

TENTH AVENUE PETROLEUM CORP.

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

to be held on Monday, August 12, 2019

at 9:00 a.m. (Calgary time)

at the offices of Tenth Avenue Petroleum Corp.

Suite 203, 221 – 10th Avenue SE,

Calgary, Alberta

T2G 0V9

MANAGEMENT PROXY CIRCULAR

July 9, 2019

TENTH AVENUE PETROLEUM CORP.

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF THE SHAREHOLDERS

TAKE NOTICE THAT the Annual General and Special Meeting (the "**Meeting**") of the shareholders of Tenth Avenue Petroleum Corp. (the "**Corporation**") will be held at the offices of the Corporation, Suite 203, 221 – 10th Avenue SE, Calgary, Alberta T2G 0V9 on Monday, August 12, 2019 at 9:00 a.m. (Calgary time) for the following purposes:

1. to receive and consider the consolidated financial statements of the Corporation as at and for the year ended December 31, 2017 and December 31, 2018, together with the report of the auditors thereon;
2. to fix the number of directors of the Corporation to be elected at the Meeting at up to five members;
3. to elect the directors of the Corporation for the ensuing year;
4. to appoint the auditors of the Corporation for the ensuing year and to authorize the directors of the Corporation to determine the remuneration to be paid to the auditors;
5. to consider and if deemed advisable, to pass an ordinary resolution, the full text of which is set forth in the accompanying Management Proxy Circular, ratifying, adopting and re-approving the stock option plan of the Corporation and authorizing the Corporation's board of directors to make any amendments thereto that may be required for the purpose of obtaining the approval of the applicable securities regulatory authority or stock exchange; and
6. to transact such other business as may properly come before the Meeting.

Information relating to matters to be acted upon by the shareholders at the Meeting is set forth in the accompanying Management Proxy Circular. **A shareholder may attend the Meeting in person or may be represented at the Meeting by proxy. Shareholders who are unable to attend the Meeting in person and wish to be represented by proxy are requested to date, sign and return the accompanying Instrument of Proxy, or other appropriate form of proxy, in accordance with the instructions set forth in the accompanying Management Proxy Circular and Instrument of Proxy. An Instrument of Proxy will not be valid unless it is deposited at the offices of Computershare (Attention: Proxy Department), 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, by 12:00 (Toronto time) or not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time of the adjournment of the Meeting thereof. A registered shareholder can complete internet voting by logging on at www.investorvote.com and entering the WEB VOTING Control NUMBER located on the address box of the shareholder's instrument of proxy. A person appointed as proxy holder need not be a shareholder of the Corporation. In the event of a strike, lockout or other work stoppage involving postal employees, all documents required to be emailed by a shareholder at www.investorvote.com.**

SHAREHOLDERS ARE CAUTIONED THAT THE USE OF THE MAIL TO TRANSMIT PROXIES IS AT EACH SHAREHOLDER'S RISK.

DATED at Calgary, Alberta as of the 9 day of July, 2019.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) Gregory J. Leia

Director, President and Chief Executive Officer

TENTH AVENUE PETROLEUM CORP.

MANAGEMENT PROXY CIRCULAR

(Unless otherwise stated, information contained herein is given as of July 9, 2019)

INFORMATION REGARDING PROXIES AND VOTING AT THE MEETING

Solicitation of Proxies

This Management Proxy Circular is furnished in connection with the solicitation of proxies by the management of Tenth Avenue Petroleum Corp. (the "**Corporation**") for use at the Annual General and Special Meeting of the holders (the "**Shareholders**") of common shares ("**Common Shares**") of the Corporation to be held at 203, 221 10th Avenue SE, Calgary, Alberta T2G 0V9 on Monday, August 12, 2019 at 9:00 a.m. (Calgary time) (the "**Meeting**"), for the purposes set forth in the Notice of the Annual General and Special Meeting (the "**Notice**") accompanying this Management Proxy Circular. Solicitation of proxies will be primarily by mail, but may also be undertaken by way of telephone, facsimile, electronic or oral communication by the directors, officers and regular employees of the Corporation, at no additional compensation. Costs associated with the solicitation of proxies will be borne by the Corporation.

Appointment of Proxyholders

Accompanying this Management Proxy Circular is an instrument of proxy for use at the Meeting. Shareholders who are unable to attend the Meeting in person and wish to be represented by proxy are required to date and sign the enclosed instrument of proxy and return it in the enclosed return envelope. **All properly executed instruments of proxy for Shareholders must be mailed so as to reach or be deposited at the offices of Computershare (Attention: Proxy Department), 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, not later than 12:00 noon (Toronto time) or 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time set for adjournment of the Meeting thereof. A registered shareholder can complete internet voting by logging on at www.investorvote.com and entering the WEB VOTING ID NUMBER located on the address box of the Shareholder's instrument of proxy.**

The persons designated in the instrument of proxy are officers and directors of the Corporation. **A Shareholder has the right to appoint a person (who need not be a Shareholder) other than the persons designated in the accompanying instrument of proxy, to attend at and represent the Shareholder at the Meeting.** To exercise this right, a Shareholder should insert the name of the designated representative in the blank space provided on the instrument of proxy and strike out the names of management's nominees. Alternatively, a Shareholder may complete another appropriate instrument of proxy.

Signing of Proxy

The instrument of proxy must be signed by the Shareholder or the Shareholder's duly appointed attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by a duly authorized officer or attorney of the corporation. An instrument of proxy signed by a person acting as attorney or in some other representative capacity (including a representative of a corporate Shareholder) should indicate that person's capacity (following his or her signature) and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has previously been filed with the Corporation).

