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 And Six Months Ended June 30, 2020

Q2 2020

’

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 six months ended June 30, 2020 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		**June 30 2020**		December 31 2019
ASSETS					
Current assets					
Cash		$	117,172	$	31,509
Trade and other receivables	5		104,087		51,952
Prepaid expenses			15,197		20,289
Current portion of net investment in leases	6		18,521		16,844
Total current assets			254,977		120,594
Non-current assets					
Canadian oil and gas deposit	7		110,000		110,000
Bond deposits	4		–		322,541
Net investment in lease	6		13,442		23,382
Intangible asset	8		25,000		–
Oil and gas properties and equipment	7		849,634		1,922,415
Total non-current assets			998,076		2,378,338
Total assets		$	1,253,053	$	2,498,932
SHAREHOLDERS' EQUITY AND LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		$	494,437	$	611,354
Current portion of lease liability	6		16,912		15,379
Current portion of loan payable	9		100,180		29,534
Total current liabilities			611,529		656,267
Non-current liabilities					
Lease liability	6		12,272		21,349
Loan Payable	9		79,104		62,042
Decommissioning liability	10		665,604		1,857,475
Total liabilities			1,368,509		2,597,133
Shareholders' equity					
Common shares	11		16,268,097		16,100,189
Shares to be issued			6,000		6,000
Warrant reserve	11		1,513,816		3,282,384
Share-based payments reserve	11		389,417		530,357
Accumulated other comprehensive income			962,154		937,260
Deficit			(19,254,940)		(20,954,391)
Total shareholders' (deficit)			(115,456)		(98,201)
Total liabilities and shareholders' equity		$	1,253,053	$	2,498,932

Nature and Continuance of Operations (Note 1), Discontinued Operations (Note 4)
Subsequent Events (Note 15)

Approved on behalf of the Board:

Signed "Frank Kordy" Director *Signed "Stephen Hughes", 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)

	Note	For the three months ended June 30		For the six months ended June 30	
		2020	**2019***	**2020**	**2019***
Revenues					
Petroleum and natural gas revenue	13	$ 87,513	$ –	$ 97,178	$ –
Royalties		(22,362)	–	(24,295)	–
		65,151	–	72,883	–
Expenses					
Production		50,776	–	57,418	–
General and administrative		96,889	136,852	191,449	231,741
Depletion and depreciation	7	2,118	–	2,776	–
Accretion of decommissioning liability	10	212	–	316	–
Share-based payments	11	–	20,496	–	107,413
		149,995	157,348	251,959	339,154
Loss before other income (expenses)		(84,844)	(157,348)	(179,076)	(339,154)
Other income (expenses)					
Interest and accretion	6,9	(37,081)	(9,703)	(70,794)	(29,428)
Gain (loss) on debt settlement		–	20,237	–	20,237
Loss before Discontinued Operations		(121,925)	(146,814)	(249,870)	(348,345)
Gain (loss) from Discontinued Operations	4	(9,234)	(159,608)	15,381	(199,674)
Loss for the period		(131,159)	(306,422)	(234,489)	(548,019)
Other comprehensive loss					
Exchange differences on translation of foreign subsidiaries		16,809	(90,814)	24,894	(197,246)
Loss and comprehensive loss		$ (114,350)	$ (397,236)	$ (209,595)	$ (745,265)
***Restated to Account for discontinued operations (Note 4)**					
Loss per share	12	(0.00)	(0.00)	(0.00)	(0.00)

