

TENTH AVENUE PETROLEUM CORP.
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(UNAUDITED)

NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

Calgary, Alberta
November 28, 2019

TENTH AVENUE PETROLEUM CORP.

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

In Canadian Dollars

(Unaudited)

As at	Note	September 30, 2019	December 31, 2018
ASSETS			
Current			
Cash and cash equivalents	\$	14,029	\$ 9,139
Trade and other receivables		56,539	130,112
Short term investments		14,213	14,211
Prepaid expenses and deposits		25,090	27,166
		109,871	180,628
Long term			
Restricted cash held in trust	3	211,383	211,582
Property and equipment	4	1,545,887	1,664,525
		\$ 1,867,141	\$ 2,056,735
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$	190,742	\$ 200,030
Current portion of loan payable	5	224,672	219,420
Asset retirement obligation	6	68,809	67,859
		484,223	487,309
Loan payable	5	685,669	685,670
Asset retirement obligation	6	803,723	769,447
Total Liabilities		1,973,615	1,942,426
SHAREHOLDERS' EQUITY			
Share capital	7	12,544,623	12,544,623
Contributed surplus	8	10,151,442	10,151,442
Deficit		(22,802,539)	(22,581,756)
		(106,474)	114,309
		\$ 1,867,141	\$ 2,056,735
Going concern	1		

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

Signed "Craig Leggatt"
Craig Leggatt Director

TENTH AVENUE PETROLEUM CORP.

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

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE PERIOD ENDED SEPTEMBER 30

In Canadian Dollars

(Unaudited)

	Note	Three months ended		Nine months ended	
		September 30, 2019	September 30, 2018 <i>Restated (Note 17)</i>	September 30, 2019	September 30, 2018 <i>Restated (Note 17)</i>
REVENUE					
Oil & natural gas sales	15	\$ 73,533	\$ 96,447	\$ 510,721	\$ 523,686
Royalties		(2,102)	(14,381)	(28,029)	(112,084)
Other revenue		25	-	641	-
		71,456	82,066	483,333	411,602
EXPENSES					
Production and transportation		75,513	58,025	269,316	247,086
General and administrative		44,753	37,283	176,629	183,037
Accretion	6	12,713	11,801	37,222	35,402
Depletion, depreciation and impairment	4	25,971	34,292	118,638	154,398
		158,950	141,401	601,805	619,923
Operating income (loss) from operations		(87,494)	(59,335)	(118,472)	(208,321)
Other income (expense) items					
Interest income		270	-	1,553	-
Interest expense		(37,075)	(33,949)	(104,865)	(101,845)
Foreign exchange		(418)	-	1,001	-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		\$ (124,717)	\$ (93,284)	\$ (220,783)	\$ (310,165)
INCOME (LOSS) PER SHARE					
Basic and diluted		\$ (0.012)	\$ (0.010)	\$ (0.021)	\$ (0.035)

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

TENTH AVENUE PETROLEUM CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED

In Canadian Dollars

(Unaudited)

	Note	September 30, 2019	September 30, 2018 <i>Restated (Note 17)</i>
Operating activities			
Net loss	\$	(220,783)	\$ (310,165)
Depletion, depreciation and impairment		118,638	154,398
Loan interest accrued		32,818	101,845
Interest on restricted cash		(199)	(1,460)
Accretion		37,222	35,402
Foreign exchange		(1,599)	5,079
Changes in non-cash working capital		66,359	(41,019)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		32,456	(55,921)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Repayment of loan		(27,566)	
Proceeds from loan		-	73,000
		(27,566)	73,000
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Purchase of property and equipment		-	456
		-	456
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		4,890	17,535
Foreign exchange on cash balance		-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS		4,890	17,535
CASH AND CASH EQUIVALENTS, beginning of period		9,139	8,228
CASH AND CASH EQUIVALENTS, end of period		14,029	25,763
Interest paid		67,452	-
Taxes paid		-	-

TENTH AVENUE PETROLEUM CORP.

