



ADVANTAGEWON OIL CORP.

CSE: AOC | OTC Pink: ANTGF

ADVANTAGEWON OIL CORPORATION

Condensed Interim Consolidated Financial Statements
(Expressed In Canadian Dollars)
(Unaudited – Prepared By Management)

For The Three & Nine Months Ended September 30, 2019

Q3 2019

BUILDING CONSISTENT CASH FLOW FROM LOW COST, LOW RISK OIL WELLS IN TEXAS

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Notice of Disclosure of No Auditor Review of Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") accounting principles as issued by the IASB and are the responsibility of the Company's management.

The Company's independent auditors, UHY McGovern Hurley LLP, have not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

ADVANTAGEWON OIL CORPORATION

Condensed Interim Consolidated Statements of Financial Position
(Unaudited)
(All amounts stated in Canadian Dollars)

	Note	September 30 2019	December 31 2018
ASSETS			
Current assets			
Cash		\$ 65,229	\$ 91,389
Note receivable		–	68,066
Trade and other receivables	4	32,651	61,143
Prepaid expenses		45,066	212,250
Total current assets		142,946	432,848
Non-current assets			
Bond deposits		323,933	326,111
Right-of-use asset	5	81,103	–
Oil and gas properties	6	8,757,613	9,475,174
Total assets		\$ 9,305,595	\$ 10,234,133
SHAREHOLDERS' EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 442,560	\$ 545,127
Current portion of lease liability	7	32,297	–
Loans payable	8	172,500	332,388
Total current liabilities		647,357	877,515
Non-current liabilities			
Lease liability	7	54,603	–
Decommissioning liability	9	1,742,478	1,987,274
Total liabilities		2,444,438	2,864,789
Shareholders' equity			
Common shares	10	15,877,949	15,740,844
Shares to be issued		–	47,525
Warrant reserve	10	3,569,123	4,429,765
Share-based payments reserve	10	1,117,300	999,595
Accumulated other comprehensive income		950,440	1,094,130
Deficit		(14,653,655)	(14,942,515)
Total shareholders' equity		6,861,157	7,369,344
Total liabilities and shareholders' equity		\$ 9,305,595	\$ 10,234,133

Nature and Continuance of Operations (Note 1)

Approved on behalf of the Board:

Signed "Frank Kordy" Director Signed "Paul Haber", Director

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

ADVANTAGEWON OIL CORPORATION

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

(All amounts stated in Canadian Dollars)

		For the three months ended September 30		For the nine months ended September 30	
	Note	2019	2018	2019	2018
Revenues					
Oil revenue	12	\$ 106,830	\$ 247,819	\$ 339,600	\$ 674,964
Royalties		(30,841)	(76,077)	(97,288)	(199,888)
		75,989	171,742	242,312	475,076
Expenses					
Production		82,492	172,947	244,633	466,537
General and administrative		116,133	313,881	449,757	1,102,383
Depletion and depreciation	5, 6	30,229	37,733	79,159	105,763
Accretion of decommissioning liability	9	12,381	11,017	39,511	32,212
Gain on disposition of oil and gas property	6	—	—	(9,950)	—
Share-based payments	10	128,727	115,285	296,639	581,293
		369,962	650,863	1,099,749	2,288,188
Loss before other income (expenses)		(293,973)	(479,121)	(857,437)	(1,813,112)
Other income (expenses)					
Gain on marketable securities		—	18,294	—	—
Sublease revenue	7	12,318	—	36,954	—
Interest	7, 8	(4,977)	(141,100)	(34,405)	(204,285)
Gain (loss) on debt settlement	8	—	24,200	20,237	3,985
Loss for the period		(286,632)	(577,727)	(834,651)	(2,013,412)
Other comprehensive loss					
Exchange differences on translation of foreign subsidiaries		53,556	(151,810)	(143,690)	288,571
Loss and comprehensive loss		\$ (233,076)	\$ (729,537)	\$ (978,341)	\$ (1,724,841)
Loss per share					
	11	(0.00)	(0.00)	(0.00)	(0.01)

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ADVANTAGEWON OIL CORPORATION

Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited)
(All amounts stated in Canadian Dollars)
For the nine months ended September 30