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

ADVANTAGEWON OIL CORPORATION

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

	Note	2020	2019
Common shares			
Balance, beginning of period		$ 16,100,189	$ 15,740,844
Private placement of units, net of amount allocated to warrants	11(a)	100,000	32,545
Shares issued as part of syndicated loans	11(a)	35,408	–
Shares issued for settlement of debt or accounts payable	11(a)	32,500	101,190
Balance, end of period		16,268,097	15,874,579
Shares to be issued			
Balance, beginning of period		6,000	47,525
Shares to be issued		–	(47,525)
Balance, end of period		6,000	–
Warrant reserve			
Balance, beginning of period		3,282,384	4,429,765
Warrants issued as part of syndicated loans	11(b)	24,432	–
Expiry of warrants		(1,793,000)	(717,970)
Private placement of units, warrant value	11(a)	–	82,455
Balance, end of period		1,513,816	3,794,250
Share-based payments reserve	11(d)		
Balance, beginning of period		530,357	999,595
Share-based payments		–	167,912
Expiry of stock options		(140,940)	–
Balance, end of period		389,417	1,167,507
Accumulated other comprehensive income			
Balance, beginning of period		937,260	1,094,130
Exchange differences on translation of foreign subsidiaries		24,894	(197,246))
Balance, end of period		962,154	896,884
Deficit			
Balance, beginning of period		(20,954,391)	(14,942,515)
Expiry of stock options and warrants		1,933,940	717,970
Loss for the period		(234,489)	(548,019)
Balance, end of period		(19,254,940)	(14,772,564)
Total shareholders' equity (Deficit)		$ (115,456)	$ 6,960,656

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

ADVANTAGEWON OIL CORPORATION

Condensed Interim Consolidated Statements of Changes in in Cash Flows
(Unaudited)
(All amounts stated in Canadian Dollars)
For the six months ended June 30

	Note	2019	2018
Cash flows (used in) provided by operating activities			
Loss for the period		$ (234,489)	$ (548,019)
Add back (deduct) items not affecting cash:			
Depletion and depreciation	7	2,776	48,930
Accretion of decommissioning liability	10	316	27,130
Gain on disposition of oil and gas property	4	–	(9,950)
Share-based payments	11	–	167,912
Interest and accretion	6,9	69,136	29,427
Gain on debt settlement		–	(20,237)
Foreign exchange		24,614	(11,235)
Shares to be issued		–	(47,525)
Change in non-cash working capital:			
Trade and other receivables		(13,079)	26,137
Prepaid expenses		5,092	115,248
Accounts payable and accrued liabilities		(116,918)	(65,958)
Net cash flows used in operating activities		(262,552)	(288,140)
Cash flows (used in) provided by financing activities			
Private placement of common shares and units	11	–	115,000
Shares issued on settlement of accounts payable	11,14	32,500	–
Lease payments	6	(11,288)	(23,561)
Loan proceeds	9	80,000	–
Repayment of loans payable	9	(1,944)	(230,000)
Net cash flows (used in) provided by financing activities		99,268	(138,561)
Cash flows (used in) provided by investing activities			
Expenditures on oil and gas properties and equipment	7	(87,122)	(200,052)
Acquisition of intangible asset	8	(25,000)	–
Principal payment on net investment in lease	6	12,363	–
Proceeds from disposition of oil and gas property	4	25,884	561,217
Recovery of Bond Deposit	4	322,541	–
Note receivable proceeds		–	68,066
Net cash flows (used in) provided by investing activities		248,666	429,231
Change in cash		85,382	2,530
Effect of exchange rates on cash held in foreign currencies		281	(2,780)
Cash, beginning of period		31,509	91,389
Cash, end of period		$ 117,172	91,139

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

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 47 Colborne Street, Suite 307, Toronto, Ontario, M5E 1P8.

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 Company is and has been in the business of exploring for and producing oil and gas in both Canada and the United States ("US"). During the quarter ended March 31, 2020 the Company sold the remainder of its US oil and gas properties and accordingly has restated the Condensed Interim Consolidated Statements of Loss and Comprehensive Loss for the current and comparative period to consolidate its operational results from the US into a single line item "Gain (Loss) from Discontinued Operations" so as to provide better comparative information for the continuing operations of the Company (Note 4).

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 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.

Novel Coronavirus ("COVID-19") – The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

2. Basis of Presentation

The unaudited condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("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 and 2020. 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, 2019.

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") , Plutus US Oil Corporation (USA) ("Plutus") and Opulence Inc.

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 August 28, 2020.