Revocability of Proxies

A Shareholder who has submitted an instrument of proxy may revoke it at any time prior to the exercise thereof. In addition to any manner permitted by law, a proxy may be revoked by instrument in writing executed by the Shareholder or by his or her duly authorized attorney or, if the Shareholder is a corporation, under its corporate seal or executed by a duly authorized officer or attorney of the corporation and deposited either: (i) at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournments thereof, at which the instrument of proxy is to be used; or (ii) with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof. In addition, an instrument of proxy may be revoked: (i) by the Shareholder personally attending the Meeting and voting the securities represented thereby or, if the Shareholder

is a corporation, by a duly authorized representative of the corporation attending at the Meeting and voting such securities; or (ii) in any other manner permitted by law.

Voting of Proxies and Exercise of Discretion by Proxyholders

All Common Shares represented at the Meeting by properly executed proxies will be voted on any ballot that may be called for and, where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy, the Common Shares represented by the instrument of proxy will be voted in accordance with such instructions. The management designees named in the accompanying instrument of proxy will vote or withhold from voting the Common Shares in respect of which they are appointed in accordance with the direction of the Shareholder appointing him or her on any ballot that may be called for at the Meeting. **In the absence of such direction, such Common Shares will be voted "FOR" the proposed resolutions at the Meetings. The accompanying instrument of proxy confers discretionary authority upon the persons named therein with respect to amendments of or variations to the matters identified in the accompanying Notice and with respect to other matters that may properly be brought before the Meeting.** In the event that amendments or variations to matters identified in the Notice are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the management designees to vote in accordance with their best judgment on such matters or business. At the time of printing this Management Proxy Circular, the management of the Corporation knows of no such amendment, variation or other matter to come before the Meeting other than the matters referred to in the accompanying Notice.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED ON

Except as disclosed in this Management Proxy Circular, none of the directors or senior officers of the Corporation at any time since the beginning of the Corporation's last financial year, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise in any matter to be acted on, other than the election of directors, the re-pricing of the exercise price of warrants and the re-pricing of the exercise price of options.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

Voting Shares and Record Date

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of first preferred shares ("**Preferred Shares**"). The record date for the determination of Shareholders entitled to receive notice of and to vote at the Meeting is June 28 , 2019 (the "**Record Date**"). As at the Record Date, there were 10,512,667 Common Shares issued and outstanding as fully paid and non-assessable. No Preferred Shares were outstanding as of the Record Date.

Common Shares

The holders of Common Shares are entitled to notice of and to vote at all special and annual general meetings of shareholders and are entitled to one vote per Common Share. Subject to any prior rights of the holders of Preferred Shares, the holders of Common Shares are entitled to receive such dividends as the board of directors of the Corporation (the "**Board of Directors**" or the "**Board**") declare and, upon liquidation, to receive such assets of the Corporation as are distributable to holders of Common Shares.

Voting of Common Shares – General

Only Shareholders whose names are entered in the Corporation's register of shareholders at the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting, provided that, to the extent that: (i) a registered Shareholder has transferred the ownership of any Common Shares subsequent to the Record Date; and (ii) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that he or she owns the Common Shares and demands, not later than ten days before the Meeting, that his or her name be included on the Shareholder list before the Meeting, in which case the transferee shall be entitled to vote his or her Common Shares at the Meeting.

Voting of Common Shares – Advice to Non-Registered Holders

Only registered holders of Common Shares, or the persons they appoint as their proxies, are permitted to attend and vote at the Meeting. However, in many cases, Common Shares beneficially owned by a holder (a "**Non-Registered Holder**") are registered either:

- (a) in the name of an intermediary (an "**Intermediary**") that the Non-Registered Holder deals with in respect of the Common Shares. Intermediaries include banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or
- (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited or "**CDS**").

In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Corporation has distributed copies of the Notice, this Management Proxy Circular and the instrument of proxy (collectively, the "**Meeting Materials**") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Typically, Intermediaries will use a service company (such as Broadridge Financial Solutions Inc. ("**Broadridge**")) to forward Meeting Materials to Non-Registered Holders.

Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will:

- (a) have received as part of the Meeting Materials a voting instruction form which must be completed, signed and delivered by the Non-Registered Holder in accordance with the directions on the voting instruction form; voting instruction forms sent by Broadridge permit the completion of the voting instruction form by telephone or through the Internet based voting procedures; or
- (b) less typically, be given a proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of Common Shares beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. This form of proxy need not be signed by the Non-Registered Holder. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it with Computershare at the address referred to above.

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Holder wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the Non-Registered Holder's (or such other person's) name in the blank space provided or, in the case of a voting instruction form, follow the corresponding instructions on the form. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediaries and their service companies.**

Only registered Shareholders have the right to revoke a proxy. Non-Registered Holders who wish to change their vote must, in sufficient time in advance of the Meeting, arrange for their respective Intermediaries to change their vote, and if necessary, revoke their proxy in accordance with the revocation procedures set above.

Principal Holders of Common Shares

Except as set forth below, to the knowledge of the directors and the executive officers, as at July 9, 2019, no person or company beneficially owns, directly or indirectly, or controls or directs, voting securities carrying 10% or more of the voting rights attached to any class of voting securities of the Corporation.

Name & Residence	Type of Ownership	Number of Shares	Percentage of Outstanding Shares
Gregory J. Leia Calgary, Alberta, Canada	Direct/Indirect ⁽¹⁾	5,825,300	55%

Note: (1) common shares are directly held indirectly through El Indio Investment Corp. and held indirectly through Gregory J. Leia Professional Corporation.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Financial Statements

The audited consolidated financial statements of the Corporation for the years ended December 31, 2018 and December 31, 2017 and the respective Auditors' Report thereon accompanying this Management Proxy Circular will be placed before the Shareholders at the Meeting for their consideration. Shareholders who wish to receive interim financial statements are encouraged to send the enclosed notice, in the addressed envelope to Computershare. No formal action will be taken at the Meeting to approve the financial statements, which have been approved by the Board of Directors of the Corporation in accordance with applicable corporate and securities legislation. Any questions regarding the financial statements may be brought forward at the Meeting.