	Note	2019	2018
Common shares	10(a)		
Balance, beginning of period		\$ 15,740,844	\$ 13,888,909
Private placement of units, net of amount allocated to warrants		32,545	67,371
Private placement of common shares		—	929,700
Shares issued for exercise of stock options		—	576,580
Shares issued for settlement of debt and accounts payable		104,560	301,063
Share issue costs		—	(12,339)
Balance, end of period		15,877,949	15,751,284
Shares to be issued			
Balance, beginning of period		47,525	47,525
Shares to be issued		(47,525)	—
Balance, end of period		—	47,525
Warrant reserve			
Balance, beginning of period		4,429,765	4,002,041
Private placement of units, warrant value	10(a)	82,455	86,870
Settlement of accounts payable, warrant value	10(a)	1,480	—
Financing costs, warrant value		—	50,920
Expiry of warrants	10(b)	(944,577)	—
Balance, end of period		3,569,123	4,139,831
Share-based payments reserve	10(c)(d)		
Balance, beginning of period		999,595	887,582
Share-based payments		296,639	581,293
Expired stock options		(178,934)	—
Exercise of stock options		—	(114,080)
Balance, end of period		1,117,300	1,354,795
Accumulated other comprehensive income			
Balance, beginning of period		1,094,130	478,347
Exchange differences on translation of foreign subsidiaries		(143,690)	288,571
Balance, end of period		950,440	766,918
Deficit			
Balance, beginning of period		(14,942,515)	(7,953,690)
Loss for the period		(834,651)	(2,013,412)
Expiry of warrants and stock options	10(b)(c)	1,123,511	—
Balance, end of period		(14,653,655)	(9,967,102)
Total shareholders' equity		\$ 6,861,157	\$ 12,093,251

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

ADVANTAGEWON OIL CORPORATION

Condensed Interim Consolidated Statements of Changes in Cash Flows

(Unaudited)

(All amounts stated in Canadian Dollars)

For the nine months ended September 30

	Note	2019	2018
Cash flows (used in) provided by operating activities			
Loss for the period		\$ (834,651)	\$ (2,013,412)
Add back (deduct) items not affecting cash:			
Depletion and depreciation	5,6	79,159	105,763
Accretion of decommissioning liability	9	39,511	32,212
Gain on disposition of oil and gas property	6	(9,950)	–
Share-based payments	10	296,639	581,293
Interest	7,8	34,104	205,010
Gain on debt settlement	8	(20,237)	–
Foreign exchange		(8,689)	(15,736)
Shares to be issued		(47,525)	–
Change in non-cash working capital:			
Trade and other receivables		18,038	3,077
Prepaid expenses		167,184	(48,564)
Inventory		–	(2,076)
Accounts payable and accrued liabilities		(77,322)	8,392
Net cash flows used in operating activities		(363,739)	(1,144,041)
Cash flows (used in) provided by financing activities			
Private placement of common shares and units	10	115,000	619,402
Lease payments	7	(35,341)	–
Loan proceeds	8	108,611	86,550
Repayment of loans payable	8	(230,000)	(122,540)
Net cash flows (used in) provided by financing activities		(41,730)	583,412
Cash flows (used in) provided by investing activities			
Expenditures on oil and gas properties	6	(247,373)	(436,848)
Proceeds from disposition of oil and gas property	6	561,217	–
Note receivable proceeds		68,066	210,274
Net cash flows (used in) provided by investing activities		381,910	(226,574)
Change in cash		(23,559)	(787,203)
Effect of exchange rates on cash held in foreign currencies		(2,601)	35,718
Cash, beginning of period		91,389	780,989
Cash, end of period		\$ 65,229	29,504

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

ADVANTAGEWON OIL CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited)
(All amounts stated in Canadian Dollars)
For the three and nine months ended September 30, 2019

1. Nature and Continuance of Operations

Advantagewon Oil Corporation (the "Company") was incorporated under the laws of the Province of Ontario on July 10, 2013. The Company is engaged in the acquisition, exploration, development and production of oil and gas reserves in North America. The address of its registered office is 8 King Street, Suite 1005, Toronto, ON M5C 1B5.

The Company's common shares trade on the Canadian Securities Exchange under the trading symbol "AOC" and on the OTC Pink Sheets under the trading symbol "ANTGF".