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

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY FOR THE NINE MONTHS ENDED

In Canadian Dollars

(Unaudited)

	September 30, 2019	September 30, 2018
Note	<i>Restated (Note 17)</i>	
SHAREHOLDERS' EQUITY		
<u>Share capital</u>		
Balance, beginning of period	\$ 12,544,623	\$ 12,465,831
Private placement	-	-
Balance, end of period	\$ 12,544,623	\$ 12,465,831
<u>Contributed surplus</u>		
Balance, beginning of period	\$ 10,151,442	\$ 10,151,442
Loan payable below market rate	-	-
Share based compensaton	-	-
Balance, end of period	\$ 10,151,442	\$ 10,151,442
<u>Accumulated other comprehensive income</u>		
Balance, beginning of period	\$ -	\$ -
Changes in other comprehensive income	-	-
Balance, end of period	\$ -	\$ -
<u>Deficit</u>		
Balance, beginning of period	\$ (22,581,756)	\$ (22,283,647)
Net loss	(220,783)	(310,165)
Balance, end of period	\$ (22,802,539)	\$ (22,593,812)
TOTAL SHAREHOLDERS' EQUITY	\$ (106,474)	\$ 23,461

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

TENTH AVENUE PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In Canadian Dollars

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited)

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

1. GOING CONCERN

These consolidated financial statements do not reflect the adjustments and classifications of assets, liabilities, revenues and expenses which would be necessary if the Company were unable to continue as a going concern. The accompanying consolidated financial statements have been prepared using the going concern assumption which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

As the Company incurred losses has a working capital deficit and will need capital to fund its planned operating, exploration and development activities, there is a material uncertainty which casts significant doubt on the Company's ability to continue as a going concern. For the period ended September 30, 2019, the Company incurred a net loss of \$220,783 (September 30, 2018 – \$310,165) and has working capital deficit of \$374,352 (September 30, 2018 - \$368,512) and an accumulated deficit of \$22,802,539 (September 30, 2018 - \$22,691,471).

2. SIGNIFICANT ACCOUNTING POLICIES

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated financial statements of the Company include the accounts of Tenth Avenue Petroleum Corp. and its wholly owned subsidiaries; Jadela Disposal Well Corp and Jadela Oil (US) Operating LLC (collectively referred to as ("the Company") and have been prepared by management. These financial statements were authorized for issue by the Board of Directors on November 28, 2019. Except as outlined below, the consolidated financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2018. These consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2018.

Changes in accounting policies

Adoption of IFRS 16 - Leases

The Corporation adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. The modified retrospective approach 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 has no lease liabilities to be measured at the present value of the remaining lease payments from commitments disclosed as at December 31, 2018, if you exclude short-term and low-value leases. Accounting for lease payments as an expense and not recognize a right-of-use asset if the underlying asset is of a lower dollar value. Therefore on January 1, 2019 there was no impact on opening deficit.

As a result of the adoption of IFRS 16 Leases, the Corporation has revised its accounting policy for leases as follows:

Contracts where the Corporation obtains the right to control the use of an identified asset in exchange for consideration are determined to contain a lease. At commencement, a right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, less any lease incentives received. The right-of-use asset is amortized on a straight-line basis over the lease term. The corresponding lease liability is equal to the present value of the future lease payments. Interest expense is recognized on the lease obligations using the effective interest rate method. These payments are applied against the lease liability. The Corporation is required to make judgements and assumptions on incremental borrowing rates and lease terms. The carrying balance of the right-of-use assets, lease obligations, interest and amortization expense may differ due to changes in market conditions and expected lease terms. Incremental borrowing rates are based on the Corporation's borrowing rate at the commencement date of the lease, the security of the asset and market conditions. Leases terms are based on management's assumptions of future market conditions and operational decisions.

TENTH AVENUE PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In Canadian Dollars

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(Unaudited)

3. RESTRICTED CASH HELD IN TRUST

Restricted cash held in trust includes \$53,646 (2018 - \$52,847) held by the Alberta Energy and Utilities Board, \$124,629 (2018 - \$124,629) held by British Columbia Minister of Energy, Mines and Petroleum Resources and \$33,108 Cdn (USD \$25,000) (2018 - Cdn - \$34,105 (USD \$25,000)) held by the Texas Railway Commission.