2. Fix the Number of Directors

The term of office of each of the present directors expires at the Meeting. At the Meeting, the shareholders will be asked to fix the number of directors of the Corporation to be elected at the Meeting at five. Management of the Corporation proposes to nominate the four persons named below ("**Management Nominees**") for election as directors of the Corporation at the Meeting to serve until the next annual meeting of the Shareholders of the Corporation, unless his office is earlier vacated. All of the Management Nominees are currently members of the Board of Directors of the Corporation. The final director is expected to be nominated and elected at the Meeting.

3. Election of the Directors

Approval of the election of the Management Nominees as directors will require the affirmative votes of the holders of not less than half of the votes cast in respect thereof by Shareholders present in person or by proxy at the Meeting. **Unless otherwise directed, the management designees named in the accompanying instrument of proxy intend to vote in favour of the election, as directors, of the Management Nominees whose names are set forth below.** In the event that prior to the Meeting, any vacancies occur on the slate of Management Nominees submitted herewith, it is intended that discretionary authority will be granted to vote proxies solicited by or on behalf of management for the election of any other person or persons as directors. Management is not currently aware that any such Management Nominees would not be willing to serve as director if elected. Approval of the election of the final two directors will require the affirmative votes of the holders of not less than half of the votes cast in respect thereof by Shareholders present in person at the Meeting.

The following information concerning the proposed Management Nominees has been furnished by each of them:

Name, Residence and Present Office Held	Principal Occupation or Employment	Director Since	Number of Common Shares Beneficially Owned or Controlled ⁽¹⁾ and percentage of total issued and outstanding
<p>GREGORY J. LEIA Calgary, Alberta Canada</p> <p>President and Chief Executive Officer and a Director</p>	<p>Mr. Leia is the President of Batoche Oil & Gas Exploration Ltd. and El Indio Investment Corp. both private oil and gas exploration firms. From June 2007 to May 2010, Mr. Leia was the President of Batoche Energy Corp which amalgamated with Antler Creek Energy Corp whose common shares were listed on the TSX Venture Exchange (“TSXV”). Antler Creek Energy Corp changed its name to Pinecrest Energy Inc. Mr. Leia received a Bachelor of Commerce and a Bachelor of Laws from the University of Saskatchewan. Mr. Leia has practiced law in the Province of Alberta for over 35 years primarily with the law firm Wolff Leia, Calgary, Alberta.</p>	<p>May 10, 2011</p>	<p>5,825,300 (55%)</p>
<p>GERALD ROE⁽²⁾ Calgary, Alberta Canada</p> <p>Director</p>	<p>Mr. Roe has over 44 years of experience in the upstream oil and gas industry. Mr Roe was a Director and Chairman of the Board of GasFrac Energy Services Inc. an oil services company listed on the Toronto Stock Exchange (“TSX”) until June 2014. Mr. Roe was the Chief Operating Officer (from January 2005 to November 2007) and the Vice-President, Operations (from May 2004 and January 2005) of Oilexco Incorporated, an oil and gas company that was listed on the TSX and the London Stock Exchange. Since October 2003, Mr. Roe has been a director of ExGen Resources Ltd. (formerly Boxxer Gold Corp.), a mining company listed on the TSXV. From May 2009 to 2013, Mr. Roe was VP Operations of Canadian Overseas Petroleum Limited, an oil and gas company listed on the TSXV. Mr. Roe received a Bachelor of Science in Mechanical Engineering from Montana State University.</p>	<p>May 24, 2011</p>	<p>40,000 (0.3%)</p>
<p>CRAIG LEGGATT⁽²⁾ Calgary, Alberta Canada</p> <p>Interim CFO, Director</p>	<p>Mr. Leggatt has worked number of different capacities in the capital markets for over 15 years. His capital markets experience encompasses investigations and enforcement with the Alberta Securities Commission; senior compliance experience with full service investment dealers and an institutional boutique; and corporate finance experience in the venture capital markets wherein Mr. Leggatt was responsible for junior market deals valued in excess of \$100 million. Mr. Leggatt received a Bachelor of Arts degree from the University of Waterloo and a Bachelor of Laws degree from Queen’s University. Mr. Leggatt has been a member of the Law Society of Upper Canada since 1991 (inactive) and a member of the Law Society of Alberta since 1997. Mr. Leggatt practices law with Wolff Leia an energy and securities law boutique in Calgary.</p>	<p>July 29, 2014</p>	<p>Nil (0%)</p>
<p>TRACY ZIMMERMAN⁽²⁾ Calgary, Alberta Director</p>	<p>Mr. Zimmerman holds a Geological Engineering degree from the University of Saskatchewan. Mr. Zimmerman holds a Professional Geoscientist designation from APEGA. Mr. Zimmerman has 32 years of experience in the oil and gas industry primarily in western Canada. Mr. Zimmerman was principal in junior startup Cheveyo Energy Ltd. which was sold in 2014.</p>	<p>June 4, 2019</p>	<p>Nil (0%)</p>

Notes:

- (1) The information as to the number of Common Shares beneficially owned, not being within the knowledge of the Corporation, has been furnished by the respective Management Nominees. These figures do not include any securities that are convertible into or exercisable for Common Shares. These figures are based on the number of Common Shares issued and outstanding as of the date of this Management Proxy Circular.
- (2) Member of the Audit Committee. Tracy Zimmerman will become a director upon approval of the TSX Venture Exchange at which time he will join the audit committee.

