

Doxa Energy Ltd.

Condensed Consolidated Interim Financial Statements

March 31, 2020

(Expressed in U.S. Dollars)

(Unaudited - See Advisory to Reader)

Doxa Energy Ltd.

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Advisory to Reader

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of 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 financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

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

Doxa Energy Ltd.
Condensed Consolidated Interim Balance Sheets
(Unaudited - See Advisory to Reader)
(Expressed in U.S. dollars)

As at	March 31, 2020	December 31, 2019
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ASSETS

Current assets

Cash and cash equivalents	\$ 20,846	\$ 5,660
Accounts receivable	1,373	45,823
Assets held for sale (Note 2)	<u>1,965,568</u>	<u>2,047,732</u>
	<u>\$ 1,987,787</u>	<u>\$ 2,099,215</u>

LIABILITIES

Current liabilities

Accounts payable and accrued liabilities	\$ -	\$ 46,811
Liabilities held for sale (Note 2)	<u>1,965,568</u>	<u>2,047,732</u>
	<u>1,965,568</u>	2,094,543
Loans payable (Note 6)	<u>2,600,866</u>	<u>2,840,695</u>
	<u>4,566,434</u>	<u>4,935,238</u>

SHAREHOLDERS' DEFICIT

Share capital (Note 5)	8,695,994	8,695,994
Accumulated Other Comprehensive Income	898,952	660,169
Deficit	<u>(12,173,593)</u>	<u>(12,192,186)</u>
	<u>(2,578,647)</u>	<u>(2,836,023)</u>

	<u>\$ 1,987,787</u>	<u>\$ 2,099,215</u>
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Going Concern (Note 1)

Approved by the Directors:

" John D. Harvison "

Director

" Mark Bronson "

Director

Doxa Energy Ltd.**Condensed Consolidated Interim Statements of Comprehensive Income (Loss)****(Unaudited - See Advisory to Reader)****(Expressed in U.S. dollars)**

	Three Months Ended March 31	
	<u>2020</u>	<u>2019</u>
Expenses		
Interest and bank charges	\$ 47	\$ 52
Advertising and promotion	134	192
Insurance	1,853	-
Interest on long-term debt (Note 6)	-	66,256
Filing fees and shareholder services	<u>4,371</u>	<u>5,023</u>
	<u>6,405</u>	<u>71,523</u>
Net income (loss) before other items	(6,405)	(71,523)
Other items		
Income from discontinued operations (Note 2)	<u>24,998</u>	<u>32,625</u>
Net income (loss)	\$ <u>18,593</u>	\$ <u>(38,898)</u>
Earnings (loss) per share, Basic and Diluted	\$ <u>-</u>	\$ <u>-</u>
Weighted Average Number of Shares Outstanding	<u>33,980,141</u>	<u>33,980,141</u>
Other Comprehensive Income (Loss):		
Net income (loss)	\$ 18,593	\$ (38,898)
Exchange differences on translating foreign operations	<u>238,783</u>	<u>(77,585)</u>
Comprehensive income (loss)	\$ <u>257,376</u>	\$ <u>(116,483)</u>

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

Doxa Energy Ltd.**Condensed Consolidated Interim Statements of Changes in (Deficit) Equity****(Unaudited, See Advisory to Reader)****(Expressed in U.S. dollars)**

	Number of shares (Note 5)	Share capital (Note 5)	Share-based Payments Reserve	Foreign Currency Translation Reserve	Deficit	Total (deficit) equity
December 31, 2018	33,980,141	\$8,695,994	\$0	\$794,921	\$(12,110,644)	\$(2,619,729)
Net loss for the three months ended				(77,585)	(38,898)	(116,483)
March 31, 2019	33,980,141	8,695,994	0	717,336	(12,149,542)	(2,736,212)
Net loss for the nine months ended				(57,167)	(42,644)	(99,811)
December 31, 2019	33,980,141	8,695,994	0	660,169	(12,192,186)	(2,836,023)
Net income for the three months ended				238,783	18,593	257,376
March 31, 2020	33,980,141	\$8,695,994	\$0	\$898,952	\$(12,173,593)	\$(2,578,647)