4. PROPERTY AND EQUIPMENT

	Oil and Natural Gas Assets	Water-well assets	Other assets	Total
COSTS	\$	\$	\$	\$
Balance, December 31, 2018	2,622,185	155,800	72,678	2,850,663
Additions and adjustments	-	-	-	-
Balance, September 30, 2019	2,622,185	155,800	72,678	2,850,663
ACCUMULATED DEPLETION AND DEPRECIATION				
Balance, December 31, 2018	959,435	155,800	70,903	1,186,138
Depletion and depreciation	118,297	-	341	118,638
Balance, September 30, 2019	1,077,732	155,800	71,244	1,304,776
CARRYING AMOUNT				
December 31, 2018	1,662,750	-	1,775	1,664,525
September 30, 2019	1,544,453	-	1,434	1,545,887

On July 31, 2017, the Company acquired oil and gas mineral rights from surface to base of the Bluesky Bullhead Group in 22 sections (gross 14,080 acres and net 9,726 acres) located near Fox Creek, Alberta. The assets consist of 8 vertical wells producing approximately 1,800 mcf/d of dry sweet natural gas and 17 b/ngl/d of NGL from the Dunvegan/Gething formations ("**Waskahigan Assets**"). The Company acquired oil and gas assets of \$1,577,590 and asset retirement liabilities of \$324,664 for total cash consideration of \$1,252,926. The transactions costs incurred on the acquisition of \$52,500 were expensed. This acquisition was accounted for using the acquisition method of accounting, which only includes operating results subsequent to the date of acquisition.

The fair value of the P&NG purchases has been determined with reference to an independent reserve report and equates the purchase price above. The fair value of the ARO was initially estimated using a market rate of 13%.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In Canadian Dollars

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited)

4. PROPERTY AND EQUIPMENT (continued)

The calculation of the final statement of adjustments is set out below:

	\$
Purchase Price:	
P&NG Rights	1,120,000
Tangibles	279,990
Miscellaneous Interest	10
GST on Tangible	14,000
Total Purchase Price	1,414,000
Interest	9,528
Net Operating Income	(257,412)
P&NG Rental Payments	6,230
Surface Rental Payments	6,898
Inventory (Oil & NGL)	41,928
Taxes and fees	31,754
Consideration paid	1,252,926

5. LOAN PAYABLE

On July 31, 2017, the Company entered into a Loan and Participation Agreement with Smoky Oil & Gas Corp (“**Smoky**”) and Batoche Oil & Gas Exploration Ltd. (“**Batoche**”). Pursuant to the terms of the Loan and Participation Agreement (“**LPA**”), Smoky lent the Company the sum of \$1,326,593 to make the acquisition of the Waskahigan Assets. The interest rate on the loan principal is 6% per annum. All obligation owing are secured by a general security agreement charging all of the assets of the Company. Subject to an agreed upon general and administrative expense payment, Smoky shall be entitled to all net cash flow from the Waskahigan Assets until the loan is repaid. While loans are outstanding, the Company shall be restricted to charging general and administrative costs to a maximum of \$75,000 per year for administration of the Waskahigan Assets and charging general and administrative costs to a maximum of \$75,000 per year for administration of the Waskahigan Participation Assets (as defined below). The LPA was amended to delay Smoky’s entitlement to all net cash flows from the Waskahigan assets until January 1, 2019. In addition, the restriction on charging general and administrative costs to a maximum of \$75,000 per year for the administration of the Waskahigan Assets has been delayed and will commence on January 1, 2019. The loan is a related party loan and the interest rate charged on the loan was deemed to be below the interest market rate which was estimated to be 15%. The expected future cash flows from the loan were discounted by 15% and the resulting difference of \$491,920 between the fair value of the loan and the face value was charged to contributed surplus when the loan was initially recognized. Annual interest is accruing at the market rate of 15% however the accounting treatment does not change the legal obligation of the Company to repay \$1,325,810 with interest at 6%. The “discount” will reverse over the life of the loan giving rise to interest expense as follows: 2017 - \$52,170, 2018 - \$133,030, 2019 - \$135,580, 2020 - \$102,670 and 2021 - \$68,470. A 1% change in the interest rate used to discount the loan would result in a \$23,135 change to the value of the loan.

On July 31, 2017, the Company had agreed to farmout to Batoche the Waskahigan Assets (other than existing wells and applicable spacing units) (“Waskahigan Participation Assets”). By amending agreement, the Company and Batoche agreed to terminate the farm in rights effective July 31, 2017. Pursuant to the original LPA, as additional consideration, Smoky was entitled to receive post payout of the loan: (a) 80% of net cash flow from the Waskahigan Assets (less agreed general and administrative expenses) until December 31, 2021 (subject to farmout rights); (b) 80% of net sale proceeds of Waskahigan Assets (subject to farmout rights); (c) right to compel the Company to buy Smoky’s right to 80% of the net cash flow from the Waskahigan Assets (subject to farmout rights) for 2.5 times net cash flow; and (d) right to compel the Company to buy Smoky’s right to 24% of the net cash flow from the Waskahigan Participation Assets (subject to farmout rights) for 2.5 times net cash flow from the Waskahigan Participation Assets (hereinafter called the “Post Payout Additional Consideration”). Pursuant to the LPA, the Company had the right to compel Smoky to sell its right to Post Payout Additional Consideration for 2.5 times net cash flow on trailing 12 month basis. This amount was

