

TENTH AVENUE PETROLEUM CORP.
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(UNAUDITED)

NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS

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 interim consolidated financial statements of Tenth Avenue Petroleum Corp have been prepared by and are the responsibility of management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

Calgary, Alberta
May 28, 2021

TENTH AVENUE PETROLEUM CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In Canadian Dollars

AS AT

	Note	March 31, 2021	December 31, 2020
ASSETS			
Current			
Cash and cash equivalents	\$	103,637	\$ 46,533
Trade and other receivables		56,996	77,145
Short term investments		14,216	14,216
Prepaid expenses and deposits		115,408	73,382
		290,257	211,276
Long term			
Restricted cash held in trust	3	210,491	210,883
Exploration and evaluation assets	4	5,067	5,067
Property and equipment	5	1,867,074	1,888,775
	\$	2,372,889	\$ 2,316,001
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$	296,215	\$ 271,246
Loan payable	6	1,142,355	1,152,174
Deferred income		8,587	10,427
Deposits received		51,500	-
Asset retirement obligation	7	288,243	288,902
		1,786,900	1,722,749
Long term loan	8	32,037	30,900
Asset retirement obligation	7	1,116,078	1,115,391
Total liabilities		2,935,015	2,869,040
SHAREHOLDERS' DEFICIT			
Share capital	9	12,544,623	12,544,623
Contributed surplus	10	10,192,777	10,151,442
Deficit		(23,299,526)	(23,249,104)
		(562,126)	(553,039)
	\$	2,372,889	\$ 2,316,001
Going concern	1		

Signed "Gregory J. Leia"
Gregory J. Leia Director

Signed "Craig Leggatt"
Craig Leggatt Director

TENTH AVENUE PETROLEUM CORP.

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

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) In Canadian Dollars FOR THE THREE MONTHS ENDED

	Note	March 31, 2021		March 31, 2020
REVENUE				
Oil & natural gas sales	17	\$ 218,190	\$	346,196
Royalties		(35,220)		(44,415)
Other revenue		11		20
		182,981		301,801
EXPENSES				
Production and transportation		79,038		161,046
General and administrative		71,009		60,696
Accretion	7	866		12,806
Stock based compensation	12	41,335		-
Depletion and depreciation	5	21,701		37,546
		213,949		272,094
OPERATING INCOME (LOSS) FROM OPERATIONS		(30,968)		29,707
Other income (expense) items				
Interest expense		(19,899)		(18,831)
Foreign exchange		445		(3,128)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		\$ (50,422)	\$	7,748
INCOME (LOSS) PER SHARE				
Basic and diluted		\$ (0.005)	\$	0.001

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

TENTH AVENUE PETROLEUM CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In Canadian Dollars

FOR THE THREE MONTHS ENDED

	Note	March 31, 2021	March 31, 2020
OPERATING ACTIVITIES			
Net income (loss)	\$	(50,422)	\$ 7,748
Items not affecting cash:			
Depletion and depreciation	5	21,701	37,546
Loan interest accrued		1,138	-
Accretion	7	866	12,806
Stock based compensation	12	41,335	-
Foreign exchange		(447)	3,104
Changes in non-cash working capital		52,752	85,040
CASH PROVIDED BY OPERATING ACTIVITIES		66,923	146,244
FINANCING ACTIVITIES			
Repayment of loan		(9,819)	(93,495)
CASH USED IN FINANCING ACTIVITIES		(9,819)	(93,495)
INVESTING ACTIVITIES			
Purchase of exploration and evaluation assets	4	-	(5,067)
Purchase of property and equipment	5	-	(1,348)
CASH USED IN INVESTING ACTIVITIES		-	(6,415)
NET CHANGE IN CASH AND CASH EQUIVALENTS		57,104	46,334
CASH AND CASH EQUIVALENTS, beginning of period		46,533	2,849
CASH AND CASH EQUIVALENTS, end of period	\$	103,637	\$ 49,183
Interest paid	\$	18,761	\$ 18,505
Taxes paid		-	-

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

TENTH AVENUE PETROLEUM CORP.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIT)