Corporate Cease Trade Orders or Bankruptcies

On May 6, 2019, the securities of the Corporation were cease traded for failure to file the audited financial statements and management discussion and analysis for the fiscal year ended December 31, 2018. On May 15, 2019, the Corporation filed the required documents. On May 17, 2019, the cease trade was revoked. Gregory J. Leia, Craig Leggatt and Gerald Roe were directors at the time.

Other than as set out below, no proposed director of the Corporation is, or has been within the past ten years, a director, chief executive officer or chief financial officer of any company that, while such person was acting in that capacity:

- (i) was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemptions under securities legislation, and that was in effect for a period of more than 30 consecutive days; or
- (ii) was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemptions under securities legislation, that was issued after that individual ceased to be a director or chief executive officer or chief financial officer and which resulted from an event that occurred while such person was acting in a capacity as a director, chief executive officer or chief financial officer.

No proposed director of the Corporation is, or has been within the past ten years, a director or executive officer of any other company that, while such person was acting in that capacity, or within a year of that individual ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. Mr. Gerald Roe was a director of Queve Group Inc., which was ceased traded on October 1, 2002 for failure to file financial statements.

Individual Bankruptcies

No proposed director of the Corporation is or has, within the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Penalties or Sanctions

No proposed director of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority. No proposed director of the Corporation has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Conflicts of Interest

The directors and officers of the Corporation may, from time to time, be involved with the business and operations of other oil and gas issuers, in which case a conflict of interest may arise between their duties as officers and directors of the Corporation and as officer and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such procedures and remedies, as applicable, under the *Business Corporations Act* (Alberta) (“**ABCA**”).

4. Appointment of Auditors

BDO Canada LLP was appointed as auditors on and unless otherwise directed, the management designees named in the accompanying instrument of proxy intend to vote in favour of the re-appointment of BDO Canada LLP as auditors of the Corporation, to hold office until the close of the next annual meeting, at a remuneration to be determined by the Board of Directors of the Corporation. Approval of the appointment of the auditors will require the affirmative votes of the holders of not less than half of the votes cast in respect thereof by Shareholders present in person or by proxy at the Meeting. **Unless instructed otherwise, the persons named in the accompanying Instrument of Proxy intend to vote FOR the resolution. The appointment will be conditional upon management obtaining reasonable quotation for completion of the audit for the fiscal period ended December 31, 2019 and other ancillary services. If not, management reserves the right to appoint new auditors.**

5. Ratification and Re-Approval of Stock Option Plan

Pursuant to Policy 4.4 of the TSXV, corporations that have a rolling stock option plan reserving a maximum of 10% of the issued and outstanding shares of the corporation must receive yearly shareholder approval of the stock option plan. For a summary of the Option Plan, please refer to the section herein entitled "*Incentive Awards*" or refer to Schedule "A" where the text of the Option Plan is attached in its entirety. The TSXV requires such approval before it will allow the adoption of the Option Plan. Options to purchase Common Shares that were previously granted to directors, officers and employees of the Corporation will be deemed to be granted under the Option Plan.

The text of the resolution regarding this matter is as follows:

"BE IT RESOLVED THAT the stock option plan of the Corporation, as described in the Management Proxy Circular of the Corporation dated July 9, 2019, as may be amended by the board of directors as required by applicable securities regulatory authorities or stock exchanges, is hereby ratified, adopted and approved. The form of the stock option plan may be amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval of the shareholders of the Corporation. The shareholders of the Corporation hereby expressly authorize the board of directors to revoke this resolution before it is acted upon without requiring further approval of the shareholders in that regard."

The approval by Shareholders requires a favourable vote of a majority of the Common Shares voted in respect thereof at the Meeting. **Unless instructed otherwise, the management designees in the accompanying instrument of proxy intend to vote FOR the resolution to ratify, adopt and approve the resolutions described above.**

6. Other Matters

While there no other business other than that business mentioned in the Notice of Meeting to be presented for action by the shareholders at the Meeting, **it is intended that the proxies hereby solicited will be exercised upon any other matters and proposal that may properly before the Meeting or any adjournment or adjournments thereof, in accordance with the discretion of the persons authorized to act thereunder.**

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Compensation is required to be disclosed for each (i) Chief Executive Officer (or individual who served in a similar capacity during the most recently completed financial year), (ii) each Chief Financial Officer (or individual who served in a similar capacity during the most recently completed financial year), (iii) each of the three most highly compensated executive officers (other than the Chief Executive Officer and the Chief Financial Officer) who were serving as executive officers at the end of the most recently completed fiscal year (or three most highly compensated individuals) and whose total compensation was, individually, more than \$150,000; and (iv) each individual who would meet the definition set forth in (iii) but for the fact that the individual was neither an executive officer of the company, nor acting in a similar capacity, at the end of that financial year (the "Named Executive Officers"). The Named Executive Officers of the Corporation for the most recently completed financial year are Gregory J. Leia, President and Chief Executive Officer from May 11, 2011 and Craig Leggatt, interim Chief Financial Officer from May 18, 2016. There were no other Named Executive Officers for the year ending on December 31, 2018, as no other employees earned in excess of \$150,000 in 2018. Named Executive Officers are also eligible to participate in the Corporation's stock option plan (the "**Option Plan**") as described herein.

Philosophy and Objectives

As the Corporation does not have a compensation committee, the functions of a compensation committee are performed by the Board of Directors as a whole and the compensation of the Named Executive Officers is reviewed and approved annually by the Board of Directors. The objective of the Board of Directors in setting compensation levels is to attract and retain individuals of high calibre to serve as officers of the Corporation, to motivate their performance in order to achieve the Corporation's strategic objectives and to align the interests of executive officers with the long-term interests of the Shareholders. These objectives are designed to ensure that the Corporation continues to grow on an absolute basis as well as to grow cash flow and earnings for Shareholders. The Board of Directors set the compensation received by Named Executive Officers so as to be generally competitive with the compensation received by persons with similar qualifications and responsibilities who are engaged by other companies of corresponding size, stage of development, having similar assets, number of employees, market capitalization and profit margin. In setting such levels, the Board of Directors rely primarily on their own experience and knowledge.