TENTH AVENUE PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In Canadian Dollars

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited)

\$1.00 for the fiscal period ended December 31, 2018. The Company exercised its right to buyout the right of Smoky to the Post Payout Additional Consideration.

6. ASSET RETIREMENT OBLIGATIONS

The Company estimates the total undiscounted cash flows to settle its asset retirement obligations are approximately \$1,492,838 (2018 - \$1,492,838). A risk-free interest rate of 6.0% (2018 – 6.0%) and an estimated inflation rate of 1.4% (2018 - 1.4%) was used to calculate the present value of asset retirement obligations. The following table reconciles the asset retirement obligations:

Asset Retirement Obligations	September 30, 2019	December 31, 2018
Balance, beginning of period	\$ 837,306	\$ 784,458
Additions	-	-
Change in estimate	-	-
Foreign exchange	(1,996)	5,646
Accretion	37,222	47,202
Balance, end of period	872,532	837,306
Less: current portion	(68,809)	(67,859)
Long term portion	\$ 803,723	\$ 769,447

7. SHARE CAPITAL

Authorized:

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

Issued:

Common shares	Number of shares	Values
Balance, December 31, 2017	8,912,658	\$ 12,465,831
Issued	1,600,000	78,792
Balance, December 31, 2018	10,512,658	\$ 12,544,623
Issued	-	-
Balance September 30, 2019	10,512,658	\$ 12,544,623

During the year ended December 31, 2018, the Company issued a private placement of 1,600,000 units at a price of \$0.05 per unit for gross proceeds of \$80,000 less \$1,208 in share issuance costs. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant will allow the holder to purchase one common share at a price of \$0.075 per common share within five years of issuance. All of the shares issued in the private placement were issued to a director of the Company.

TENTH AVENUE PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In Canadian Dollars

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited)

8. CONTRIBUTED SURPLUS

The Company's contributed surplus consists of value assigned to issued options as well as the fair value of contributions made in the form of a below market rate loan from a related party. The following table reconciles the Company's contributed surplus.

	September 30, 2019		December 31, 2018	
Contributed surplus, beginning of period	\$	10,151,442	\$	10,151,442
Stock based compensation		-		-
Related party loan at below market rate		-		-
Contributed surplus, end of period	\$	10,151,442	\$	10,151,442

9. WARRANTS

The following table reflects share purchase warrants activity from January 1, 2019 to September 30, 2019 and the weighted average exercise price.

	Number	Weighted Average Exercise Price \$
Balance, December 31, 2017	2,000,000	0.075
Issued	1,600,000	0.075
Balance, December 31, 2018	3,600,000	0.075
Issued	-	-
Balance, September 30, 2019	3,600,000	0.075

Details of warrants outstanding at September 30, 2019:

Year	Exercise price (\$)	Number	Years to expiry
2017	0.075	2,000,000	0.54
2018	0.075	1,600,000	4.25

10. STOCK OPTIONS

The Company has a stock option plan available to directors, officers, employees and consultants. The maximum number of common shares reserved for issuance pursuant to the plan cannot exceed 10 percent of the issued and outstanding common shares. Options vest on grant, are generally exercisable for five years from the date of grant and are exercisable at prices equal to or greater than the market value of the shares at the date of the grant less the maximum discount permitted by the stock exchange. At September 30, 2019, there were an additional 271,266 common shares that are still available to be reserved for the granting of stock options.

TENTH AVENUE PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In Canadian Dollars

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited)

10. STOCK OPTIONS (continued)

A summary of the status of the Company's stock option plan as at December 31, 2018 and September 30, 2019 and changes during the periods ending on those dates is as follows:

	September 30, 2019		December 31, 2018	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding, beginning of period	780,000	0.075	780,000	0.075
Granted	-	-	-	-
Forfeited / Expired	-	-	-	-
Outstanding, end of period	780,000	0.075	780,000	0.075
Exercisable, end of period	780,000	0.075	780,000	0.075

Outstanding and exercisable stock options as at September 30, 2019 have a weighted average remaining contractual life of 1.64 years (December 31, 2018 – 2.39 years).