3. New Accounting Standards

a) IFRS 16 Leases

Adoption of IFRS 16 Leases

In January 2019, the IASB issued IFRS 16, Leases ("IFRS 16"), which set out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract. Under IFRS 16, the majority of off balance sheet leases became on balance sheet liabilities. The Company has applied IFRS 16 with an initial application date of January 1, 2019, in accordance with the transitional provisions specified in IFRS 16.

- The Company has applied the following practical expedients: The Company applied the simplified transition approach and did not restate comparative information. As a result, the Company recognized the cumulative effect of initially applying IFRS 16 as an adjustment to deficit as at January 1, 2019.
- On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17, and IFRIC 4, determining whether an arrangement contains a lease, were not reassessed for whether there is a lease. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

The Company chose to:

- 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
- Use hindsight in determining the lease term where the contract contains terms to extend or terminate the lease.

On adoption of IFRS 16, the Company's leases are measured at the discounted present value of the remaining minimum lease payments, excluding short-term and low-value leases The weighted average incremental borrowing rate used to determine the lease liability at adoption was approximately 24%. The net investment in lease and lease liability recognized relate to office premises.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Because of this change, the Company has reclassified its sublease agreements as finance leases.

The cumulative effect of initially applying IFRS 16 was recognized as a $54,578 net investment in lease, a $49,832 lease liability and a $4,746 adjustment to opening deficit. There would be no material difference between the discounted value of the operating lease commitments disclosed at December 31, 2018 and the adjustments above.

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

Lessee

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. The lease liability is subsequently measured at amortized cost using the effective interest method.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases (lease term of 12 months or less) and leases for which the underlying asset is of low value. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Finance Lease - Lessor

At commencement date, the Company recognizes assets held under finance leases in its consolidated statements of financial position as a receivable at the amount equal to the net investment in the lease. The net investment in the lease is calculated as the present value of lease payments, using the interest rate implicit in the lease. For subleases, if the interest rate implicit in the sublease cannot be readily determined, the Company uses the discount rate under the primary lease. The Company recognizes finance income over the lease term using the effective interest rate method.

b) IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

On January 1, 2020, 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.

c) IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted. The Company will adopt these amendments as of their effective date and is currently assessing the impacts of adoption.

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

(All amounts stated in Canadian Dollars)

4. Discontinued Operations

February 4, 2020 - The Company entered into a purchase and sale agreement (effective January 1, 2020) for the La Vernia CGU with Emerald Bay Energy Inc. ("EBY"). In consideration for the oil and gas property and equipment, the Company will receive cash consideration of $64,940 (USD 50,000) and 39,027,000 common shares of EBY which have a fair market value of $389,640 (USD 300,000).

The cash consideration was received as ten $5,000 USD post-dated cheques cashable at the end of each month starting with February 2020. At March 31, 2020 two of these cheques had been cashed and the balance remain in Trade and Other Receivables (Note 5). The common shares that the Company received will be held in trust until December 31, 2020 at which point, or prior to the December 31, 2020 deadline, EBY may repurchase the shares from the Company for a set price of $389,640 (USD 300,000). Should EBY elect not to purchase back the 39,027,000 Common Shares issued to the Company, the 39,027,000 common shares will then be returned to EBY's treasury and a royalty structure will be formed and will commence on January 1, 2021. The royalty structure will pay the Company a maximum USD $400,000 depending on production.

As a result of this transaction the Company had no further operations in the State of Texas and the bond deposit held by the state was refunded in May 2020.

In accordance with IFRS 5, the results of the discontinued operations have been consolidated into a single line item “Gain (Loss) from Discontinued Operations” on the Condensed Interim Consolidated Statements of Loss and Comprehensive Loss for the current and comparative period to so as to provide better comparative information for the continuing operations.