The accompanying notes are an integral part of these financial statements

Doxa Energy Ltd.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - See Advisory to Reader)
(Expressed in U.S. dollars)

	Three Months Ended March 31,	
	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Net income (loss)	\$ 18,593	\$ (38,898)
Adjustments for non-cash items:		
Accrued interest on long-term debt	<u>-</u>	<u>66,256</u>
	<u>18,593</u>	<u>27,358</u>
Changes in non-cash working capital		
Accounts receivable	<u>44,450</u>	<u>(70)</u>
Accounts payable and accrued liabilities	<u>(46,811)</u>	<u>242</u>
Operating cash flows from continuing operations	<u>16,232</u>	<u>27,530</u>
Operating cash flows from discontinued operations	<u>28,614</u>	<u>20,268</u>
	<u>44,846</u>	<u>47,798</u>
Cash flows from investing activities		
Net cash provided by (used in) investing activities from discontinued operations	<u>(16,282)</u>	<u>(27,892)</u>
	<u>(16,282)</u>	<u>(27,892)</u>
Cash flows from financing activities		
Net cash used in financing activities from discontinued operations	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Foreign exchange effect on cash	<u>59,055</u>	<u>(6,888)</u>
Net increase (decrease) in cash	<u>87,619</u>	<u>13,018</u>
Cash Included in Assets Held for Sale	<u>(72,433)</u>	<u>(8,761)</u>
Cash - beginning of period	<u>5,660</u>	<u>10,061</u>
Cash - end of period	<u>\$ 20,846</u>	<u>\$ 14,318</u>

Supplemental Cash Flow Information

Doxa Energy Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited- See Advisory to Reader)

(Expressed in U.S. dollars, unless otherwise stated)

Period Ended March 31, 2020

1. Nature of business and going concern

Doxa Energy Ltd. (the “Company” or “Doxa”) was incorporated under the Business Corporations Act of British Columbia on February 13, 2007. The principal business of the Company is the acquisition, exploration and development of oil and gas properties, primarily in south Texas, USA. The Company maintains its head office at 2080 – 777 Hornby Street, Vancouver, British Columbia, Canada V6Z 1S4.

These financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has an accumulated deficit of \$12,173,593 (December 31, 2019 - \$12,192,186), which raises doubt as to the validity of the going concern assumption. As at March 31, 2020, the Company had working capital of \$22,219 (December 31, 2019 - \$4,672). The Company does not have sufficient funds to meet its liabilities and investment obligations for the ensuing twelve months as they fall due, however management has secured a revolving line of credit in the face amount of \$175,000 with a borrowing base of \$175,000. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The Company’s ability to continue operations and fund its liabilities is dependent on management’s ability to secure additional financing from either debt or equity. Accordingly, these consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and realize its assets and liquidate its liabilities and commitments at amounts different from those in the accompanying consolidated financial statements. Any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern could be material.

On May 22, 2019, the Company signed a definitive Merger Agreement (Note 9) to essentially liquidate its existing oil and gas assets and enter into a 'reverse takeover' by an unrelated technology Company pursuant to Policy 5.2 of the TSX-V. If consummated, this transaction will have significant effect on the operations of Doxa and its shareholders. Trading of Doxa shares has been halted.

Doxa Energy Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited- See Advisory to Reader)

(Expressed in U.S. dollars, unless otherwise stated)

Period Ended March 31, 2020

2. Assets Held for Sale and Discontinued Operations

During the year ended December 31, 2018, the Company signed a binding letter of intent ("LOI") with ProStar Geocorp, Inc. ("ProStar") to acquire all of the issued and outstanding securities of ProStar (the "Transaction"). On May 22, 2019, the Company signed a Merger Agreement (Note 9). Prior to the closing of the Transaction, the Company is to dispose of its wholly owned subsidiary Doxa Energy US, Inc. ("Doxa USA").