In Canadian Dollars

FOR THE THREE MONTHS ENDED

	Note	March 31, 2021	March 31, 2020
SHAREHOLDERS' EQUITY			
<u>Share capital</u>			
Balance, beginning of period		\$ 12,544,623	\$ 12,544,623
Transactions		-	-
Balance, end of period	8	\$ 12,544,623	\$ 12,544,623
<u>Contributed surplus</u>			
Balance, beginning of period		\$ 10,151,442	\$ 10,151,442
Share based compensation		41,335	-
Balance, end of period	9	\$ 10,192,777	\$ 10,151,442
<u>Deficit</u>			
Balance, beginning of period		\$ (23,249,104)	\$ (23,105,913)
Net income (loss)		(50,422)	7,748
Balance, end of period		\$ (23,299,526)	\$ (23,098,165)
TOTAL SHAREHOLDERS' DEFICIT		\$ (562,126)	\$ (402,100)

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

TENTH AVENUE PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021

In Canadian Dollars

Tenth Avenue Petroleum Corp. (“the Company”) is in the business of exploring for, developing, and producing petroleum and natural gas properties in Western Canada. Tenth Avenue Petroleum Corp. is a company domiciled in Canada. The address of the Company’s registered office is 203, 221 10th Avenue SE, Calgary, Alberta.

1. GOING CONCERN

The accompanying consolidated financial statements have been prepared using the going concern assumption which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

For the period ended March 31, 2021, the Company had a net loss of \$50,422 and has working capital deficit of \$1,496,643 and an accumulated deficit of \$23,299,526. The Company has relied on support from various creditors and lenders to finance its operations. The continued volatility in global commodity prices and equity markets caused in part by the COVID-19 pandemic creates significant uncertainties which may impact the Company’s future operations, revenues and its ability to access the capital necessary to execute on its business plans. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

The future operations of the Company are dependent on the continued support from its creditors and lenders and the Company’s ability to raise additional capital through equity financings or the sale of assets. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future. The Company has entered into a proposed Plan of Arrangement that includes the transfer and sale of assets and liabilities and a concurrent private placement offering of units, subject to shareholder and regulatory approvals (Note 19). The ultimate outcome of these transactions is uncertain at the date of approval of these consolidated financial statements; however, the impact on the Company would result in a material change to the business and its future operations.

These consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not appropriate, the adjustments required to report the Company’s assets and liabilities on a liquidation bases could be material to these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and measurement - Statement of compliance and authorization:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”). The consolidated financial statements of the Company include the accounts of Tenth Avenue Petroleum Corp. and its wholly owned subsidiaries, Jadela Oil (US) Operating LLC, Waskahigan Oil & Gas Corp. (“WOGC”) (formerly Jadela Disposal Well Corp.) and Odaat Oil Corp. (“Odaat”), a newly formed wholly-owned subsidiary of WOGC and (collectively referred to as “the Company”) and have been prepared by management. Except as outlined below, the consolidated financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2020. These consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2020.

These financial statements were authorized for issue by the Board of Directors on May 28, 2021.

TENTH AVENUE PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021

In Canadian Dollars

Changes in accounting policies

The interim consolidated financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in the consolidated financial statements for the fiscal year ended December 31, 2020.

3. RESTRICTED CASH HELD IN TRUST

Restricted cash held in trust includes \$54,424 (2020 - \$54,424) held by the Alberta Energy and Utilities Board, \$124,629 (2020 - \$124,629) held by British Columbia Minister of Energy, Mines and Petroleum Resources and \$31,438 (USD \$25,000) (2020 - \$31,830 (USD \$25,000)) held by the Texas Railway Commission.

4. EXPLORATION AND EVALUATION ASSETS

	March 31, 2020
Balance, December 31, 2020	\$ 5,067
Purchase of assets	-
Balance, end of period	\$ 5,067

5. PROPERTY AND EQUIPMENT

	Oil and Natural Gas Assets	Water-well assets	Other assets	Total
COSTS				
Balance, December 31, 2020	\$ 3,095,388	\$ 155,800	\$ 76,408	\$ 3,327,596
Additions	-	-	-	-
Balance, March 31, 2021	\$ 3,095,388	\$ 155,800	\$ 76,408	\$ 3,327,596
ACCUMULATED DEPLETION AND DEPRECIATION				
Balance, December 31, 2020	\$ 1,210,086	\$ 155,800	\$ 72,935	\$ 1,438,821
Depletion and depreciation	21,454	-	247	21,701
Balance, March 31, 2021	\$ 1,231,540	\$ 155,800	\$ 73,182	\$ 1,460,522
CARRYING AMOUNT				
December 31, 2020	\$ 1,885,302	\$ -	\$ 3,473	\$ 1,888,775
March 31, 2021	\$ 1,863,848	\$ -	\$ 3,226	\$ 1,867,074

