Pennine Petroleum Corporation
Condensed Interim Financial Statements
June 30, 2021
(Unaudited)

Contents

Notice for National Instrument 51-102

The interim condensed financial statements and notes thereto for the three and six months ended June 30, 2021 are prepared by management and have not been independently audited or reviewed by the Company's auditors.

Pennine Petroleum Corporation
Condensed Statements of Financial Position
(Unaudited)

As at	Notes		June 30, 2021		December 31, 2020
Assets					
Current					
Cash		**$**	**94**	$	928
Accounts receivable			**579**		-
Goods and services tax receivable			**2,109**		1,425
Deposits and prepaid expenses			**348**		349
		$	**3,130**	$	2,702
Liabilities					
Current					
Accounts payable and accrued liabilities		**$**	**1,173,580**	$	994,457
Convertible loans	**4**		**512,250**		512,250
			1,685,830		1,506,707
Government loans	**3**		**60,000**		40,000
Promissory notes	**4**		**21,000**		-
Decommissioning liability	**5**		**413,500**		410,326
			2,180,330		1,957,033
Shareholders' Deficiency					
Share capital	**6**		**8,627,395**		8,627,395
Contributed surplus			**1,231,095**		1,231,095
Deficit			**(12,035,690)**		(11,812,821)
			(2,177,200)		(1,954,331)
		$	**3,130**	$	2,702

Going Concern (Note 2)
Commitments and contingencies (Note 8)

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

Pennine Petroleum Corporation
Condensed Statements of Operations and Comprehensive Loss
(Unaudited)

		For the three-month period ended June 30,		For the six-month period ended June 30,	
		2021	2020	**2021**	2020
Revenue					
Oil and natural gas		**$ 205**	$ 94	**$ 205**	$ 14,576
Royalties		**(7)**	(1)	**(7)**	(217)
		198	93	**198**	14,359
Expenses					
Operating		**14,419**	18,633	**21,805**	34,271
Transportation		**-**	-	**-**	2,069
Administrative		**125,065**	33,051	**195,353**	74,991
Financing costs	**4 and 5**	**4,465**	32,915	**5,908**	66,662
Depletion and depreciation	**3**	**-**	-	**-**	778
Change in decommissioning obligation estimate	**4**	**-**	-	**-**	-
Foreign exchange (gain) loss		**1**	(5,385)	**1**	12,192
		143,950	79,214	**223,067**	190,963
Net loss and comprehensive loss for the period		**$ (142,752)**	$ (79,121)	**$ (222,869)**	$ (176,604)
Loss per share					
- basic and diluted		**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.00)
Weighted average shares outstanding					
- basic and diluted		**169,450,362**	169,450,362	**169,450,362**	169,450,362

(1) The options have been excluded from the diluted loss per share computation as they are anti-dilutive.

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

		Share Capital		Contributed Surplus		Deficit		Total Equity (Deficiency)
Balance January 1, 2021	$	8,627,395	$	1,231,095	$	(11,812,821)	$	(1,954,331)
Net loss for the period		-		-		(222,869)		(222,869)
Balance June 30, 2021	$	8,627,395	$	1,231,095	$	(12,035,690)	$	(2,177,200)

		Share Capital		Contributed Surplus		Deficit		Total Equity (Deficiency)
Balance January 1, 2020	$	8,627,395	$	1,231,095	$	(11,419,263)	$	(1,560,773)
Net loss for the period		-		-		(176,604)		(176,604)
Balance June 30, 2020	$	8,627,395	$	1,231,095	$	(11,595,867)	$	(1,737,377)

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

Pennine Petroleum Corporation
Condensed Statements of Cash Flows
(Unaudited)

For the six months ended June 30,	2021	2020
Cash flows from (used in) operating activities		
Net loss for the period	**$ (222,869)**	$ (176,604)
Items not involving cash:		
Depletion, depreciation and impairment	**-**	778
Financing cost accretion	**3,174**	3,457
Changes in non-cash working capital balances:	**179,529**	171,708
Cash flow used in operating activities	**(40,166)**	(661)
Cash flows from (used in) financing activities		
Net proceeds from promissory notes	**21,000**	
Net proceeds from government loans	**20,000**	-
Cash flow from financing activities	**41,000**	-
Cash flows from (used in) Investing activities		
Expenditures on exploration and evaluation	**-**	(1)
Cash flow from (used in) investing activities	**-**	(1)
Decrease in cash	**(834)**	(662)
Cash, beginning of period	**928**	1,862
Cash, end of period	**$ 94**	$ 1,200
Supplemental information		
Interest paid	**$ -**	$ -
Taxes paid	**$ -**	$ -

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

1. Corporate Information

Pennine Petroleum Corporation ("Pennine" or "the Company") is a public junior oil and gas company engaged in the evaluation, acquisition, exploration and development of oil and gas in Western Canada. The Company is currently investigating opportunities in the mining sector. While not conclusive, these efforts are based on the reality of the natural resources landscape, with more business opportunities currently existing in mining than in the junior oil and gas sectors. At the Annual General and Special Meeting of shareholders held on April 15, 2021 the Company received full shareholder approval for a potential change in business and, if necessary, a potential change of name of the Company to better reflect any such change in business.