The items that make up the line and the headings they would otherwise have been reported under are as follows:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	**2020**	2019
Petroleum and natural gas revenue	$ –	$ 65,931	$ –	$ 232,770
Royalties	–	(19,310)	–	(66,447)
	–	46,621	–	166,323
Expenses				
Production	3,759	77,531	(28,539)	162,141
General and administrative	5,475	45,617	13,158	77,247
Depletion, Depreciation and Impairment	–	19,299	–	48,930
Accretion of decommissioning liability	–	13,233	–	27,130
Share-based payments	–	60,499	–	60,499
Other	–	(9,950)	–	(9,950)
	9,234	206,229	(15,381)	365,997
Gain (Loss) from Discontinued Operations	$ (9,234)	$ (159,608)	$ 15,381	$ (199,674)

The gain in 2020 is primarily the result of over-accrual of expenses related to the discontinued operations in 2019 and their subsequent reversal in 2020.

(All amounts stated in Canadian Dollars)

5. 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:

		June 30 2020		December 31 2019
Trade receivables	$	47,476	$	35,816
Balance of Cash Proceeds to be received on sale of US properties (Note 4)		40,720		–
Harmonized Sales Tax receivable		15,891		16,136
	$	104,087	$	51,952

At June 30, 2020 the Companies trade receivable were primarily due from the prior operator of its Canadian acquisition (Note 7) and are current. At December 31, 2019, all of the Company's trade receivables were due from one customer to which the Company sold its US oil and were received in the first quarter of 2020. 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 months ended March 31, 2020 or 2019.

6. Leases

Net Investment in Lease

The Company entered into a finance leasing arrangement as a lessor for office premises located in Toronto. These premises were originally leased by the Company, and subsequently sub-leased. These sub-lease contracts do not include extension or early termination options.

Balance, December 31, 2018	$	–
Net investment in lease as at January 1, 2019		54,578
Interest income		10,373
Lease payments		(24,725)
Balance, December 31, 2019	$	40,226
Interest income		4,099
Lease payments		(12,362)
Balance, June 30, 2020		31,963
Current portion of net investment in lease		(18,521)
Long-term portion of net investment in lease	$	13,442

The following is a reconciliation from the undiscounted lease payments to the net investment in leases:

Year		
2020	$	12,363
2021		24,725
2022		2,060
Total contractual cash flows		39,148
Less: unearned interest income		(7,185)
Net investment in leases	$	31,963

(All amounts stated in Canadian Dollars)

Lease Liability

The Company has a lease agreement in place for its office premises as described above.

Balance, December 31, 2018	$	–
Lease liability as at January 1, 2019		49,832
Interest expense		9,471
Lease payments		(22,575)
Balance, December 31, 2019	$	36,728
Interest expense		3,743
Lease payments		(11,287)
Balance, June 30, 2020		29,184
Current portion of lease liability		(16,912)
Long-term portion of lease liability	$	12,272

The following is a reconciliation from the undiscounted lease payments to the lease liabilities:

Year		
2020	$	11,288
2021		22,575
2022		1,881
Total contractual cash flows		35,744
Less: interest expense		(6,560)
Lease liability	$	29,184

7. Oil and Gas Properties and Equipment

The Company acquired a working rights interest to a former operating well in Central Alberta, Canada. The Company also committed to funding and implementing a workover program with the purpose of recommissioning the well that it was acquiring. Total commitment, including both the purchase price, and the anticipated costing to conduct the workover program, was $80,000. The well was recompleted and brought onto production in late February of 2018. The Company issued a promissory note for this amount on the same terms as conditions as those entered into in its November 2019 Syndicated loan financing round (Note 8). The Company holds a 100% working interest in the well until it recovers all of its costs at which point the company will retain a 75% working interest.

The Company acquired a 50% working interest in twelve wells in its Alberta operating area from a private Company in exchange for $1.00. The abandonment liability related to these wells was approximately equal to their current value. The Company intends to workover these wells within a year. As a result of this acquisition the Company recorded both an oil and gas asset and a decommissioning liability of $468,264.

The Company acquired a 42.5% working interest in four wells, and the associated land lease for the wells, from a private Company in exchange for 10,000,000 common shares (Note 11a) and a cash payment of $5,825 for a total consideration of $105,825. The four wells that the Company acquired are located in the Province of Saskatchewan and will form a separate Cash Generating Unit (CGU) from the Alberta wells. The four wells are currently shut in and the Company anticipates reworking the wells once the price of oil recovers sufficiently.