TENTH AVENUE PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021

In Canadian Dollars

6. LOAN PAYABLE

On July 31, 2017, the Company entered into a Loan and Participation Agreement with Smoky Oil & Gas Corp (“**Smoky**”) and 1454871 Alberta Ltd. (“1454871”) (formerly “Batoche Oil & Gas Exploration Ltd.”) which are related companies by way of common directors and officers. Pursuant to the terms of the Loan and Participation Agreement (“**LPA**”), Smoky lent the Company the sum of \$1,326,593 to complete the acquisition of the Waskahigan Assets. The interest rate on the loan principal is 6% per annum. All obligations owing are secured by a general security agreement charging all of the assets of the Company. The LPA had provided, that, subject to an agreed upon general and administrative expense payment, Smoky shall be entitled to all net cash flow from the Waskahigan Assets until the loan is repaid.

On July 31, 2017, the Company had agreed to farmout the Waskahigan Assets (other than existing wells and applicable spacing units) (“Waskahigan Participation Assets”) to 1454871. By amending agreement, the Company and 1454871 agreed to terminate the farm in rights effective July 31, 2017.

Pursuant to the original LPA, as additional consideration, Smoky was entitled to receive post payout of the loan: (a) 80% of net cash flow from the Waskahigan Assets (less agreed general and administrative expenses) until December 31, 2021 (subject to farmout rights); (b) 80% of net sale proceeds of Waskahigan Assets (subject to farmout rights); (c) right to compel the Company to buy Smoky’s right to 80% of the net cash flow from the Waskahigan Assets (subject to farmout rights) for 2.5 times net cash flow; and (d) right to compel the Company to buy Smoky’s right to 24% of the net cash flow from the Waskahigan Participation Assets (subject to farmout rights) for 2.5 times net cash flow from the Waskahigan Participation Assets (hereinafter called the “Post Payout Additional Consideration”).

Pursuant to the LPA, the Company had the right to compel Smoky to sell its right to the Post Payout Additional Consideration for 2.5 times net cash flow on trailing 12 month basis. The Company exercised its right for the period up to and including December 31, 2018 for cash consideration of \$1.

On December 31, 2020, the Company exercised its right to buyout the right of Smoky to the Post Payout Additional Consideration for the years ending December 31, 2019 and December 31, 2020 for cash consideration of \$1.

Upon initial recognition, the interest rate per the LPA was deemed to be below market rates, which were estimated to be 15% per annum. The expected future cash flows from the loan were discounted and the resulting difference of \$491,920 between the fair value of the loan and the face value was charged to contributed surplus upon initial recognition of the liability. Annual interest was accruing at the estimated market rate of 15% per annum; however, the underlying legal obligation of the Company required the repayment of \$1,325,810 in principal with interest at 6% per annum.

On May 6, 2019 the LPA was amended and the loan was converted to a demand loan, which represented a significant modification in the loan terms and immediate derecognition of the liability. Upon derecognition, the Company recognized a \$399,408 loss on modification of the debt. As at March 31, 2021 and December 31, 2020, the loan is presented at its face value and is subject to interest at a rate of 6% per annum, which is payable quarterly.

In September 2020, the terms of the loan were further modified to reinstate terms from the original contract that were previously modified. These changes reinstated the restriction to charging a maximum of \$75,000 per year for general and administration costs for the administration of the Waskahigan Assets and \$75,000 per year for the administration of the Waskahigan Participation Assets. In addition, the Company granted 1454871 a non-exclusive option to farmin on certain Waskahigan Assets through the variable funding of 70% to 100% of the exploration and development costs to earn a 70% interest in the specific wells. The option is non-binding on either party and the Company reserves the right to enter into

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021

In Canadian Dollars

the same or similar arrangements with other third parties at its discretion. These modifications were not considered a significant modification of the terms and conditions and did not result in derecognition of the liability.