The Company's shares trade on the TSX Venture Exchange ("TSX-V") under the symbol PNN. The Company is currently subject to a TSX-V cease trade order for late filing its 2019 financial statements. On May 27, 2021, the Company received Notice from the Alberta Securities Commission, that the failure to file cease trade order issued on June 22, 2020 had been revoked. The Company is now working with the TSX-V to get the Company's shares re-instated for trading.

Pennine was incorporated under the *Business Corporations Act* (Alberta) on September 18, 2001. The head office is located at 315 39th Avenue SE, Calgary, Alberta, T2G 1X5 and the registered office is located at Suite 3700, 400 – 3rd Avenue SW, Calgary, Alberta, T2P 4H2.

2. Basis of Presentation

Statement of compliance
These condensed interim financial statements ("financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. These financial statements were authorized for issue by the Board of Directors on August 30, 2021. They do not contain all disclosures required by IFRS for annual financial statements and, accordingly, should be read in conjunction with the audited financial statements for the year ended December 31, 2020.

Going concern assumption
The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations, generate sufficient funds therefrom, receive continued support from its creditors and continue to obtain capital from investors sufficient to meet its current and future obligations. As at June 30, 2021, the Company had a working capital deficit of $1,682,700, a deficit of $12,035,690 and incurred a net loss of $220,869 during the six month period then ended.

Management continues to focus its efforts on raising additional capital through equity financings and debt settlement transactions. In November and December 2020, the Company entered into various share for debt settlement agreements to settle $1.1 million of trade payables, accrued payables and convertible loans subject to regulatory approval of the TSX Venture Exchange. The Company anticipates it will enter into additional debt settlement agreements.

Although management's efforts to raise capital and monetize assets have been successful in the past, there is no certainty that they will be able to do so in the future. The aforementioned circumstances may cast significant doubt as to the Company's ability to continue as a going concern. These financial statements have been prepared using accounting principles that are applied to a going concern and do not reflect the adjustments that would be necessary to the presentation and carrying amounts of the assets and liabilities if the Company were not able to continue operations. These adjustments and reclassifications may be material.

2. Basis of Presentation - 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.

Functional and presentation currency
These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Basis of measurement
These Financial Statements have been prepared on a historical cost basis except for financial instruments and share based payment transactions that are measured at fair value.

Use of estimates and judgments
The preparation of financial statements requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Significant estimates and judgments made by management in the preparation of these financial statements are as follows:

Going concern
Professional judgment is used in determining if the Company is a going concern. Significant areas of judgment include future expected cash flows, including capital expenditures, commitments, expenses and expected cash inflows. Judgment is also applied when assessing the terms and conditions of financing available for the Company. Changes in operational results and conditions on potential financing deals may require revisions to the original estimates.

Decommissioning obligations
Measurement of the Company's decommissioning liability involves estimates as to the cost and timing of incurrence of future decommissioning programs. It also involves assessment of appropriate discount rates, rates of inflation applicable to future costs and the rate used to measure the accretion charge for each reporting period. Measurement of the liability also reflects current engineering methodologies as well as current and expected future environmental legislation and standards.

Share-based compensation and warrants
Grants of stock options and warrants require an estimate of the fair value of those instruments at time of issue. The estimate involves assumptions regarding the life of the option or warrant, dividend yields, interest rates, and volatility of the Company's common shares. The charge is measured using the Black-Scholes option pricing model, which could be replaced by a pricing model producing different results.

2. Basis of Presentation - continued

Income taxes

The Company recognises deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and that sufficient taxable income will be generated in the future to recover such deferred tax assets. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

3. Government loan

On July 16, 2020, the Company received a $40,000 loan from Western Economic Diversification Canada as a result of the downturn in the oil and gas industry from COVID and lower oil prices. Under the terms of the loan agreement no repayments are required until after December 31, 2022. Provided that 75% of the contribution is repaid on or before December 31, 2022, the remaining 25% balance to the maximum of $10,000 need not to be repaid. In March 2021, the Company received a further $20,000 with the same terms and conditions.

4. Convertible loans and promissory notes

The unsecured Convertible Loan Agreements (with an aggregate principal amount of $512,250) bear interest at 24% per annum, and they are convertible into Common Shares at the holders' option at a price not greater than $0.005 and matured on April 30, 2020. The Company accrued interest on the convertible loans until November 30, 2020 being the share for debt settlement agreement date that was reached with the holders (Note 2).

Of the outstanding convertible loans, $416,500 is due to Directors and Officers. Included in accounts payable and accrued liabilities is $193,926 related to interest on the convertible loans of which $158,270 is due to current and former Directors and Officers.