Previously the Company held working interests in the US which it sold in February 2020 (Note 4).

(All amounts stated in Canadian Dollars)

	Oil and Gas Properties			
	Canada			
	Alberta	Saskatchewan	Total	US (Note 4)
Cost	$	$	$	$
Balance, December 31, 2019	–			8,854,125
Additions	81,297	105,825	187,122	–
Decommissioning Revisions	535,892	129,396	665,288	–
Disposition (note 4)	–	–	–	(8,854,125)
Balance, June 30, 2020	617,189	235,221	852,410	–
Accumulated depletion and depreciation				
Balance, December 31, 2019	–	–	–	6,931,710
Depletion and depreciation	2,776	–	2,776	–
Disposition	–	–	–	(6,931,710)
Balance, June 30, 2020	2,776		2,776	–
Net carrying amount				
Balance, December 31, 2019	–	–	–	1,922,415
Balance, June 30, 2020	614,413	235,221	849,634	–

The June 30, 2020 depletion expense calculation included NIL (December 31, 2019 – $36 million (USD 26.9 million)) for estimated future development costs associated with the Company's proved reserves (2018 proved plus probable). The 2020 proved reserves used for this calculation are a management estimate subject to revision upon the completion of an independent reserve evaluation at year end.

Deposit on Canadian Oil and Gas Properties

On September 26, 2019, the Company entered into an agreement with a Canadian private company (the "Operator") to earn a working interest position in 3 wells and obtain a first right of refusal on the workover of additional wells. The Company believes it has earned a 50% interest in the first 3 wells by expending $110,000 to acquire the wells and reactivate the first well and committed to spend an additional $146,576 to re-activate the other wells. However, the Operator disagrees that the Company has earned an interest in the wells and instead has offered to return the $110,000 invested to date. As a result, the $110,000 is currently reflected as a deposit rather than as an addition to oil and gas properties. The Company has engaged in litigation with the Operator to obtain the rights to these wells. Negotiations are ongoing.

8. Intangible Asset

Related to its oil and gas property acquisitions, the Company acquired all of the outstanding shares of Opulence Inc. For a cash payment of $25,000. The only asset or liability of Opulence were licenses allowing Opulence to operate wells in Saskatchewan and Alberta. With this acquisition, the Company is permitted to actively operate wells in Saskatchewan and Alberta. In accordance with IAS 38 such permits are recorded as intangible assets at cost and because these permits do not expire they will not be amortized. However, on an annual basis, management will consider their continuing value to the Company and will write this value down if determined appropriate.

9. Loan Payable

During the latter half of 2019, the Company entered into loan agreements with a syndicate of lenders (the "Syndicate") in three tranches for total loan proceeds $302,500. 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 45,375,000 units of the Company to the Syndicate. Each unit consists of one common share and one common share purchase warrant. Each common share 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.

(All amounts stated in Canadian Dollars)

In February the Company entered into another loan agreement with a member of the syndicate of lenders (the "Syndicate") in $80,000 under the same terms as the above loans. In connection with the loan agreements, the Company issued 12,000,000 units of the Company to the Syndicate. Each unit consists of one common share and one common share purchase warrant. Each common share 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.

The proceeds from these loans were allocated based on the relative fair value of each component. The fair value of the common shares is based on the market price, and the fair value of the warrants is based on the Black-Scholes values, at the respective issuance dates. Refer to Note 4(b) for inputs to the Black-Scholes model for these warrants. As a result of the allocation, the loans have effective interest rates differing from the stated rates, ranging from169.47% to 180.74%. The loan agreements specify that if a loan is in default the interest rate shall increase to 24% and in the event of default 5% shall be added to the principal base of the loan. The Company did not make the required payments on these loans, and therefore, the loans were in default. At December 31, 2019, the lenders waived the default and agreed not to demand repayment on or before December 31, 2020, therefore, the loans are presented in accordance with their stated repayment terms.