The business of exploring for oil and gas reserves involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable operations. The recoverability of the carrying value of the properties and the Company's continued existence is dependent upon the preservation of its properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing registration or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims and noncompliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations, restriction and political uncertainty.

There is no guarantee that existing leases will be renewed, extended or reacquired prior to expiry or that leases on new areas will be acquired. Title to oil and gas lease properties involve certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the ambiguous conveyancing history that is characteristic of many oil and gas properties. The Company believes it has sufficiently investigated title to its properties, and, to the best of its knowledge these titles are properly registered and in good standing. However, no assurance can be given that such rights will not be revoked, or significantly altered, to its detriment and such investigations do not guarantee or certify that an unforeseen defect in the chain of title will not arise. If at any time title cannot be determined, it may have a financial impact on the value of that lease and the carrying value of the oil and gas properties.

The Company has a need for equity financing for working capital and exploration and development of its properties. Because of continuing operating losses and a working capital deficit, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operations. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue as a going concern.

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from reported in these consolidated financial statements. Such adjustments could be material.

2. Basis of Presentation

The unaudited condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with IFRS as issued by the International Accounting Standards Board, applicable to the preparation of interim financial statements, as set out in IAS 34 Interim Financial Reporting.

The Company has consistently applied the same accounting policies throughout all periods presented except as noted in Note 3 for changes and impact of new accounting policies adopted effective January 1, 2019. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2018.

These consolidated financial statements include the accounts of the Company, together with its wholly-owned subsidiaries, Advantagewon Oil US Corporation (USA) ("AOC US"), Ainslie Oil Corporation (Canada) ("Ainslie"), Albaro Oil Corp. (Canada) ("Albaro") and Plutus US Oil Corporation (USA) ("Plutus").

Functional currency is the currency of the primary economic environment in which a company operates. The functional currency of the Company, Ainslie and Albaro is Canadian dollars ("CAD"). The functional currency of AOC US and Plutus is the United States dollar ("USD"). These unaudited condensed interim consolidated financial statements are presented in CAD.

The unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Company's Board of Directors on November 29, 2019.

ADVANTAGEWON OIL CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited)
(All amounts stated in Canadian Dollars)
For the three and nine months ended September 30, 2019

3. New Accounting Standards

a) IFRS 16 Leases

On January 1, 2019, the Company adopted IFRS 16 Leases ("IFRS 16") using the modified retrospective approach which does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively.

On adoption of IFRS 16, the Company's lease liabilities related to contracts classified as leases are measured at the discounted present value of the remaining minimum lease payments, excluding short-term and low-value leases. The right-of-use assets recognized were measured at amounts equal to the present value of the lease obligations. The weighted average incremental borrowing rate used to determine the lease liability at adoption was approximately 24%. The right-of-use assets and lease liability recognized relate to office premises. The Company elected to not apply lease accounting to certain leases for which the lease term ends within 12 months of the date of initial application or leases of low-value assets.

The cumulative effect of initially applying IFRS 16 was recognized as a \$107,176 right-of-use asset (Note 5) with a corresponding lease liability (Note 7).

In applying IFRS 16 for the first time, the Company used the following practical expedients permitted by the standard:

- Apply a single discount rate to a portfolio of leases with similar characteristics;
- Account for leases with a remaining term of less than 12 months as at January 1, 2019 as short-term leases;
- Account for lease payments as an expense and not recognizing a right-of-use asset if the underlying asset is of low dollar value; and
- The use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease.

Upon the adoption of IFRS 16, the Company adopted the following significant accounting policy effective January 1, 2019:

Leases

A contract is a lease (or may contain a lease) if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term. Interest expense is recognized on the lease liabilities using the effective interest rate method and payments are applied against the lease liability. Payments received for the sublease of right-of-use assets are recognized as sublease revenue.

Key areas where management has made judgments, estimates, and assumptions related to the application of IFRS 16 include:

- The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease liabilities, and the resulting interest expense and depreciation expense, may differ due to changes in the market conditions and lease term.
- Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

b) IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

On January 1, 2019, the Company adopted the amendments to IFRS 3 Business Combinations ("IFRS 3") and IFRS 11 Joint Arrangements ("IFRS 11"). The amendments to IFRS 3 clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, it re-measures previously held interests in that business. The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation obtains joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3, the previously held interests in the joint operation are not remeasured.