Management determined the operations for Doxa USA meet the definitions of assets held for sale and discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Consequently, assets and liabilities of Doxa USA were classified as a disposal group. Revenue and expenses relating to the discontinuation of Doxa USA have been classified separately from the Company's continuing operations to net income from discontinued operations as a single line in the consolidated statements of operations and comprehensive loss.

In accordance with IFRS 5, on the reclassification of disposal groups as assets held for sale and discontinued operations, the Company remeasured the net assets of Doxa USA to fair value less costs of disposal. During the year ended December 31, 2019, an impairment expense of \$255,698 was recorded against property and equipment and an impairment recovery of \$33,611 was recorded against exploration and evaluation assets, which was included in net income from discontinued operations. During the period an impairment of \$11,384 was recorded against exploration assets.

As at March 31, 2020, assets and liabilities held for sale were comprised of the following:

	March 31, 2020	December 31, 2019
Assets held for sale		
Cash	\$ 72,433	\$ 60,101
Accounts receivable	66,023	91,989
Prepays	5,996	14,714
Exploration and evaluation assets	1,186,098	1,197,482
Property and equipment	635,018	683,446
Total assets held for sale	<u>\$1,965,568</u>	<u>\$2,047,732</u>
Liabilities held for sale		
Accounts payable and accrued liabilities	\$1,715,678	\$1,797,842
Credit facility	153,100	153,100
Decommissioning obligation	96,790	96,790
Total liabilities held for sale	<u>\$1,965,568</u>	<u>\$2,047,732</u>

Doxa Energy Ltd.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited- See Advisory to Reader)****(Expressed in U.S. dollars, unless otherwise stated)****Period Ended March 31, 2020****2. Assets Held for Sale and Discontinued Operations (continued)**

The results of Doxa USA are presented as discontinued operations for the period ended March 31, 2020 and 2019:

	March 31, 2020	March 31, 2019
Oil and Gas operations		
Oil and gas revenue	\$ 158,553	\$ 84,215
Severance taxes and transport	<u>(26,470)</u>	<u>(6,932)</u>
	132,083	77,283
Lease operating expenses	(44,845)	(36,112)
Depletion, depreciation and amortization	<u>(48,430)</u>	<u>(6,031)</u>
Income from oil and gas operations	<u>38,808</u>	<u>35,140</u>
Expenses		
Bank charges	15	36
Interest	2,322	2,479
Office	89	-
Filing fees	<u>-</u>	<u>-</u>
	<u>2,426</u>	<u>2,515</u>
	36,382	32,625
Impairment of exploration and evaluation assets	<u>(11,384)</u>	<u>-</u>
Income from discontinued operations	<u>\$ 24,998</u>	<u>\$ 32,625</u>

Cash flows from discontinued operations are as follows:

	March 31, 2020	March 31, 2019
Cash flows from operating activities		
Net income (loss)	\$ 24,998	\$ 32,625
Adjustments for non-cash items:		
Depletion, depreciation and accretion	48,430	6,031
Impairment on exploration and evaluation assets	<u>11,384</u>	<u>-</u>
	84,812	38,656
Changes in non-cash working capital		
Accounts receivable	25,966	2,995
Accounts payable and accrued liabilities	<u>(82,164)</u>	<u>(21,383)</u>
	28,614	20,268
Cash flows from investing activities		
Increase in AFE's applied	(8,718)	(27,892)
Exploration and evaluation assets	-	-
Property, plant and equipment dispositions	<u>(7,564)</u>	<u>-</u>
	<u>(16,282)</u>	<u>(27,892)</u>
Cash flows from financing activities		
Loan proceeds (payments)	<u>-</u>	<u>-</u>
	-	-
Net increase (decrease) in cash	12,332	(7,624)
Cash - beginning of period	<u>60,101</u>	<u>16,385</u>
Cash - end of period	<u>\$ 72,433</u>	<u>\$ 8,761</u>

Doxa Energy Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited- See Advisory to Reader)

(Expressed in U.S. dollars, unless otherwise stated)

Period Ended March 31, 2020

3. Significant Accounting Policies

(a) Basis of Presentation:

These condensed consolidated interim financial statements have been prepared on a historical cost basis and have been prepared using the accrual basis of accounting.