The Company is not in compliance with the terms of the loan as general and administrative charges have exceeded the maximum allowable amounts as noted above. As of the date of approval of these consolidated financial statements, the lender has not demanded repayment but retains the right to do so.

7. ASSET RETIREMENT OBLIGATIONS

The Company estimates the total undiscounted cash flows to settle its asset retirement obligations are approximately \$1,428,701 (December 31, 2020 - \$1,429,540). A risk-free interest rate of 0.25% (2020 – 0.25%) and an estimated inflation rate of 1.4% (2020 - 1.4%) was used to calculate the present value of asset retirement obligations.

The following table reconciles the asset retirement obligations:

	March 31, 2021	December 31, 2020
Balance, beginning of period	\$ 1,404,293	\$ 872,921
Change in estimate	-	483,525
Reclamation expenditures	-	(1,961)
Foreign exchange	(838)	(1,488)
Accretion	866	51,296
Balance, end of period	1,404,321	1,404,293
Less: current portion	(288,243)	(288,902)
Long term portion	\$ 1,116,078	\$ 1,115,391

8. LONG TERM LOAN

The Company received a loan from the government for \$60,000 during 2020 as assistance to deal with the effects of the Covid-19 pandemic. The loan is non-interest bearing and is due December 31, 2022. If \$40,000 of the loan is repaid by this date, the remaining \$20,000 is forgivable.

The Company intends to repay the loan by this date and will meet all conditions of the grant, therefore it has recorded the forgivable portion as a government grant in other income.

The loan provided is below market rate, and therefore the fair value of the loan has been determined using the present value of the future cash flows of the loan discounted at the Company's estimated effective borrowing rate of 15%. The difference between the face value and the fair value of \$9,666 was recorded in other income in 2020 and will be recognized as interest expense over the remaining term of the loan.

TENTH AVENUE PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021

In Canadian Dollars

9. SHARE CAPITAL

Authorized:

Unlimited Common voting shares with no par value
Unlimited First Preferred shares, issuable in series, with rights and privileges to be determined at time of issue

Common shares	Number of shares	Value
Balance, December 31, 2019	10,512,658	\$ 12,544,623
Issued	-	-
Balance, December 31, 2020	10,512,658	\$ 12,544,623
Issued	-	-
Balance, March 31, 2021	10,512,658	\$ 12,544,623

10. CONTRIBUTED SURPLUS

The Company's contributed surplus consists of value assigned to issued options and other contributions from related parties. The following table reconciles the Company's contributed surplus:

	March 31, 2021	December 31, 2020
Contributed surplus, beginning of period	\$ 10,151,442	\$ 10,151,442
Stock based compensation	41,335	-
Contributed surplus, end of period	\$ 10,192,777	\$ 10,151,442

11. WARRANTS

The following table reflects share purchase warrants activity from January 1, 2020 to March 31, 2021 and the weighted average exercise prices.

	Number	Weighted Average Exercise Price (\$)
Balance, December 31, 2019	3,600,000	0.075
Expired	(2,000,000)	0.075
Balance, December 31, 2020	1,600,000	0.075
Issued	-	-
Balance, March 31, 2021	1,600,000	0.075

TENTH AVENUE PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021

In Canadian Dollars

Details of warrants outstanding at March 31, 2021:

Year Issued	Exercise Price (\$)	Number	Years to expiry
2018	0.075	1,600,000	2.75

12. STOCK OPTIONS

The Company has a stock option plan available to directors, officers, employees and consultants. The maximum number of common shares reserved for issuance pursuant to the plan cannot exceed 10 percent of the issued and outstanding common shares. Options vest on grant, are generally exercisable for five years from the date of grant and are exercisable at prices equal to or greater than the market value of the shares at the date of the grant less the maximum discount permitted by the stock exchange. At March 31, 2021, there were an additional 1,256 common shares that are still available to be reserved for the granting of stock options.