Compensation

Compensation provided to Named Executive Officers consists of: (i) base compensation; (ii) other compensation; and (iii) stock options granted pursuant to the Option Plan. Employment or management agreements entered into with Named Executive Officers provide that the salary or other compensation is subject to normal periodic review on or about the anniversary date of any such agreement. In addition to the salary or other compensation, the Board of Directors may from time to time pay a bonus to Named Executive Officers for either the accomplishment of specific performance criteria or for exceptional performance. Pursuant to the Option Plan, the Board of Directors, at its discretion, determines all grants of stock options to Named Executive Officers. Such grants are considered incentives intended to align the Named Executive Officers' and Shareholders' interests in the long term. The Corporation emphasizes stock options in executive compensation as they allow the Named Executive Officers to share in corporate results in a manner that is relatively cost-effective despite the effects of treating stock options as a compensation expense.

Compensation of Gregory J. Leia, President

Mr. Leia was not paid a salary by the Corporation. Mr. Leia practices law, through a professional corporation, in association with other lawyers and administrative staff under the trade name "Wolff Leia". Wolff Leia billed the Corporation the sum of \$122,632 inclusive of all fees, disbursements, other charges and GST for the fiscal year ending December 31, 2018 (\$146,122 for the fiscal period ended December 31, 2017), almost all of which was billed by Mr. Leia at an hourly rate of \$250 plus GST for Mr. Leia's services to the Corporation for legal fees for the fiscal year ending December 31, 2018. During the fiscal year ending December 31, 2018, Mr. Leia did not receive any other compensation for his role as an officer of the Corporation nor did he receive compensation for his role as a director of the Corporation. For a summary of compensation paid to Mr. Leia in respect of the years ended December 31, 2018 and 2017 please refer to the Summary Compensation Table below.

Compensation of Craig Leggatt, interim Chief Financial Officer

Mr. Leggatt was not paid a salary by the Corporation nor did he received any executive compensation as interim CFO or director. For a summary of compensation paid to Mr. Leggatt in respect of the years ended December 31, 2018, 2017 and 2016 please refer to the Summary Compensation Table below.

Summary Compensation Table

The following table sets forth information concerning the total compensation paid during the years ended December 31, 2018, 2017 and 2016 to the Named Executive Officers.

Name and Position	Year	Salary, Consulting Fee, Retainer or Commission⁽¹⁾⁽²⁾ (\$)	Bonus (\$)	Committee or Meeting Fees⁽³⁾⁽⁴⁾ (\$)	Value of Perquisites (\$)	Value of all other Compensation (\$)	Total Compensation (\$)
Gregory J. Leia CEO and Director	2018	Nil	Nil	Nil	Nil	Nil	Nil
	2017	Nil	Nil	Nil	Nil	15,160	15,160
	2016	Nil	Nil	Nil	Nil	Nil	Nil
Craig Leggatt, Interim CFO and Director	2018	Nil	Nil	Nil	Nil	Nil	Nil
	2017	Nil	Nil	Nil	Nil	15,160	15,160
	2016	Nil	Nil	Nil	Nil	Nil	Nil
Gerry Roe Director	2018	Nil	Nil	Nil	Nil	Nil	Nil
	2017	Nil	Nil	Nil	Nil	15,160	15,160
	2016	Nil	Nil	Nil	Nil	Nil	Nil
Robin Chan Interim CFO	2018	7,280	Nil	Nil	Nil	Nil	7,280
	2017	15,440	Nil	Nil	Nil	Nil	15,440
	2016	4,520	Nil	Nil	Nil	Nil	4,520
Brian Page, Former CFO	2016	Nil	Nil	Nil	Nil	17,150(3)	17,150

Notes:

(1) Mr. Leia became CEO on May 11, 2011. The monies paid to Mr. Leia were paid in the form of legal fees billed by Wolff Leia and are included in the sums recorded by Mr. Leia. The figures include fees, disbursement, other charges and GST. Actual fees billed were: \$33,935 in 2016; \$146,122 in 2017 and \$122,632 in 2018. Stock options were issued in 2017 resulting in deemed share based consideration of \$15,160. Stock options were issued in 2017 resulting in deemed share based consideration of \$15,160.

(2) Mr. Leggatt became a director in 2014 and interim CFO in May 2016. Stock options were issued in 2017 resulting in deemed share based consideration of \$15,160.

(3) Mr. Chan became interim CFO in August 2016. Monies paid to Mr. Chan were for accounting services to the issuer as an independent contractor and not an employee.

(4) Mr. Page became CFO in May 2015 until May 2016. Mr. Page was engaged by 903164 Alberta Ltd. a company owned by his daughter which provided accounting services to the issuer.

Incentive Awards

Outstanding Share-Based Awards and Option-Based Awards

The Corporation's Option Plan was approved by the Shareholders of the Corporation on February 19, 2018. The Option Plan has been established to provide an incentive to the directors, officers, employees, consultants and other personnel of the Corporation to achieve the longer-term objectives of the Corporation, to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation and to attract to and retain in the employ of the Corporation, persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation.