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. They do not include all the information required for full annual financial statements.

The accounting policies set out below have been applied consistently to all periods presented. The accounting policies have been applied consistently by the Company and its subsidiary.

(b) Basis of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Doxa Energy US, Inc. All material intercompany transactions and balances have been eliminated upon consolidation.

(c) Use of judgments and estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant estimates and assumptions are used in assessing the asset carrying values and determination of impairment charges of non-current assets, determination of reserves, and valuation of share-based payments. Actual results may differ from those estimates.

(d) Currency translation:

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with the indicators as specified in IAS 21 Foreign Exchange and should be measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is the Canadian dollar ("CDN"), and the US subsidiary's functional currency is the US dollar ("USD").

Under IFRS, the results and financial position of all the Company's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the balance sheet date;
- income and expenses are translated at average exchange rate for the period (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

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Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - See Advisory to Reader)

(Expressed in U.S. dollars, unless otherwise stated)

Period Ended March 31, 2020

3. Significant Accounting Policies (continued)

(d) Currency translation (continued):

- all resulting exchange differences are recognized as a separate component of equity.

Transactions in currencies other than the entity's functional currency are recorded at the average rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities are translated using the period-end foreign exchange rate.

Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the consolidated statements of operations and comprehensive loss.

(e) Earnings (Loss) per share:

Basic earnings (loss) per share is calculated by dividing the earnings (loss) available to common shareholders by the weighted average number of shares outstanding in the year. For all periods presented, the income or loss available to common shareholders equals the reported income or loss. Diluted earnings (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share, as the effects of all outstanding options and warrants would be anti-dilutive.

(f) Cash and cash equivalents:

Cash equivalents consist of highly liquid investments that can be readily converted to known amounts of cash having original terms to maturity of 90 days or less from the date of original acquisition.

(g) Income taxes:

The Company uses the balance sheet method of accounting for income taxes. Under the balance sheet method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset for unused tax losses, tax credits and deductible temporary differences is recognized to the extent that it is possible that future taxable profits will be available against which they can be utilized.

Doxa Energy Ltd.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited - See Advisory to Reader)****(Expressed in U.S. dollars, unless otherwise stated)**

Period Ended March 31, 2020

3. Significant Accounting Policies (continued)**(h) Share-based payments:**

The Company has a stock option plan that is described in note 9(b). 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 the 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 amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from share-based payments reserve. For those options that expire or are forfeited after vesting, the recorded value is transferred to deficit.

(i) Property, plant and equipment and intangible exploration assets:**(i) Pre-exploration expenditures**

Expenditures made by the Company before acquiring the legal right to explore in a specific area do not meet the definition of an asset and therefore are expensed by the Company as incurred.

(ii) Exploration and evaluation expenditures

Costs incurred once the legal right to explore has been acquired are capitalized as exploration and evaluation assets. These costs include, but are not limited to, exploration license expenditures, leasehold property acquisition costs, evaluation costs, including drilling costs directly attributable to an identifiable well and directly attributable to general and administrative costs. These costs are accumulated in cost centres by property and are not subject to depletion until technical feasibility and commercial viability have been determined.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are grouped together with developing and producing assets and are tested at an aggregated cash generating unit ("CGU") CGU level. The Company evaluates the geography, geology, production profile and infrastructure of its assets in determining its CGUs. Doxa's CGUs are generally composed of significant development areas. The Company reviews the composition of its CGUs at each reporting date to assess whether any changes are required in light of new facts and circumstances.

Doxa Energy Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - See Advisory to Reader)

(Expressed in U.S. dollars, unless otherwise stated)

Period Ended March 31, 2020

3. Significant Accounting Policies (continued)

(i) Property, plant and equipment and intangible exploration assets (continued):

(ii) Exploration and evaluation expenditures (continued)

The technical feasibility and commercial viability of extracting a petroleum or natural gas resource is considered to be determinable when proved and probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved and probable reserves have been discovered. Upon determination of proved and probable reserves, exploration and evaluation assets attributable to those reserves are tested for impairment and reclassified from exploration and evaluation assets to oil and natural gas properties within property and equipment.