A summary of the status of the Company's stock option plan as at December 31, 2020 and March 31, 2021 and changes during the periods ending on those dates is as follows:

	March 31, 2021		December 31, 2019	
	Number of Options	Weighted Average Exercise Price (\$)	Number of Options	Weighted Average Exercise Price (\$)
Outstanding, beginning of period	510,000	0.075	780,000	0.075
Issued	540,000	0.075	-	-
Expired	-	-	(270,000)	0.075
Outstanding, end of period	1,050,000	0.075	510,000	0.075
Exercisable, end of period	1,050,000	0.075	510,000	0.075

On February 19, 2021, the Company issued 540,000 stock options with an exercise price of \$0.075 that vest immediately and expire on February 18, 2026. The fair value of each option was determined using the Black-Scholes option valuation model. The assumptions used in calculating the fair value of the options are as follows:

Share price – \$0.08
 Exercise price - \$0.075
 Risk-free rate – 0.67%
 Expected volatility – 179%
 Expected dividend yield – 0%
 Option life – 5 years

Expected volatility was calculated based on the historical share volatility of the Company. The weighted average fair value of the options at the date of issued was estimated to be \$0.0765 per option which resulted in \$41,335 of stock based compensation expense being recognized in income.

TENTH AVENUE PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021

In Canadian Dollars

Outstanding and exercisable stock options as at March 31, 2021 have a weighted average remaining contractual life of 3.0 years (December 31, 2020 – 1.3 years).

13. RELATED PARTY TRANSACTIONS

The Company has determined that the key management personnel of the Company consist of its officers and directors. The following table provides information on compensation expense related to officers and directors.

	March 31, 2020	March 31, 2020
Consulting fees to a company controlled by directors	\$ 39,556	\$ 25,000

Included in accounts payable and accrued liabilities is an payable owing to a company controlled by a director of \$14,500. There were an additional \$43,810 in fees paid to a company controlled by a director that are related to the Plan of Arrangement (Note 19) which are included in prepaid expenses as at March 31, 2021.

As disclosed in Note 7, the Company entered into a LPA with Smoky and 1454871 (formerly Batoche Oil & Gas Exploration Ltd.™) on July 31, 2017. Pursuant to the terms of the LPA, Smoky lent the Company the sum of \$1,326,593 to complete the Waskahigan Asset acquisition. The interest rate on the loan principal is 6% per annum; however, this was deemed to be below the market interest rate of 15% per annum. The fair value of the loan was calculated as the present value of the expected future cash flows of the loan using the estimated market rate of 15% per annum with the resulting present value discount being recognized as interest expense over the remaining expected term of the loan. On May 6, 2019, the terms of the loan were modified to include a demand feature, which represented a substantial modification of the loan, and an immediate de-recognition of the liability. Upon derecognition, the Company recognized a \$399,408 loss on modification of the debt. As at March 31, 2021 and December 31, 2020, the loan is presented at its face value and is subject to interest at a rate of 6% per annum, which is payable quarterly. The Company incurred interest expense of \$16,999 (2020 - \$18,505) during the three months ended March 31, 2021 on this loan. All obligations owing are secured by a general security agreement charging all of the assets of the Company. Gregory J. Leia is President and a director of the Company and an officer and director of Smoky and Batoche. Gregory J. Leia owns approx. 65% of the common shares and preferred shares of Smoky.

The Company had agreed to farmout the Waskahigan Participation Assets to 1454871 (formerly Batoche Oil & Gas Exploration Ltd.); however, the original agreement was subsequently terminated.

14. PER SHARE AMOUNTS

Basic income (loss) per share has been calculated using the weighted average number of common shares outstanding during the period of 10,512,667 (March 31, 2020 – 10,512,667). The effect of all stock options and warrants has been excluded from the calculation of diluted income (loss) per share as they are anti-dilutive.

TENTH AVENUE PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021

In Canadian Dollars

15. FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks, including credit risk, capital market risk and liquidity risk, interest rate risk, commodity price risk and foreign exchange risk.

Financial instruments, consisting of cash and cash equivalents, short term investments, trade and other receivables, restricted cash held in trust, accounts payable and accrued liabilities, and loan payable, are recorded at amortized cost. There are no financial instruments recorded at fair value. The Company classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy as following:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

At March 31, 2021, the Company's financial instruments approximate their fair value due to their current nature.

