, pursuant to the financing, the convertible debenture subscription receipts were reclassified to share capital subscription receipts (Note 12).

9. LOANS AND ADVANCES TO COMPANY

As at the period ended May 31, 2022, the balance of current loans and advances includes $533,112 (February 28, 2022- $533,112) which is comprised of cash loans, and or payments of corporate expenses on behalf of the Company by shareholders of the Company. These loans are unsecured and due on demand. Of the advances, $25,000 bears interest at 8% per annum, repayable on demand. During the period, the Company accrued interest expense of $504 (February 28, 2022 - $2,488).

In addition, included in the balance in loans and advances as at May 31, 2022 is $140,000 (February 28, 2022 - $140,000) which is comprised of Canadian Emergency Business Account loans. The loans do not bear interest, and are repayable by December 31, 2022, and includes a balance forgiveness of 25% if repaid in full by December 31, 2022.

10. DECOMMISSIONING PROVISION

	-$-
Balance at November 30, 2020	2,077,081
Accretion	398,102
Change in estimate recorded to profit and loss	1,987,102
Change in estimate recorded to petroleum and natural gas assets	(76,680)
Balance at February 28, 2022	4,385,605
Accretion	79,620
Balance at May 31, 2022	4,465,225

The Company has recorded a decommissioning provision in connection with estimated reclamation costs on the Company's petroleum and natural gas sites (Note 7). During the 15 months ended February 28, 2022, the Company recorded a change in estimate related to the capitalized portion of the decommissioning asset of $76,680 as a result of updated analysis on the life of liabilities (reduction on average of 15.25 years), an 0.9% increase in discount rate, and updated inflation rate of 2.5% on the estimated costs of decommissioning. The Company also recorded a change in estimate of $1,987,102 in connection to certain of the portfolio of decommissioning obligations; whereby it was determined that future economic benefits are no longer expected to be derived though operations of these selected obligations, as such, changes to the estimated life and decommissioning costs were charged the income statement in the 15 months ended February 28, 2022.

The obligation is recognized based on the estimated future reclamation costs averaging a credit adjusted risk-free discount rate of 8.6% and an inflation rate of 2.5% on undiscounted cost estimates of $6,089,445. The Company estimates its obligations to be settled in an average of 8.75 years.

(Expressed in Canadian Dollars - unaudited)

11. CONTINGENCIES

From time to time, the Company is involved in various disputes and litigation matters arising in the ordinary course of its business.

In recording receivables and payables with customers and vendors, the Company estimates the probable inflow or outflow of financial resources in recording the related balances.

The Company is currently in legal disputes with former joint venture partners, whereby claims have been made against the Company, for some of which legal claims have been formally made. The Company has responded to each of these claimants and is of the position that on a net basis more is due back to the Company from these parties than is due to them. All material amounts claimed by counterparties have been accrued on a gross basis at the time the relevant work was performed (Notes 5, 6) and no contingent receivables have been recorded in compliance with IAS 37 guidance.

The Company continues in discussions and negotiations to attempt to resolve these disputes, and ultimately may settle the disputes in Court.

12. SHARE CAPITAL

As at May 31, 2022 and February 28, 2022, there were 34,474,949 issued and outstanding common shares.

During the three months ended May 31, 2022, and the 15 months ended February 28, 2022, there have been no share capital transactions.

Subsequent to the three months ended May 31,2022, the Company completed private placement financings as further described in Note 16.

Stock Options

Under the fixed stock option plan for directors, officers, consultants and administrative personnel the Company has reserved 3,447,495 common shares for issuance. The fixed plan provides that the number of options granted to any individual optionee shall not exceed 5% of the issued shares of the Company, options granted to insiders as a group shall not exceed 10% of the total number of issued shares of the Company, options granted to any one consultant shall not exceed 2% of the total number of issued shares of the Company, and options granted in respect of investor relations activities shall not exceed 2% of the issued shares of the Company and vest over one year at a rate of 25% every three months.

During the three months ended May 31, 2022 and 15 months ended February 28, 2022, the Company had no stock options outstanding.

Warrants

During the three months ended May 31, 2022 and 15 months ended February 28, 2022, the Company had no warrants outstanding.

Subsequent to the three months ended May 31, 2022; the Company issued warrants in connection to a private placement financing as further described in Note 16.

13. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company incurred the following transactions with related parties for the three months ended May 31, 2022, and 2021, not detailed elsewhere in the financial statements:

	May 31, 2022 - $ -	May 31, 2021 - $ -
Management fees paid or accrued to directors, or companies controlled by directors	28,500	28,500
Office facilities and miscellaneous charges accrued to companies controlled by a director or an officer	51,000	51,000
Interest accrual on related party loan during the year	9,900	8,546

(Expressed in Canadian Dollars - unaudited)

13. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (continued)

The Company has identified all of the directors and officers as its key management personnel. The remuneration for these key management personnel for the three months ended May 31, 2022, and 2021, which are included in the amounts disclosed above, was as follows:

	May 31, 2022 - $ -	May 31, 2021 - $ -
Short-term employee benefits – management, administrative, and consulting fees	34,500	34,500

Except where otherwise indicated, the amounts due to related parties bear no interest and are due on demand. Liabilities to related parties consist of:

	May 31, 2022 - $ -	15 months ended February 28, 2022 - $ -
Management, consulting, exploration and administrative fees payable presented as amounts payable to related parties	1,698,000	1,583,706
Amounts due to related parties bearing interest at 8% per annum	495,225	495,225
Interest payable on loan	109,752	99,852
Other related party loans	210,819	210,819
	2,513,796	2,389,602

14. FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposures to credit risks are on its cash held in bank accounts, receivables and loan receivable. The majority of cash is deposited in bank accounts held with major banks in Canada.

As most of the Company's cash is held by a bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution, as determined by rating agencies. The Company's exposure to credit risk on receivables is influenced mainly by the individual characteristics of each customer. As the Company sells its petroleum products through a large marketer, it is also exposed to a concentration risk. Trade receivables from petroleum products marketers are normally received within 30 days of the month following production. At May 31, 2022, the Company has trade receivables, receivables due from a government agency, receivables, and other receivables which were tested for collectability using the expected credit loss model.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. As at May 31, 2022 the Company has a working capital deficiency of $9,113,005 (February 28, 2022 - $8,917,236). The Company's ability to continue as a going concern is dependent on management's ability to raise additional funding through future debt or equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company is exposed to liquidity risk.

Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollars, but also world economic events that dictate the levels of supply and demand. Fluctuations may be significant.

14. FINANCIAL RISKS AND CAPITAL MANAGEMENT (continued)

Foreign currency exchange risk

Foreign currency exchange risk is the risk that the future fair value of cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Company's financial results are reported in Canadian dollars while it holds a portion of its debt denominated in US dollars. The assets, liabilities and expenses that are denominated in US Dollars will be affected by changes in the exchange rate between the Canadian dollar and the US Dollar.

If the Canadian dollar changes by ten percent against the US dollar, with all other variables held constant, the impact on the Company's foreign denominated financial instruments would result in a $23,802 change in profit or loss.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is nominally exposed to interest rate risk.

Capital Management

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

The Company considers the items included in shareholders' deficiency as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders. The Company is not exposed to externally imposed capital requirements. There have been no changes to the Company's capital management during the three months ended May 31, 2022.

Classification of financial instruments

The following table summarizes information regarding the carrying values of the Company's financial instruments for the years then ended:

		May 31, 2022 - $ -	15 months ended Feb.28, 2022 - $ -
Fair value through profit or loss	(a)	96,917	69,913
Assets at amortized cost	(b)	439,182	663,925
Liabilities at amortized cost	(c)	9,827,654	7,460,964

(a) Fair value through profit or loss includes cash
(b) Assets include receivables, and acquisition advances at amortized cost
(c) Liabilities include accounts payable and accrued liabilities, amounts due to related parties, loans and advances, convertible debenture subscription and promissory note at amortized cost.

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- 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.

Cash is measured at level 1 of the fair value hierarchy.

15. SEGMENTED INFORMATION

The Company operates in the petroleum and natural gas industry in Canada. All revenues are derived from current operations within Canada.

16. SUBSEQUENT EVENTS

Subsequent to the 15 months ended February 28, 2022, the Company had the following activities:

- Closed a non-brokered private placement financing issuing a total of 6,000,000 units priced at $0.05 per unit for gross proceeds of $300,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.075 per share on or before June 8, 2024.
- On August 25, 2022, announced a financing for up to 10,000,000 units priced at $0.05 per unit for gross proceeds of $500,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitling the holder thereof to purchase one additional common share, exercisable for a period of one (1) year from the date of issuance at a price of $0.075 per share.
- On August 31, 2022, the Company announced it has closed the first tranche of financing announced on August 25, 2022, for gross proceeds of $305,000, issuing 6,100,000 units priced at $0.05 per unit. Each unit consisting of one common share and one share purchase warrant, each warrant entitling the holder thereof to purchase one additional common share, exercisable for a period of one year from the date of issuance at a price of $0.075 per share on or before September 1, 2023. In connection with the closing of this tranche, the Company paid a total of $7,500 cash and 150,000 compensation warrants were issued in finders' fees in connection with this first tranche closing. The compensation warrants are exercisable on or before September 1, 2023 into a total of 150,000 shares at $0.075 per share.