(iii) Other intangible costs

Costs of data purchased to formulate strategy for license applications, such as seismic data and asset purchases are accumulated and capitalized as other intangible assets to the extent that they are incurred prior to obtaining related licenses and do not relate to a field with proven reserves attributed.

(iv) Development and production costs

Items of property and equipment, which include petroleum and natural gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGUs for impairment testing. A CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

When significant parts of an item of property and equipment, including oil and gas interests, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of property and equipment, including oil and gas properties, are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within the statements of operations and comprehensive loss.

Doxa Energy Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - See Advisory to Reader)

(Expressed in U.S. dollars, unless otherwise stated)

Period Ended March 31, 2020

3. Significant Accounting Policies (continued)

(i) Property, plant and equipment and intangible exploration assets (continued):

(v) Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as oil and gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in comprehensive income (loss) as incurred. Such capitalized oil and gas interests generally represent costs 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 property and equipment are recognized in comprehensive income (loss) as incurred.

(vi) Depletion and depreciation

Depletion of oil and gas interests is provided using the unit-of-production method based on production volumes in relation to total estimated proved reserves as determined annually by independent engineers.

Natural gas reserves and production are converted at the energy equivalent of six thousand cubic feet to one barrel of oil. Costs are only depleted once production in a given area begins.

Calculations for depletion and depreciation of processing and other equipment are based on total capitalized costs plus estimated future development costs of proved and undeveloped reserves less the estimated net realizable value of production equipment and facilities after the proved reserves are fully produced.

Proved reserves are estimated using independent reserve engineer reports 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 and which are considered commercially producible.

Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

- A reasonable assessment of the future economics of such production;
- A reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and
- Evidence that the necessary production, transmission and transportation facilities are available or can be made available.

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Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - See Advisory to Reader)

(Expressed in U.S. dollars, unless otherwise stated)

Period Ended March 31, 2020

3. Significant Accounting Policies (continued)

- (i) Property, plant and equipment and intangible exploration assets (continued):

- (vi) Depletion and depreciation (continued)

Reserves may only be considered proved if supported by either actual production or conclusive formation tests.

The area of reservoir considered proved includes:

- (a) that portion delineated by drilling and defined by as-oil and/or oil-water contacts, if any, or both, and;
- (b) immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of oil and natural gas controls the lower proved limit of the reservoir.

Reserves that can be produced economically through application of improved recovery techniques (such as fluid injection) are only included in the proved classification when successful testing by a pilot project, the operation of an installed program in the reservoir or other reasonable evidence (such as, experience of the same techniques on similar reservoirs or reservoir simulation studies) provides support for the engineering analysis on which the project or program was based.

Depletion and depreciation for other equipment is recognized in profit or loss on a declining balance basis with the following annual rates:

Office equipment 20%

Computer equipment 45%

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

- (j) Impairment:

Exploration and evaluation assets are assessed for impairment at each reporting date and when they are reclassified to developing and producing assets, as oil and gas interests, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

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Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - See Advisory to Reader)

(Expressed in U.S. dollars, unless otherwise stated)

Period Ended March 31, 2020

3. Significant Accounting Policies (continued)

(j) Impairment (continued):

Fair value less costs to sell is determined to be the amount for which the asset could be sold in an arm's length transaction. Fair value less costs to sell can be determined by using an observable market or by using discounted future net cash flows of proved and probable reserves using forecasted prices and costs. Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU.

Exploration and evaluation assets are grouped together with the Company's CGUs when they are assessed for impairment, both at the time of any triggering events and circumstances as well as upon their eventual reclassification to producing assets (oil and gas interests).

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of goodwill, if any, allocated to the units and then to reduce carrying amounts of other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

(k) Provisions:

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability if the risks have not been incorporated into the estimate of cash flows. The increase in the provision due to the passage of time is recognized within accretion expense.