As at March 31, 2021

Financial instrument	Classification	Carrying Value (\$)	Fair Value (\$)
Cash and cash equivalents	Amortized cost	103,637	103,637
Trade and other receivables	Amortized cost	56,996	56,996
Short term investments	Amortized cost	14,216	14,216
Prepaid expenses and deposits	Amortized cost	115,408	115,408
Restricted cash held in trust	Amortized cost	210,491	210,491
Accounts payable and accrued liabilities	Amortized cost	296,215	296,215
Deposits received	Amortized cost	51,500	51,500
Loan payable	Amortized cost	1,142,355	1,142,355
Long term loan	Amortized cost	32,037	32,037

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021

In Canadian Dollars

As at December 31, 2020

Financial instrument	Classification	Carrying Value (\$)	Fair Value (\$)
Cash and cash equivalents	Amortized cost	2,849	2,849
Trade and other receivables	Amortized cost	161,079	161,079
Short term investments	Amortized cost	14,214	14,214
Prepaid expenses and deposits	Amortized cost	76,852	76,852
Restricted cash held in trust	Amortized cost	211,013	211,013
Accounts payable and accrued liabilities	Amortized cost	197,350	197,350
Loan payable	Amortized cost	1,305,798	1,305,798
Long term loan	Amortized cost	30,900	30,900

Credit risk – Consists of cash and cash equivalents, restricted cash held in trust and accounts receivable. A portion of the Company's accounts receivable are with joint venture partners in the petroleum and natural gas industry and are subject to normal credit terms. The Company generally extends unsecured credit to these customers and, therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. The carrying value of accounts receivable reflects management's assessment of the associated credit risk. The Company is also exposed to credit risk on certain deposits to the extent that the Company may not be refunded these amounts. The Company does not anticipate any default or non-performance by its oil and gas sales customers. As such, a provision for doubtful accounts has not been recorded at March 31, 2021 and December 31, 2020.

Liquidity risk - The Company approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its obligations when due, under normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. The Company has to date, required funds from private placements to finance capital expenditures and operations (see note 1).

The Company's financial liabilities and contractual obligations as at March 31, 2021 are due as follows:

Accounts payable and accrued liabilities	\$	296,215	Due within 90 days
Loan payable	\$	1,142,355	Due on demand
Long term loan	\$	32,037	Due in 2 years

Commodity price risk - The Company is exposed to oil and gas commodity price risk and has not entered any financial derivatives to manage this risk.

Commodity price risk sensitivity	March 31, 2021		March 31, 2020	
	Increase (decrease) to net income		Increase (decrease) to net income	
Increase of \$1.00/bbl oil	\$	72	\$	319
Decrease of \$1.00/bbl of oil	\$	(72)	\$	(319)
Increase of \$0.10/Mcf of natural gas	\$	5,795	\$	14,272
Decrease of \$0.10/Mcf of natural gas	\$	(5,795)	\$	(14,272)

Interest rate risk – The risk that future cash flows will fluctuate as a result of changes in market rates. The Company is exposed to fair value interest rate risk on its loan payable as the rate is fixed.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021

In Canadian Dollars

16. CAPITAL DISCLOSURES

The Company' has defined its capital to mean its consolidated shareholders' equity and long-term debt. The Company's objective when managing capital is to maintain the confidence of shareholders and investors in the implementation of its business plans by maintaining sufficient levels of liquidity to fund and support its exploration and development as well as other corporate activities. The Company's capital historically has been derived from the issuance of equity or debentures. Management monitors its financial position on an ongoing basis. Equity or debentures are issued to finance drilling programs and the Company's operations (see notes 1 and 2).

17. REVENUE

The Company sells its oil, natural gas, and natural gas liquids production pursuant to variable price contracts. The transaction price for variable priced contracts is based on a benchmark commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula (apart from the benchmark commodity price) can be either fixed or variable, depending on the contract terms. Revenues are typically collected on the 25th day of the month following the prior month's production, with revenue being recorded once the product is delivered to a contractually agreed upon delivery point.

The following table presents the Company's production disaggregated by revenue source:

	March 31, 2021	March 31, 2020
Crude oil	\$ 4,634	\$ 13,981
Natural gas	189,714	276,710
Condensate	23,842	55,505
Total	\$ 218,190	\$ 346,196

18. RISK MANAGEMENT

There have been no changes to the Company's exposure to risks, or the objectives, policies and processes to manage these risks from December 31, 2020, other than the natural gas commodity price.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's comprehensive loss to the extent the Company has outstanding financial instruments. The objective of the Company is to mitigate market risk exposures within acceptable limits, while maximizing returns.