The adoption of these amendments had no impact on the Company's condensed interim consolidated financial statements.

ADVANTAGEWON OIL CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited)
(All amounts stated in Canadian Dollars)
For the three and nine months ended September 30, 2019

4. Trade and Other Receivables

The Company's trade and other receivables are exposed to the risk of financial loss if the counterparty fails to meet its contractual obligations. The Company's trade and other receivables include amounts due from the sale of oil and natural gas.

The Company's maximum exposure to credit risk in respect of trade and other receivables consist of:

	September 30 2019	December 31 2018
Trade receivables	\$ 13,259	\$ 42,441
Harmonized Sales Tax receivable	19,392	18,702
	<u>\$ 32,651</u>	<u>\$ 61,143</u>

At September 30, 2019 and December 31, 2018, all of the Company's trade receivables are due from one customer to which the Company sells its oil (Note 12). All oil sales occur in the United States. The Company monitors the credit risk of its customer on a regular basis. Management believes the risk of loss associated with these assets is remote.

All of the Company's trade and other receivables are less than 90 days old. The Company has not experienced any collection issues with respect to its trade and other receivables and has not provided for credit losses in the three and nine months ended September 30, 2019 or 2018.

5. Right-of-Use Asset

Cost

Balance, December 31, 2018	\$	–
Right-of-use asset		107,176
Balance, September 30, 2019	\$	107,176

Accumulated depreciation

Balance, December 31, 2018	\$	–
Depreciation		(26,073)
Balance, September 30, 2019	\$	(26,073)

Net carrying amount

Balance, December 31, 2018	\$	–
Balance, September 30, 2019	\$	81,103

The Company recognized right-of-use asset and corresponding lease liability (Note 7) related to office premises. The right-of-use asset is depreciated on a straight-line basis over 37 months.

ADVANTAGEWON OIL CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited)
(All amounts stated in Canadian Dollars)
For the three and nine months ended September 30, 2019

6. Oil and Gas Properties

As at September 30, 2019, the Company holds a 100% working interest in several properties in the La Vernia area of Texas with net revenue interests ranging from 72.5% to 87%, some of which have overriding royalty burdens ranging from 1.5% to 5%.

	United States				
	Saratoga	La Vernia	Total	Canada	TOTAL
Cost	\$	\$	\$	\$	\$
Balance, December 31, 2018	5,960,597	8,760,760	14,721,357	–	14,721,357
Additions	–	201,262	201,262	110,000	311,262
Disposition	(5,871,900)	–	(5,871,900)	–	(5,871,900)
Foreign exchange	(88,697)	(175,920)	(264,617)	–	(264,617)
Balance, September 30, 2019	–	8,786,102	8,786,102	110,000	8,896,102
Accumulated depletion and depreciation					
Balance, December 31, 2018	(5,150,423)	(95,760)	(5,246,183)	–	(5,246,183)
Depletion and depreciation	(7,458)	(45,628)	(53,086)	–	(53,086)
Disposition	5,081,316	–	5,081,316	–	5,081,316
Foreign exchange	76,565	2,899	79,464	–	79,464
Balance, September 30, 2019	–	(138,489)	(138,489)	–	(138,489)
Net carrying amount					
December 31, 2018	810,174	8,665,000	9,475,174	–	9,475,174
September 30, 2019	–	8,647,613	8,647,613	110,000	8,757,613

Acquisition of working interests

On September 26, 2019, Company entered into an agreement with a Canadian private company for three wells in Canada with a right of first refusal on six additional wells. The Company paid \$30,000 for a 10% working interest in two wells and 5% working interest in the third well and advanced \$80,000 to fund the reactivation work on the wells which, upon completion, will earn the Company an additional 40% working interest in two wells and an additional 20% working interest in the third well.