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

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Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - See Advisory to Reader)

(Expressed in U.S. dollars, unless otherwise stated)

Period Ended March 31, 2020

3. Significant Accounting Policies (continued)

(k) Provisions (continued):

Decommissioning liabilities are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Changes in the present value of the estimated expenditures are reflected as an adjustment to the provision and the relevant asset. The unwinding of the discount on the decommissioning provision is recognized as accretion expense. Actual costs incurred upon settlement of the decommissioning liabilities are charged against the provision to the extent the provision was recognized.

The Company records liabilities on an undiscounted basis for environmental remediation efforts that are likely to occur and where the cost can be reasonably estimated. The estimates, including associated legal costs, are based on available information using existing technology and enacted laws and regulations. The estimates are subject to revision in future periods based on actual costs incurred or new circumstances. Any amounts expected to be recovered from other parties, including insurers, are recorded as an asset separate from the associated liability. The Company does not have any known environmental liabilities.

(l) Revenue recognition:

Revenue from the sale of oil and natural gas is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer, which is usually when legal title passes to the external party. This is generally at the time the product enters the pipeline. Revenue is measured net of discounts, customs duties and royalties. With respect to the latter, the entity is acting as a collection agent on behalf of others.

Tariffs and tolls charged to other entities for use of pipelines and facilities owned by the Company are recognized as revenue, as they accrue in accordance with the terms of the service or tariff and tolling agreements.

Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

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(Expressed in U.S. dollars, unless otherwise stated)

Period Ended March 31, 2020

3. Significant Accounting Policies (continued)

(m) Financial instruments:

(i) Financial assets

Financial assets are classified into one of four categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM"), loans and receivables, and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through profit or loss. Cash is included in this category of financial assets.

HTM financial assets

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as HTM investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment. Loans and receivables are comprised of trade and other receivables.

Available-for-sale financial assets

Available-for-sale (AFS) financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. AFS assets include investments in equities of other entities.

Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are also recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit and loss.

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Period Ended March 31, 2020

3. Significant Accounting Policies (continued)

(m) Financial instruments (continued):

(ii) Financial liabilities

The Company classifies its financial liabilities as follows:

Borrowings and other financial liabilities

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include trade accounts payable and accrued liabilities and loan payable.

(iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

(n) Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value at the date the agreement to issue shares was concluded.

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Period Ended March 31, 2020

4. Capital Management

The Company considers its capital structure to consist of share capital, stock options, warrants and debt. The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern. The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of any underlying assets. The board 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.

The properties in which the Company currently has interests are in the exploration or development stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire interests in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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 March 31, 2020. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

5. Capital Stock

(a) Authorized
Unlimited number of common shares without par value

(b) Stock Options

As of March 31, 2020, the Company had no stock options issued and outstanding.

(c) Warrants outstanding

As of March 31, 2020, the Company had no warrants issued and outstanding.

Doxa Energy Ltd.

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Period Ended March 31, 2020

6. Loans Payable

On August 10, 2010, the Company entered into loan agreements with each of Armada Investments Ltd. ("Armada"), a company controlled by the former chairman of the Company, and Harvco LLC ("Harvco"), a company controlled by the president and director of the Company, whereby Armada and Harvco provided loans totalling CDN\$1,700,000 to the Company, of which CDN\$1,200,000 was provided by Armada and CDN\$500,000 was provided by Harvco (the "loans"). The loans accrue interest at 10% per annum. As part of the loan agreements, the lenders received 2,266,667 warrants of the Company. Each warrant was exercisable at a price of CDN\$0.40 for a period of two years from issuance. The warrants were considered a transaction cost with a fair value of CDN\$590,295. The fair value of the warrants was estimated using the Black-Scholes option pricing model assuming a risk-free rate of 1.26%, expected dividend yield of 0%, expected stock volatility of 114% and an expected option life of two years. The transaction cost was accreted to interest expense over the life of the loan. The warrants expired unexercised.

On July 27, 2011, the Company entered into a second loan agreement with Armada whereby Armada has provided an aggregate loan facility of up to CDN\$500,000 to the Company. The loan accrues interest at 10% per annum and was due on July 27, 2013. The due date has been amended several times, and on July 31, 2018 the due date on the loans was amended to July 31, 2023.