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

Balance, December 31, 2019	$	91,576
Additional loan received		80,000
Portion of loan amount allocated to warrants and shares		(59,840)
Accretion		48,176
Accrued Interest		21,316
Principal payments made		(1,944)
Balance, June 30, 2019		179,284
Less current portion		100,180
Long -term portion of Loan Payable	$	79,104

10. Decommissioning Liability

At December 31, 2019 the Company had a decommissioning liability of $1,922,415 related to US properties that is disposed of in the first quarter (Note 4). As the disposition transferred all of the related liability to the purchaser this amount has been written off against the net carrying amount of the asset.

The Company's decommissioning liability is related to the Canadian property acquired in 2020 and is based on the following estimates and assumptions:

- Total undiscounted future costs of $641,250
- Annual inflation rate of 2.0% annual rate
- Settlement of the liability occurring between 2 and 10 years
- Risk free discount rate of 1.25%

Balance, December 31, 2019	$	–
Estimate of liability at acquisition		665,288
Accretion		316
Balance, June 30, 2020	$	665,604

(All amounts stated in Canadian Dollars)

11. Equity

a) Common shares

Issued

	Number		Amount
Balance, December 31, 2019	262,969,317	$	16,100,189
Issued under Syndicate loan agreement (Note 8)	12,000,000		35,408
Accounts payable settlement	2,000,000		20,000
Acquisition of Saskatchewan Properties	10,000,000		100,000
Accounts payable settlement	3,000,000		12,500
Balance, June 30, 2020	289,969,317	$	16,268,097

On February 28,2020, the Company entered into an additional loan agreement with a member of the Syndicate for total loan proceeds of $80,000. Under the terms of the agreement the Company will pay 12% interest per annum to the lenders and repay the loans over three years. In connection with the loan agreement, the Company issued 12,000,000 units of the Company to the lenders. Each unit consists of one common share and one purchase warrant. Each common share 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.

The proceeds from these loans were allocated based on the relative fair value of each component. The fair value of the common shares is based on the market price, and the fair value of the warrants is based on the Black-Scholes values, at the respective issuance dates. The Black-Scholes model for these warrants used a 3 year life, risk free rate of 1.9%, and a volatility of 200%.

On March 3, 2020 the Company entered into a debt for shares settlement with a director of the Company. The Company issued 2,000,000 Common Shares to settle debts totaling $20,000 owed and due to the director.

On May 22, 2020 the Company acquired a 42.5% working interest in four wells, and the associated land lease for the wells, from a private Company in exchange for 10,000,000 common shares (Note 11a) and a one time cash payment of $5,825 for a total consideration of $105,825.

On June 10, 2020 the Company entered into a debt for shares settlement with a director of the Company. The Company issued 3,000,000 Common Shares to settle debts totaling $12,500 owed and due to the director.

b) Warrants

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

	Number		Weighted Average Exercise Price
Balance, December 31, 2019	96,639,838	$	0.15
Issued under Syndicate loan agreement (Note 10a)	12,000,000		0.05
Expired	(30,496,387)		(0.25)
Balance, June 30, 2020	78,143,451	$	0.09

(All amounts stated in Canadian Dollars)

Information about warrants outstanding as at June 30, 2020 is summarized in the following table:

Expiry date	Number of Warrants	Exercise Price	Remaining Life (in years)
July 17, 2020	1,283,333	$ 0.25	0.05
July 18, 2020	1,862,670	$ 0.25	0.05
September 13, 2020	3,084,828	$ 0.10	0.21
November 17, 2020	2,866,667	$ 0.25	0.38
December 22, 2020	4,246,667	$ 0.25	0.48
January 17, 2021	3,285,715	$ 0.06	0.55
June 15, 2021	3,000,000	$ 0.25	0.96
September 26, 2021	138,571	$ 0.06	1.24
June 20, 2022	1,000,000	$ 0.10	1.97
October 1, 2022	26,250,000	$ 0.05	2.25
November 28, 2022	13,125,000	$ 0.05	2.41
February 23, 2023	6,000,000	$ 0.05	2.50
February 28, 2023	12,000,000	$ 0.05	2.67
	78,143,451		