Commodity price risk

The nature of the Company's operations results in exposure to fluctuations in commodity prices. Management continuously monitors commodity prices and initiates instruments to manage exposure to these risks when it deems appropriate. As a means of managing commodity price volatility, the Company enters into various derivative financial instrument agreements and physical contracts. The fair values of the derivative financial instruments are based on mark-to-market assessments and estimates of fair value and are recorded on the consolidated balance sheet as either an asset or liability with the change in fair value recognized in comprehensive loss. So notwithstanding fairly constant NYMEX pricing in the US, the price which TAPC receives (unless hedged), referred to as AECO, has traded at historical lows from the summer of 2017 to August 2020.

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There are many factors influencing the drop in sales prices for AECO natural gas prices, including: (a) pipeline construction by TCPL; (b) excess supply of Canadian gas; (c) lack of take-away capacity in Canada; (d) increased production in the US due to pipeline access availability; (e) no LNG exports from Canada; and (f) panic selling as a result of inordinate differential spreads between North American prices and AECO pricing. Pipeline takeaway capacity may improve until TCPL and Alliance complete construction of expansion in 2021. Oversupply of natural gas in the US may depress prices until such time as US LNG exports deplete North American inventories. The structural elements may take 2 years to balance themselves.

19. PLAN OF ARRANGEMENT

The Company has entered into a formal Plan of Arrangement to divest all of its assets, liabilities and operations through a series of transactions involving its subsidiaries, Waskahigan Oil & Gas Corp. ("WOGC") (formerly Jadela Disposal Well Corp.) and Odaat Oil Corp. ("Odaat"), a newly formed wholly-owned subsidiary of WOGC. The sale of assets, plan of arrangement and subsequent private placements are all subject to applicable regulatory, legal and shareholder approvals.

The transaction details are summarized as follows:

- a) Effective January 1, 2021, TAPC will divest of all of its assets and liabilities to Odaat in exchange for a promissory note in the amount of \$10.00 and the assumption of all liabilities of TAPC.
- b) On March 24, 2021, TAPC, WOGC and Odaat entered into a Plan of Arrangement Agreement, which provides that WOGC will settle the Odaat promissory note through the issuance of 10,512,668 common shares to TAPC.
- c) TAPC intends to raise \$1,200,000 by way of a private placement (the "TAPC Private Placement") of 20,000,000 units at \$0.06 per unit post completion of the plan of arrangement. Each Unit shall consist of: (a) one common share of TAPC; (b) one transferrable common share purchase half warrant entitling the subscriber to acquire one additional common share at an exercise price of \$0.08 per common share for every two half warrants exercised until the earlier of the date that is one year from the date of issuance of such warrant or the completion of a "Reverse Takeover" as defined in TSX Venture Exchange Policy 5.2; and (c) one transferrable common share purchase half warrant entitling the subscriber to acquire one additional common share at an exercise price of \$0.15 per common share for every two half warrants exercised until three years from the date of issuance of such half warrant.
- d) The shares of WOGC held by TAPC will be distributed to the shareholders of TAPC in exchange for their shares of TAPC.
- e) WOGC intends to raise \$500,000 by way of a private placement of 10,000,000 units at \$0.05 per unit post completion of the plan of arrangement. Each unit shall consist of one common share and one transferrable common share purchase warrant. Each warrant entitles the subscriber to acquire one additional common share at an exercise price of \$0.075 per unit for a five year period from the date of issuance of such warrant.

If all approvals are obtained, conditions met and the plan of arrangement closes, WOGC will become a stand alone reporting issuer carrying on the former business operations of TAPC and the trading of TAPC common shares will be suspended pending the Company meeting minimum TSX-V listing criteria.

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20. Subsequent Events

On May 21, 2021 the shareholders of the Company approved: (a) the plan of arrangement; and (b) the TAPC Private Placement. On May 25, 2021, the Court of Queen's Bench of Alberta approved the plan of arrangement. There remains a number of conditions which must be satisfied before the Company can implement the plan of arrangement. Even if all of the conditions are satisfied or waived, the Board of Directors reserves the right not to implement the plan of arrangement.