Disposition

The Company held a 100% working interest in the Saratoga Property located in Texas to which the Company was entitled to between 77.5% and 80% of the revenues earned from the wells under production. The Company closed the sale of its Saratoga CGU on May 16, 2019 for consideration of \$571,158 (USD 425,000) comprised of \$561,217 of cash consideration less \$9,941 of working capital adjustments and recognized a \$9,950 gain on disposition of oil and gas properties.

Consideration

Cash	\$	561,217
Working capital adjustments		9,941
		571,158
Net carrying amount of Saratoga CGU		
Oil and gas properties		790,584
Decommissioning liability		(229,376)
		561,208
Gain on disposition of oil and gas property	\$	9,950

Future development costs

The September 30, 2019 depletion expense calculation included \$32.4 million (USD 24.8 million) (December 31, 2018 – \$36.7 million (USD 26.9 million)) for estimated future development costs associated with the Company's proved and probable reserves.

ADVANTAGEWON OIL CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited)
(All amounts stated in Canadian Dollars)
For the three and nine months ended September 30, 2019

7. Lease Liability

Balance, December 31, 2018	\$	–
Right-of-use asset		107,176
Interest		15,065
Payments		(35,341)
Balance, September 30, 2019	\$	86,900
Current portion of lease liability		(32,297)
Long-term portion of lease liability	\$	54,603

The Company has a lease for office premises in the amount of \$4,437 per month (\$3,927 plus taxes, comprised of base rent and estimated operating costs) until January 31, 2022.

The Company has sublet the office premises for \$4,640 per month (\$4,106 plus taxes) until January 31, 2022. During the three and nine months ended September 30, 2019, the Company recognised \$12,318 and \$36,954, respectively, of sublease revenue.

8. Loan Payable

The following table presents the continuity of the Company's loans payable:

	Fountain loan	Advances	Total
Balance, December 31, 2018	\$ 332,388	\$ –	\$ 332,388
Advances	–	172,500	172,500
Accrued interest	19,039	–	19,039
Cash payment	(230,000)	–	(230,000)
Share settlement (Note 10(a))	(101,190)	–	(101,190)
Gain on settlement of loan	(20,237)	–	(20,237)
Balance, September 30, 2019	\$ –	\$ 172,500	\$ 172,500

a) Fountain loan

As at December 31, 2018, the Company had a \$332,388 loan due to Fountain Asset Corp. ("Fountain"). The loan bore interest at 24% per year with a maturity date of July 31, 2018 and a general security agreement covering the assets of the Company. Monthly loan principal repayments were calculated as the greater of (i) \$25,000 and (ii) 15% of gross oil revenue received in the prior month. Fountain had an option to convert all or a portion of the loan into common shares of the Company.

Pursuant to the terms of the loan, the Company was required to produce 1,000 barrels of oil a month and maintain a monthly current ratio of 0.5 to 1.0. The Company did not meet the loan covenants prior to the settlement of the loan.

Interest on the loan for the three and nine months ended September 30, 2019 was \$4,675 and \$19,039, respectively (three and nine months ended September 30, 2018 – \$nil and \$38,340).

On May 16, 2019, the Company entered into a debt settlement agreement with Fountain pursuant to which the Company settled the outstanding debt to Fountain by way of a \$230,000 cash payment and the issuance of 4,047,600 common shares of the Company to Fountain (Note 10(a)).

b) Advances

In September 2019, the Company received \$172,500 of advances in connection with loan agreements entered into subsequent to September 30, 2019 (Note 14(a)). Of the advances, \$108,611 was paid to the Company in cash and \$63,889 was paid directly to a private oil and gas company for the acquisition of working interests (Note 6).

ADVANTAGEWON OIL CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited)
(All amounts stated in Canadian Dollars)
For the three and nine months ended September 30, 2019

9. Decommissioning Liability

The Company's decommissioning liability as at September 30, 2019 is based on the following estimates and assumptions:

- Total undiscounted future costs of USD 1,490,468 (\$1,950,576)
- Annual inflation rate of 1.9% annual rate
- Settlement of the liability occurring in approximately two to forty years
- Risk free discount rate of 2.9%

Balance, December 31, 2018	\$	1,987,274
Accretion		39,511
Disposition		(229,376)
Foreign exchange		(54,931)
Balance, September 30, 2019	\$	1,742,478