On January 1, 2015, Armada and Harvco agreed to temporarily allow interest payments to stop being paid, and accrue the interest payable.

Balance, December 31, 2019	2,840,695
Accrued interest	-
Foreign exchange effect	<u>(239,829)</u>
Balance, March 31, 2020	<u>\$ 2,600,866</u>

On May 22, 2019, the Company entered into debt settlement agreements with Armada Investments Ltd. and Harvco, LLC., to settle the principal amounts of the loans (See Note 9) being CDN\$1,700,000 to Armada Investments Ltd. and CDN\$500,000 to Harvco, LLC., for common shares without par value of the Company. In accordance with the agreement interest on the debts stopped accruing on April 30, 2019. All accrued and unpaid interest on the loans will be forgiven. The settlement of the debts is conditional on the closing of the transaction with Prostar (See Note 1, 2 and 9).

A breakdown of the loans and the debt shares issuable is as follows:

	<u>Amount of Debt (CDN)</u>	<u>Debt Shares Issuable</u>
Armada Investments Ltd.	\$ 1,700,000	145,282,936
Harvco LLC	\$ 500,000	42,730,275

Doxa Energy Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

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(Expressed in U.S. dollars, unless otherwise stated)

Period Ended March 31, 2020

7. Related Party Transactions

During the period ended March 31, 2020, the Company was charged legal fees of CDN\$Nil (December 31, 2019 - CDN\$38,232) by S. Paul Simpson Law Corp., a law firm of which an officer of the Company is an employee.

At March 31, 2020, the Company has CDN\$2,851,128 in loans payable to Armada, a Company controlled by the former chairman of the Company (Note 6).

At March 31, 2020, the Company has CDN\$838,567 in loans payable to Harvco, a Company controlled by the president and director of the Company (Note 6).

At March 31, 2020, the Company has \$1,559,972 (December 31, 2019 - \$1,639,860) in accounts payable owing to Dynamic Production, Inc., a Company controlled by the president and director of the Company.

8. Segmented Information

The Company has one operating segment, which is the acquisition and exploration of oil and gas properties. Geographic segmentation of the Company's assets are as follows: Canada - \$22,219 (December 31, 2019 - \$51,482) and US - \$1,965,568 (December 31, 2019 - \$2,047,732).

The majority of the Company's operating expenses are incurred in the US, with a smaller portion in Canada. Exploration and development expenditures are incurred in the US and oil and gas revenues are in the US.

Doxa Energy Ltd.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited - See Advisory to Reader)****(Expressed in U.S. dollars, unless otherwise stated)**

Period Ended March 31, 2020

9. Subsequent Events

The Company and Prostar are currently in discussions regarding the impact of COVID-19 on the amended Merger Agreement.

COVID -19

The global impact of COVID-19 as well as recent declines in spot prices for oil and gas have resulted in significant declines in global stock markets and has fostered a great deal of uncertainty as to the health of the global economy over the next 12 to 18 months. As such, companies such as Doxa are subject to liquidity risks in maintaining their revenues and earnings as well as ongoing and future development and operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors are likely to have a negative impact on the Company's ability to raise equity and/or obtain loans and other credit facilities in the future or on terms favourable to the Company and its management.

Companies such as Doxa that are involved directly or indirectly in providing goods and services to the oil and gas sector will be affected by the impact of COVID-19 as well as other economic factors impacting the oil and gas sector.

Impairment test for property and equipment, exploration and evaluation assets and assets held for sale and discontinued operations are generally based on a fair value less costs of disposal model. Accordingly, as required by IFRS, management has not reflected these subsequent conditions in the measurement of property and equipment, exploration and evaluation assets and assets held for sale and discontinued operations as at December 31, 2019, or March 31, 2020.

Impairment indicators for property and equipment, exploration and evaluation assets and assets held for sale and discontinued operations could exist at May 28, 2020, if current conditions persist. Management continues to work on revisions to our Company's forecasts and development plans in light of the current conditions and will use these updated assumptions / forecasts in their impairment indicator analysis and for impairment tests, if such tests are required.