Subsequent to June 30, 2020 3,146,003 warrants expired.

c) Performance warrants

(i) On December 1, 2017, the Company granted 4,000,000 performance warrants outstanding at an exercise price of $0.15 per share until December 1, 2020 and exercisable based on the following: 25% when the Company's share price reaches $0.25 for a 10-day volume weighted average price ("VWAP"); 25% when the Company's share price reaches $0.35 for a 10-day VWAP; 25% when the Company's share price reaches $0.45 for a 10-day VWAP; and 25% when the Company's share price reaches $0.55 for a 10-day VWAP.

The December 1, 2017 fair value of the performance warrants was estimated to be $236,000 based on a binomial model (Note 4(b)). The terms of these performance warrants were modified on June 25, 2018 to those noted in (ii) below. The effect of the modification was determined to be a $19,820 incremental increase in fair value, all of which was recognized as share-based payments expense in 2018.

(ii) On June 25, 2018, the Company granted a total of 12,000,000 performance warrants 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.

The fair value of the June 25, 2018 performance warrants was estimated at $149,624 based on the binomial pricing model (Note 4(b)), which was recognized as share-based payments expense in 2018.

(All amounts stated in Canadian Dollars)

d) Stock options

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

	Number		Weighted Average Exercise Price
Balance, December 31, 2019	11,975,000	$	0.09
Expired	1,875,000		0.15
Balance, June 30, 2020	10,100,000	$	0.09

During the three and six months ended June 30, 2020, the Company recognized $NIL and $NIL, respectively (three and six months ended June 30, 2019 – $18,496 and $43,601, respectively) of share-based payments expense related to options granted in the current and prior periods.

The table below summarizes information about the stock options outstanding as at June 30, 2020:

Expiry date	Number of Stock Options Outstanding	Number of Stock Options Exercisable	Exercise Price	Remaining Life (in years)
June 25, 2023	3,900,000	3,900,000	0.06	2.99
June 25, 2023	2,000,000	2,000,000	0.08	2.99
January 17,2024	200,000	200,000	0.06	3.55
September 26, 2024	1,000,000	1,000,000	0.05	4.24
September 26, 2024	1,000,000	1,000,000	0.10	4.24
September 26, 2024	2,000,000	2,000,000	0.15	4.24
	10,100,000	**10,100,000**		

12. Per Share Amounts

		Three months ended June 30				Six months ended June 30		
		2020		2019		2020		2019
Loss for the period	$	(131,159)	$	(306,422)	$	(234,489)	$	(548,019)
Number of common shares, January 1		262,969,317		210,122,431		262,969,317		210,122,431
Effect of common shares issued		11,807,692		5,287,275		11,807,692		3,983,421
Basis weighted average number of common shares		274,777,009		215,409,706		274,777,009		214,105,852
Basic and diluted loss per share	$	(0.00)	$	(0.00)	$	(0.00)	$	(0.00)

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

13. Revenue

All of the Company's revenue is from the sale of oil and gas, all of which is produced and sold in Alberta, Canada. Sales were to a single purchaser during the three and six months ended June 30, 2020 representing 100% of revenue and $44,703 of accounts receivable at June 30, 2020.

Previously the Company sold oil in Texas but these properties were sold effective the first day of the quarter and therefore, there was no revenue associated with them (Note 4)

14. Related Party Transactions

On March 3, 2020 the Company entered into a debt for shares settlement with a director of the Company. The Company issued 2,000,000 Common Shares to settle debts totaling $20,000 owed and due to the director.

On June 10, 2020 the Company entered into a debt for shares settlement with a director of the Company. The Company issued 3,000,000 Common Shares to settle debts totaling $12,500 owed and due to the director.

15. Subsequent Events

On July 14, 2020 the Company acquired an additional oil well located in Alberta for the purchase price of $1.

ADVANTAGEWON
OIL CORP.