10. Equity

a) Common shares

Issued	Number	Amount
Balance, December 31, 2018	210,122,431	\$ 15,740,844
Unit private placement (i)	3,285,715	32,545
Debt settlement (ii)	4,047,600	101,190
Accounts payable settlement (iii)	138,571	3,370
Balance, September 30, 2019	217,594,317	\$ 15,877,949

(i) On January 17, 2019, the Company closed a non-brokered private placement for the issuance of 3,285,715 units at \$0.035 per unit for gross proceeds of \$115,000. Each unit is comprised of one common share and one warrant exercisable at \$0.06 per share until January 17, 2021. The fair value of the warrants was estimated at \$82,455 using the Black-Scholes pricing model based on estimated volatility of 138%, a 1.9% risk-free rate, a term of 2 years and no dividend yield.

Two directors of the Company and a company related through common directors subscribed for 2,428,571 units for \$85,000 of cash proceeds.

(ii) On May 16, 2019, the Company issued 4,047,600 common shares as part of a debt settlement agreement with Fountain (Note 8(a)). The fair value of the common shares was estimated to be \$101,190 based on the quoted market price of the Company's shares on the date of issuance.

(iii) On September 26, 2019, the Company issued 138,571 units at \$0.035 per unit as settlement of \$4,850 of accounts payable. Each unit is comprised of one common share and one warrant exercisable at \$0.06 per share until September 26, 2021. The fair value of the warrants was estimated at \$1,480 using the Black-Scholes pricing model based on estimated volatility of 200%, a 1.57% risk-free rate, a term of 2 years and no dividend yield.

b) Warrants

A continuity of the Company's warrants outstanding is as follows:

	Number	Weighted Average Exercise Price
Balance, December 31, 2018	72,527,221	\$ 0.24
Unit private placement (Note 10(a)(i))	3,285,715	0.06
Settlement of accounts payable (Note 10(a)(iii))	138,571	0.06
Expired	(18,676,667)	(0.25)
Balance, September 30, 2019	57,274,840	\$ 0.23

ADVANTAGEWON OIL CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited)
(All amounts stated in Canadian Dollars)
For the three and nine months ended September 30, 2019

Information about warrants outstanding as at September 30, 2019 is summarized in the following table:

Exercise Price	Number of Warrants	Weighted Average Exercise Price	Weighted Average Contractual Life Remaining (years)
\$ 0.25	49,765,726	\$ 0.25	0.67
0.10	4,084,828	0.10	1.36
0.06	3,424,286	0.06	1.33
	57,274,840	\$ 0.23	0.76

c) Performance warrants

As at September 30, 2019 and December 31, 2018, the Company had 16,000,000 performance warrants outstanding at an exercise price of \$0.10 per share until June 25, 2021 and exercisable based on the following: 25% when the Company's share price reaches \$0.20 for a 10-day VWAP; 25% when the Company's share price reaches \$0.30 for a 10-day VWAP; 25% when the Company's share price reaches \$0.40 for a 10-day VWAP; and 25% when the Company's share price reaches \$0.50 for a 10-day VWAP.

During the three and nine months ended September 30, 2019, the Company recognized \$63,183 and \$187,494, respectively (three and nine months ended September 30, 2018 – \$70,053 and \$73,488, respectively) of share-based payments expense related to performance warrants granted in June 2018.

d) Stock options

A continuity of the Company's stock options outstanding is as follows:

	Number	Weighted Average Exercise Price
Balance, December 31, 2018	12,325,000	\$ 0.13
Granted	4,200,000	0.11
Expired	(2,750,000)	(0.12)
Balance, September 30, 2019	13,775,000	\$ 0.11

On January 17, 2019, the Company repriced 5,900,000 stock options previously granted with an exercise price of \$0.08 per share to an exercise price of \$0.06 per share. The effect of the modification was determined to be a \$6,270 incremental increase in fair value, all of which was recognized as share-based payments expense in the period.

On January 17, 2019, the Company granted 200,000 stock options to a technical consultant exercisable immediately at \$0.06 per share until January 17, 2024. The fair value of the stock options was estimated at \$5,020 using the Black-Scholes pricing model based on estimated volatility of 138%, a 1.92% risk-free rate, a 0% forfeiture rate, a term of 5 years and no dividend yield.