The following is a summary of the material terms of the Option Plan and is qualified in its entirety by the full text of the Option Plan, which is attached hereto as Schedule "A":

- The aggregate number of Common Shares to be reserved and authorized for issuance pursuant to options granted under the Option Plan shall not exceed ten percent (10%) of the total number of issued and outstanding shares in the Corporation.
- Under the Option Plan, the aggregate number of optioned Common Shares granted to any one optionee in a 12 month period must not exceed 5% of the Corporation's issued and outstanding shares. The number of optioned Common Shares granted to any one consultant in a 12 month period must not exceed 2% of the Corporation's issued and outstanding shares. The aggregate number of optioned Common Shares granted to an optionee who is employed to provide investor relations' services must not exceed 2% of the Corporation's issued and outstanding Common Shares in any 12 month period.
- The exercise price for options granted under the Option Plan will not be less than the market price of the Corporation's Common Shares at the time of the grant, less applicable discounts permitted by the policies of the TSXV.
- Options will be exercisable for a term of up to five years, subject to earlier termination in the event of the optionee's death or the cessation of the optionee's services to the Corporation.
- Options granted under the Option Plan are non-assignable, except by will or by the laws of descent and distribution.

No share-based (as opposed to option-based) awards have been granted to the Corporation's Named Executive Officers for fiscal period ended December 31, 2018. Options were granted in 2017.

Incentive Awards – Value Vested or Earned During the Year

The following table summarizes the value of options held by Named Executive Officers that vested during the year ended December 31, 2018.

<u>Name and Principal Position</u>	<u>Option-Based Awards – Value Vested During the Year (\$)⁽¹⁾</u>	<u>Share-Based Awards – Value Vested During the Year (\$)⁽²⁾</u>	<u>Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)</u>
<i>Gregory J. Leia President and Director</i>	Nil	Nil	Nil
<i>Craig Leggatt Director</i>	Nil	Nil	Nil

Pension Plan Benefits

The Corporation does not have any defined benefit or defined contribution pension plans in place which provide for payments or benefits at, following, or in connection with retirement.

Termination and Change of Control Benefits

Pursuant to the terms of the Option Plan, in the event the optionholder resigns his employment, a consultant's contract terminates, or if an optionholder is terminated without cause, the optionholder may exercise such part of the option as is exercisable immediately prior to the time of such termination within a period which is the earlier of the normal expiry date of the option and 90 days following such resignation or termination and all unexercised options of the optionee will immediately terminate forthwith without further notice. If the optionee reaches the mandatory age of retirement or his services cease due to permanent disability, the optionholder may exercise such part of the option as is exercisable immediately prior to the time of retirement or cessation within a period which is the earlier of the normal expiry date of the option and 6 months following the date of retirement or cessation of services and all unexercised options of the optionee will immediately terminate forthwith without further notice. In the event of the death of the optionee, any options which the optionee could have exercised immediately prior to death are exercisable by the executors or personal representatives of the optionee within the earlier of the normal expiry date of the option and six months of the optionee's death and all unexercised options of the optionee will immediately terminate forthwith without further notice. All options which remain unvested will vest and become fully exercisable by the optionee for 30 days following the consummation of a change of control.

Other than the aforementioned agreements, there are no compensatory plans, contracts or arrangements with any Named Executive Officer (including payments to be received from the Corporation or any subsidiary), which result or will result from the resignation, retirement or any other termination of employment of such Named Executive Officer or from a change of control of the Corporation or any subsidiary thereof or any change in such Named Executive Officer's responsibilities, where the Named Executive Officer is entitled to payment or other benefits.

Compensation of Directors

The Corporation has no standard arrangement pursuant to which directors of the Corporation are compensated by the Corporation for their services in their capacity as directors, however, all Board members are reimbursed for expenses incurred as part of their role as directors. Further, the Board of Directors may provide consulting fees to the directors as the Board sees fit. Each director who is not otherwise a full time employee of the Corporation is eligible to receive stock options of the Corporation.

The following table summarizes all amounts of compensation provided to the directors, in their capacities as directors, during the year ended December 31, 2018.

Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
Gregory J. Leia ⁽¹⁾⁽²⁾	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gerald Roe ⁽²⁾⁽³⁾	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Craig Leggatt ⁽²⁾⁽³⁾⁽⁴⁾	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) For a description of all compensation paid to Mr. Leia please refer to the sections herein entitled "Compensation of Gregory J. Leia, President", "Summary Compensation Table" and "Incentive Awards".
- (2) Messrs. Gregory Leia, Gerald Roe and Craig Leggatt were appointed to the Board of Directors of the Corporation effective May 10, 2011, May 24, 2011 and May 18, 2014, respectively.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out information as at the end of the Corporation's most recently completed financial year with respect to compensation plans under which equity securities of the Corporation are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	4,380,000	\$0.075	4,380,000
Equity compensation plans not approved by securityholders	—	—	—
Total	4,380,000	\$0.075	4,380,000

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors and officers of the Corporation, any proposed management nominee for election as a director of the Corporation or any associate of any director, officer or proposed management nominee is or has been indebted to the Corporation at any time during the last completed financial year.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed in this Management Proxy Circular, none of the informed persons of the Corporation (as defined in National Instrument 51-102), nor any proposed nominee for election as a director of the Corporation, nor any person who beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to the issued shares of the Corporation, nor any associate or affiliate of the foregoing persons has any material interest, direct or indirect, in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which, in either case, has or will materially affect the Corporation and none of such persons has any material interest in any transaction proposed to be undertaken by the Corporation that will materially affect the Corporation.

Mr. Leia is an officer, director and shareholder of El Indio Investments Corp. (formerly known as Batoche Resources Ltd.), El Indio Investment Corp. and Mr. Leia entered into a series of transactions with the Corporation with respect to Maverick County, Texas assets of the Corporation. El Indio Investment Corp owns a 7.5% working interest in the El Indio #1H well and related 660 acres under lease. Mr. Leia owns 65% of Smoky Oil & Gas Corp which has lent money to the Corporation under the LPA. Mr. Leia is 100% owner of Batoche Oil & Gas Exploration Ltd. which had entered into a farmout agreement with the Corporation as of July 31, 2017. On May 15, 2019, the agreement was terminated retroactive to July 31, 2017.