On June 1, 2021, the Company issued $21,000 of unsecured promissory notes to three directors. The promissory notes bear interest at 24% per annum and are not convertible into common shares. The promissory notes mature on December 31, 2022. The Company accrued interest is $1,062 and is included in accounts payable and accrued liabilities.

In August 2021, the Company issued a second unsecured promissory note to a Director in the amount of $15,000. The promissory note bears interest at 24% per annum and is not convertible into common shares. This promissory note also matures on December 31, 2022.

5. Decommissioning Liability

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the decommissioning of oil and gas properties.

	June 30, 2021	December 31, 2020
Obligation, beginning of period	**$ 410,326**	$ 347,386
Change in estimated cash flows	**-**	55,992
Accretion expense	**3,174**	6,948
Obligation, end of period	**$ 413,500**	$ 410,326

The obligation was calculated using a risk-free discount rate of 1.5% (2020 – 1.5%) and an inflation rate of 2.5% (2020 – 2.5%). It is expected that the majority of costs are expected to occur between 2023 and 2038. The undiscounted amount of cash flows, required over the estimated reserve life of the underlying assets, to settle the obligation, adjusted for inflation, is estimated at $460,000 (2020 - $460,000). The Company is endeavoring to access certain government grants to decommissioning of oil and gas properties.

6. Share Capital

(a) Authorized

Unlimited number of:

Common shares without par value
Non-voting shares without par value
First and second preferred shares, assumable in series

(b) Issued

	June 30, 2021		December 31, 2020	
Common shares	**Shares**	**Amounts**	Shares	Amounts
Balance beginning and end of period	**169,450,362**	**$ 8,627,395**	169,450,362	$ 8,627,395

(c) Stock options

The Company has a stock option plan that provides for the issuance to its directors, officers, employees and consultants options to purchase from treasury a number of common shares not exceeding 10% of the common shares that are outstanding from time to time which is the number of shares reserved for issuance under the plan. Options currently granted under the plan vest immediately. The options are non-transferable if not exercised. The exercise price is based on the Company's common shares prior to the day of the grant, which may be different from the closing price of such shares on the day of grant for options granted to date. The options have a maximum term of five years. A summary of the status of the Company's stock option plan as at March 31, 2021 and December 31, 2020 and changes during the respective periods ended on those dates is presented below:

	June 30, 2021		December 31, 2020	
Stock Options	**Number of options**	**Weighted average Exercise price**	Number of Options	Weighted average exercise price
Beginning of period	**5,020,000**	**$0.055**	6,470,000	$0.055
Expired	**(1,870,000)**	**$0.05**	(1,450,000)	(0.06)
End of period	**3,150,000**	**$0.055**	5,020,000	$0.055
Exercisable, end of period	**3,150,000**	**$0.055**	5,020,000	$0.055

6. Share Capital continued

Date of Grant	Number Outstanding	Exercise Price	Weighted Average Remaining Contractual Life	Date of Expiry	Number Exercisable June 30, 2021
December 14, 2016	2,650,000	$0.06	0.46 years	December 14, 2021	2,650,000
April 5, 2018	500,000	$0.05	1.76 years	April 5, 2023	500,000
	3,150,000		0.99 years		3,150,000

7. Financial Instruments

The Company holds various forms of financial instruments. The fair value of the Company's financial instruments approximates carrying value due to the short-term nature of the instruments. The nature of these instruments and the Company's operations expose the Company to credit and foreign exchange risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

(a) Market Risk
Market risk is comprised of two components: currency risk and interest rate risk.

- Interest Risk
  Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company was not exposed to material interest rate cash flow risk in 2021 or 2020.

- Currency Risk:
  The Company is not exposed to currency risk as all financial instruments are denominated in Canadian dollars.

(b) Liquidity Risk
Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset.

The Company endeavors to have sufficient working capital available to meet its day-to-day commitments; however, as at June 30, 2021, the Company does not have the funds available sufficient to meet the Company's obligations and budgeted expenditures through December 31, 2021 (Note 2).

Any funding shortfall may be met in a number of ways, including, but not limited to, the issuance of new debt or equity instruments, further expenditure reductions and/or the introduction of joint venture partners. While management has been successful in securing financing in the past, there can be no assurance it will be able to continue to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

7. Financial Instruments

(c) Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the operations of the Company. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In the management of capital, the Company includes components of equity (deficiency).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended June 30, 2021. The Company is not subject to externally imposed capital requirements.

(d) Credit Risk

Credit risk is the risk of a financial loss as a result of a failure by counter parties to discharge their obligations. Included in administrative expenses is $28,440, related to the provision of a bad debt expense from industry partners related to a mandated abandonment operation.

8. Commitments and Contingencies

From time to time, the Company may be involved in litigation or has claims sought against it in the normal course of business operations. Management of the Company is not currently aware of any claims or actions that would materially affect the Company's reported financial position or results from operations.

Under the terms of certain agreements and the Company's by-laws the Company indemnifies individuals who have acted at the Company's request to be a director and/or officer of the Company, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service.