On September 26, 2019, the Company granted 4,000,000 stock options to an officer. The options are exercisable immediately as to 1,000,000 stock options at \$0.05 per share, 1,000,000 stock options at \$0.10 per share and 2,000,000 stock options at \$0.15 per share until September 26, 2024. The fair value of the stock options was estimated at \$56,340 using the Black-Scholes pricing model based on estimated volatility of 200%, a 1.40% risk-free rate, a 0% forfeiture rate, a term of 5 years and no dividend yield.

During the three and nine months ended September 30, 2019, the Company recognized \$65,544 and \$109,145, respectively (three and nine months ended September 30, 2018 – \$45,232 and \$507,805, respectively) of share-based payments expense related to options granted in the current and prior periods.

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The table below summarizes information about the stock options outstanding as at September 30, 2019:

Exercise Price	Number of Stock Options Outstanding	Number of Stock Options Exercisable	Weighted Average Exercise Price	Weighted Average Contractual Life Remaining (years)
\$ 0.05	1,000,000	1,000,000	\$ 0.05	4.99
0.06	6,100,000	4,100,000	0.06	3.76
0.10	1,000,000	1,000,000	0.10	4.99
0.15	3,675,000	3,675,000	0.15	2.86
0.25	2,000,000	1,500,000	0.25	0.17
	13,775,000	11,275,000	\$ 0.11	3.18

11. Per Share Amounts

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Loss for the period	\$ (286,632)	\$ (577,727)	\$ (834,651)	\$ (2,013,412)
Number of common shares, January 1	210,122,431	191,625,531	210,122,431	191,625,531
Effect of common shares issued	7,339,340	13,936,579	5,114,354	10,232,522
Basis weighted average number of common shares	217,461,771	205,562,110	215,236,785	201,858,053
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)

All warrants, performance warrants and stock options were excluded from the diluted per share amounts as their effect is anti-dilutive in loss periods.

12. Revenue

The Company sells its production pursuant to variable price contracts based on NYMEX WTI with varying length terms up to 1 year. Under the contracts, the Company is required to deliver a variable volume of light-medium oil to the contract counterparty. The transaction price is based on the commodity price for NYMEX WTI, adjusted for quality, location or other factors.

Volumes delivered to the contract counterparty are limited to the Company's ability to produce the volumes. Production revenue is recognized at a point in time the purchaser obtains legal title to the product, which is when volumes are physically transferred to the contract counterparty. The amount of revenue recognized is based on the transaction price. Transaction price variability, discussed above, is recognized in the same period as the Company is not constrained in meeting its performance obligations.

All of the Company's revenue is from the sale of oil, all of which is produced and sold in Texas, United States. Oil sales were to a single purchaser during the three and nine months ended September 30, 2019 and 2018 representing 100% of revenue and \$13,259 of accounts receivable at September 30, 2019 (December 31, 2018 – \$41,105).

13. Related Party Transactions

On January 17, 2019, the Company issued 2,428,571 units for aggregate gross proceeds of \$85,000 to a director and a former director of the Company and a company related through common directors of the Company (Note 10(a)).

14. Subsequent Events

- On October 1, 2019, the Company entered into loan agreements with a syndicate of lenders (the "Syndicate") for total loan proceeds \$175,000, of which \$172,500 was received in advance in September 2019 (Note 8(b)). Under the terms of the loan agreements the Company will pay 12% interest per annum to the lenders and repay the loans over three years. In connection with the loan agreements, the Company issued a combined 26,250,000 units of the Company to the Syndicate. Each unit consists of one common share and one purchase warrant. Each purchase warrant entitles the holder to purchase one common share at \$0.05 per share for a period of up to three years after the date of issuance of the units.
- On 28th November 2019, the Company entered into additional loan agreements with the members of the Syndicate for total

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loan proceeds of \$87,500. Under the terms of the agreements the Company will pay 12% interest per annum to the lenders and repay the loans over three years. In connection with the loan agreements, the Company issued a combined 13,125,000 units of the Company to the lenders. Each unit consists of one common share and one purchase warrant. Each purchase warrant entitles the holder to purchase one common share at \$0.05 per share for a period of up to three years after the date of issuance of the units.



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