MANAGEMENT CONTRACTS

The Corporation does not have in place any management contracts between the Corporation and any directors or officers and there are no management functions of the Corporation that are to any substantial degree performed by a person or company other than the directors or officers (or private companies controlled by them, either directly or indirectly) of the Corporation.

CORPORATE GOVERNANCE

Please see the attached Schedule "D" for information on the Corporation's Corporate Governance (Form 58-101F2).

AUDIT COMMITTEE

Audit Committee Charter

The Charter of the Corporation's Audit Committee is attached to this Management Proxy Circular as Schedule "C".

Composition of the Audit Committee

The following are the members of the Committee as of the date of this Management Proxy Circular:

Name	Independent ⁽¹⁾	Financially literate ⁽²⁾
Gerald Roe	Yes	Financially literate
Craig Leggatt	No	Financially literate
Tracy Zimmerman	Yes	Financially literate

Notes:

- (1) As defined in Multilateral Instrument 52-110 ("MI 52-110").
- (2) As defined by MI 52-110.

Education and Experience

Mr. Roe has over 44 years of experience in the upstream oil and gas industry. Mr. Roe was a Director and Chairman of the Board of GasFrac Energy Services Inc. an oil services company listed on the TSX until June 2014. Mr. Roe was the Chief Operating Officer (from January 2005 to November 2007) and the Vice-President, Operations (from May 2004 and January 2005) of Oilexco Incorporated, an oil and gas company that was listed on the TSX and the London Stock Exchange. Since October 2003, Mr. Roe has been a director of ExGen Resources Ltd. (formerly Boxxer Gold Corp.), a mining company listed on the TSXV. From May 2009 to 2013, Mr. Roe was the VP Operations of Canadian Overseas Petroleum Limited, an oil and gas company listed on the TSXV. Mr. Roe received a Bachelor of Science in Mechanical Engineering in 1965 from the Montana State University.

Mr. Leggatt has had a number of different capacities in the capital markets for over 15 years. His capital markets experience encompasses investigations and enforcement with the Alberta Securities Commission; senior compliance experience with full service investment dealers and an institutional boutique; and corporate finance experience in the venture capital markets wherein Mr. Leggatt was responsible for junior market deals valued in excess of \$100 million. Mr. Leggatt received a Bachelor of Arts degree from the University of Waterloo and a Bachelor of Laws degree from Queen's University. Mr. Leggatt has been a member of the Law Society of Upper Canada since 1991 (inactive) a member of the Law Society of Alberta since 1997. Mr. Leggatt practices law with Wolff Leia an energy and securities law boutique in Calgary.

Mr. Zimmerman holds a Geological Engineering degree from the University of Saskatchewan. Mr. Zimmerman holds a Professional Geoscientist designation from APEGA. Mr. Zimmerman has 32 years of experience in the oil and gas industry primarily in western Canada. Mr. Zimmerman was principal in junior startup Cheveyo Energy Ltd. which was sold in 2014.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of MI 52-110 (*De Minimis Non-audit Services*), or an exemption from MI 52-110, in whole or in part, granted under Part 8 of Multilateral Instrument 52-110.

Pre-Approval Policies and Procedures

The Committee has not adopted specific policies and procedures for the engagement of non-audit services as described below under the heading "External Auditors", however it is within the mandate of the Audit Committee to arrange for the engagement of such services.

External Auditor Service Fees (By Category)

The aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years for audit fees are as follows:

Financial Year Ending	Audit Fees⁽¹⁾	Audit Related Fees	Tax Fees⁽²⁾	All Other Fees
2018	\$25,000	Nil	Nil	Nil
2017	\$25,000	Nil	Nil	Nil

Notes:

- (1) Fees associated with the audit of the financial statements.
- (2) Fees incurred for the preparation of the Corporation's income tax returns and the filing of returns.

Exemption

The Corporation is relying on the exemption provided in Section 6.1 of MI 52-110.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available through the internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com. Financial information on the Corporation is provided in the comparative financial statements and management discussion and analysis of the Corporation which can also be accessed at www.sedar.com or which may be obtained upon request from the Corporation at 203, 221-10th Avenue SE, Calgary, Alberta, T2G 0V9.

SCHEDULE

"A"

TENTH AVENUE PETROLEUM CORP. STOCK OPTION PLAN

ARTICLE 1 - PURPOSE OF THE PLAN

1.01 Purpose

The purpose of the Tenth Avenue Petroleum Corp., (the "Corporation") Stock Option Plan is to assist and encourage directors, officers, employees and Consultants of the Corporation and its Subsidiaries to work towards and participate in the growth and development of the Corporation and its Subsidiaries by providing such persons with the opportunity, through stock options, to acquire an ownership interest in the Corporation.

ARTICLE 2 - INTERPRETATION

2.01 Definitions

In this Plan:

"**Board**" means the board of directors of the Corporation.

"**Cause**" for the purpose of this Plan includes:

- (i) the continued failure by the Optionholder to substantially perform his or her duties in connection with his or her employment by, or service to, the Corporation (other than as a result of physical or mental illness) after the Corporation has given the Optionholder reasonable written notice of such failure and a reasonable opportunity to correct it;
- (ii) the engaging by the Optionholder in any act which is injurious to the Corporation or its reputation financially or otherwise;
- (iii) the engaging by the Optionholder in any act resulting or intended to result, directly or indirectly, in personal gain to the Optionholder at the expense of the Corporation;
- (iv) the conviction of the Optionholder by a court of competent jurisdiction on any charge involving fraud, theft or moral turpitude by the Optionholder in connection with the business of the Corporation; or
- (v) any other conduct that constitutes cause at common law.