11. RELATED PARTY TRANSACTIONS

The Company has determined that the key management personnel of the Company consist of its officers and directors. The following table provides information on compensation expense related to officers and directors in the first 9 months of the year ending September 30.

	September 30, 2019	September 30, 2018
Interest on Smoky loan	\$ 100,269	\$ 101,845
Consulting fees to a company controlled by directors	\$ 91,216	\$ 72,406
Share based compensation	\$ -	\$ -

Included in accounts payable as at September 30, 2019 is a balance owing to a company controlled by directors of \$7,285 (December 31, 2018 - \$24,889).

The Company entered into a LPA with Smoky and Batoche on July 31, 2017. Pursuant to the terms of the LPA, Smoky lent the Company the sum of \$1,326,593 to make the Waskahigan Asset acquisition. The interest rate on the loan principal is 6% per annum, however this was deemed to be below the market interest rate of 15%. The fair value of the loan was calculated as the present value of the expected future cash flows of the loan at 15%, and then 15% interest is charged annually on the balance of the loan. All obligation owing are secured by a general security agreement charging all of the assets of the Company. Gregory J. Leia is President and a director of the Company. Gregory J. Leia is an officer and director of Smoky and Batoche. Gregory J. Leia owns approx. 65% of the common shares and preferred shares of Smoky. The Company had agreed to farmout to Batoche the Waskahigan Participation Assets on the terms and conditions set out in the Batoche Farmout Agreement. The farmout agreement has been terminated.

12. PER SHARE AMOUNTS

Basic loss per share has been calculated using the weighted average number of common shares outstanding during the period of 10,512,667 (September 30, 2018 – 8,912,667). As the Company was in a loss position, there was no change in the numerator or denominator in calculating diluted loss per share. The effect of all stock options and warrants has been excluded from the calculation as they are anti-dilutive. In December 2018, the Company entered into a series of Subscription Agreements to sell 1,600,000 Units at \$0.05 per unit for aggregate subscription proceeds of \$80,000. Each Unit consists of 1 common share and 1 share purchase warrant which entitles the holder to purchase 1 common at any time within 5 years of issuance for \$0.075 per common share.

TENTH AVENUE PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In Canadian Dollars

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited)

13. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

At September 30, 2019, the Company's financial instruments approximate their fair value due to their current nature except for the loan payable. The loan payable's fair value was determined using a Level 3 valuation (Note 5).

As at September 30, 2019

Financial instrument	Classification	Carrying value \$	Fair Value \$
Cash and cash equivalents	Amortized cost	14,029	14,029
Trade and other receivables	Amortized cost	56,539	56,539
Short term investments	Amortized cost	14,213	14,213
Prepaid expenses and deposits	Amortized cost	25,090	25,090
Restricted cash held in trust	Amortized cost	211,383	211,383
Accounts payable and accrued liabilities	Amortized cost	190,742	190,742
Loan payable	Amortized cost	910,341	910,341

As at December 31, 2018

Financial instrument	Classification	Carrying value \$	Fair Value \$
Cash and cash equivalents	Amortized cost	9,139	9,139
Trade and other receivables	Amortized cost	130,112	130,112
Short term investments	Amortized cost	14,211	14,211
Prepaid expenses and deposits	Amortized cost	27,166	27,166
Restricted cash held in trust	Amortized cost	211,582	211,582
Accounts payable and accrued liabilities	Amortized cost	200,030	200,030
Loan payable	Amortized cost	905,090	905,090

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In Canadian Dollars

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(Unaudited)

13. FINANCIAL INSTRUMENTS (continued)

Credit risk – Consists of cash and cash equivalents, restricted cash held in trust and accounts receivable. A portion of the Company's accounts receivable are with joint venture partners in the petroleum and natural gas industry and are subject to normal credit terms. The Company generally extends unsecured credit to these customers and, therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. The carrying value of accounts receivable reflects management's assessment of the associated credit risk. The Company is also exposed to credit risk on certain deposits to the extent that the Company may not be refunded these amounts. The Company does not anticipate any default or non-performance by its oil and gas sales customers. As such, a provision for doubtful accounts has not been recorded at September 30, 2019 and December 31, 2018.

Contractual undiscounted cash flow requirements for contractual obligations as at September 30, 2019 are due as follows:

	Due in 1-3 months	Due in 4-12 months	Due in 1-2 years	Due in >2 years	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	190,742	-	-	-	190,742
Loans payable ⁽¹⁾	-	327,500	424,000	536,449	1,287,949

Note (1): The loan is payable from net cash flow from operations (see Note 6) and repayment is based on estimated cash flows.

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

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

Commodity price risk sensitivity	September 30, 2019		September 30, 2018	
	Increase (decrease) to net income		Increase (decrease) to net income	
Increase of \$1.00/bbl oil	\$	1,253	\$	435
Decrease of \$1.00/bbl of oil	\$	(1,253)	\$	(435)
Increase of \$0.10/Mcf of natural gas	\$	22,235	\$	21,497
Decrease of \$0.10/Mcf of natural gas	\$	(22,235)	\$	(21,497)

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

14. CAPITAL DISCLOSURES

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

TENTH AVENUE PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In Canadian Dollars

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited)

15. REVENUE

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

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

	September 30, 2019	September 30, 2018
Crude oil	71,000	32,635
Natural gas	339,321	341,918
Condensate	100,400	149,133
Total	510,721	523,686

16. RISK MANAGEMENT

There have been no changes to the Company's exposure to risks, or the objectives, policies and processes to manage these risks from December 31, 2018, other than the natural gas commodity price.

Market Risk

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

Commodity price risk

The nature of the Company's operations results in exposure to fluctuations in commodity prices. Management continuously monitors commodity prices and initiates instruments to manage exposure to these risks when it deems appropriate. As a means of managing commodity price volatility, the Company enters into various derivative financial instrument agreements and physical contracts. The fair values of the derivative financial instruments are based on mark-to-market assessments and estimates of fair value and are recorded on the consolidated balance sheet as either an asset or liability with the change in fair value recognized in comprehensive loss. So notwithstanding fairly constant NYMEX pricing in the US, the price which TAPC receives (unless hedged), referred to as AECO, has traded at historical lows commencing at the end of April 2018. This trend caused TAPC to shut in some of its natural gas wells at the end of June 2019 and based on future price forecasts for AECO priced natural gas TAPC's production is likely to be shut in until November 2019.

There are many factors influencing the drop in sales prices for AECO natural gas prices, including: (a) pipeline construction by TCPL; (b) excess supply of Canadian gas; (c) lack of take-away capacity in Canada; (d) increased production in the US due to pipeline access availability; (e) no LNG exports from Canada; and (f) panic selling as a result of inordinate differential spreads between North American prices and AECO pricing. Pipeline takeaway capacity may improve until TCPL and Alliance complete construction of expansion in 2020. Oversupply of natural gas in the US may depress prices until such time as US LNG exports deplete North American inventories. The structural elements may take 2 years to balance themselves.

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17. RESTATEMENT

The Company discovered some material errors related to prior periods and as a result, adjustments were made retrospectively to the 2017 balances. The adjustment has affected several expense accounts in 2018 and therefore the prior period quarterly information was restated. The adjustments on each of the September 30, 2018 financial statement line items are as follows:

Nine months ended September 30, 2018

	Note	Original	Adjustment	Restated
Depletion, depreciation and impairment	a	81,779	72,619	154,398
Accretion	b	-	35,402	35,402
Interest expense	c	60,000	41,845	101,845
Comprehensive income (loss)	d	(160,300)	(149,865)	(310,165)
Deficit	d	(22,443,947)	(149,865)	(22,593,812)

Three months ended September 30, 2018

	Note	Original	Adjustment	Restated
Depletion, depreciation and impairment	a	17,143	17,149	34,292
Accretion	b	-	11,801	11,801
Interest expense	c	20,000	13,949	33,949
Comprehensive income (loss)	d	(50,385)	(42,899)	(93,284)

- a) There was an adjustment to the 2017 financials to increase the value of the asset retirement obligation. Depletion, depreciation and impairment were adjusted to reflect the increased depletion due to the increased asset base caused by the adjustment to the asset retirement obligation asset as well as the addition of future development costs for reserve acquired in 2017.
- b) Accretion has been adjusted to reflect the changes in the asset retirement obligation liability as well as the discount rate used.
- c) Interest expense has been adjusted to reflect the market interest rate on the related party loan of 15% versus the stated rate of 6%.
- d) Comprehensive income and deficit have both been adjusted due to the changes in interest, depletion and accretion.