"Change of Control" includes:

- (i) the acquisition by any persons acting jointly or in concert (as determined by the *Securities Act* (Alberta)), whether directly or indirectly, of voting securities of the Corporation which, together with all other voting securities of the Corporation held by such persons, constitute in the aggregate more than 20% of all outstanding voting securities of the Corporation;
- (ii) an amalgamation, arrangement or other form of business combination of the Corporation with another corporation which results in the holders of voting securities of that other corporation holding, in the aggregate, more than 20% of all outstanding voting securities of the corporation resulting from the business combination; or
- (iii) the sale, lease or exchange of all or substantially all of the property of the Corporation to another person or corporation, other than in the ordinary course of business of the Corporation, or to a Subsidiary.

"Common Shares" means common shares of the Corporation.

"Consultant" means a person other than a director or employee of the Corporation, engaged to provide on an ongoing *bona fide* basis, management, technical or consulting services for the Corporation or any Subsidiary.

"Corporation" means Tenth Avenue Petroleum Corp. and any successor corporation thereto.

"Date of Termination" means the actual date of termination of: (i) the office of the Optionholder; (ii) the employment of the Optionholder; or (iii) the provision of services by an Optionholder, as applicable, and does not include any period during which the Optionholder is in receipt of or is eligible to receive any statutory, contractual or common law notice or compensation in lieu thereof or severance payments following the actual date of termination or resignation.

"Discounted Market Price" has the meaning ascribed in TSX Venture Exchange – Policy 1.1 – *Interpretation* or such other applicable exchange policy *mutatis mutandis*.

"Eligible Person" means any *bona fide* director, officer, employee or Consultant of the Corporation or any Subsidiary.

"Exchange" means the TSX Venture Exchange or such other Exchange that the other Common Shares of the Corporation trade on at the applicable time.

"Exercise Price" means the price per Common Share at which Common Shares may be subscribed for by an Optionholder pursuant to a particular Option Agreement.

"Expiry Date" means the date on which an Option expires pursuant to the Option Agreement relating to that Option.

"Grant Date" means the date on which an Option is granted, which date may be on or, if determined by the Board at the time of grant, after the date that the Board resolves to grant the Option.

"Investor Relations Activities" has the meaning ascribed in TSX Venture Exchange – Policy 1.1 – *Interpretation* or such other applicable exchange policy *mutatis mutandis*.

"Notice of Exercise" means a notice, substantially in the form of the notice set out in Schedule B, from an Optionholder to the Corporation giving notice of the exercise or partial exercise of an Option previously granted to the Optionholder.

"Option" means an option to purchase Common Shares granted to an Eligible Person pursuant to the terms of the Plan.

"Option Agreement" means an agreement, substantially in the form of the agreement set out in Schedule A to this Plan, between the Corporation and an Eligible Person setting out the terms of an Option granted to the Eligible Person.

"Optioned Shares" means the Common Shares that may be subscribed for by an Optionholder pursuant to an Option Agreement.

"Optionholder" means an Eligible Person to whom an Option has been granted.

"Plan" means the Jadela Oil Corp. Stock Option Plan, as amended from time to time.

"Share Compensation Arrangement" means any stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares, including a share purchase from treasury which is financially assisted by the Corporation by way of a loan, guarantee or otherwise.

"Subsidiary" has the meaning attributed thereto in the *Securities Act* (Alberta).

2.02 **Extended Meanings**

In this Plan, words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, corporations, limited and unlimited liability companies, general and unlimited partnerships, associations, trusts, incorporated organizations, joint ventures and governmental authorities.

ARTICLE 3 - GRANT OF OPTIONS

3.01 **Authority of Board**

Subject to the limitations of the Plan, the Board has the authority:

- (a) to determine which Eligible Persons are to be granted Options and to grant Options to those Eligible Persons;
- (b) to determine the terms of such Options; and
- (c) to prescribe the form of Option Agreement and Notice of Exercise with respect to a particular Option, if other than substantially as set forth in Schedules A and B to this Plan.

3.02 **Shares Reserved**

- (1) The maximum number of Common Shares that may be reserved for issuance pursuant to Options granted under the Plan within a one-year period is ten percent (10%) of the issued and outstanding Common Shares of the Corporation from time to time.
- (2) The maximum number of Common Shares that may be reserved for issuance to any one Eligible Person within a one-year period pursuant to Options granted under the Plan is five percent (5%) of the number of Common Shares outstanding at the time of reservation, subject to Subsections 3.02(3) and 3.03(4).
- (3) The maximum number of Common Shares that may be reserved for issuance to any one Consultant within a one-year period may not exceed two percent (2%) of the common shares outstanding at the time of Reservation.
- (4) The maximum number of Common Shares that may be reserved for issuance to anyone engaged in Investor Relations Activities within a one-year period may not exceed two percent (2%) of the common shares outstanding at the time of Reservation.

In addition to the restrictions in Section 3.02, during the period that the Corporation is considered a Capital Pool Company, the Corporation may reserve for issuance Options under the Plan only in accordance with the requirements of TSX Venture Exchange Company Manual – Policy 2.4 – Capital Pool Companies - Sections 7.3

Any Common Shares subject to an Option that expires or terminates without having been fully exercised may be made the subject of a further Option. No fractional Common Shares may be issued under the Plan.

3.03 **Eligibility**

Options may be granted by the Board to any Eligible Person, subject to the limitations set forth in Sections 3.02, prior to his or her Date of Termination.

ARTICLE 4 - TERMS OF OPTIONS

4.01 **Option Agreement**

As soon as practicable following the grant of an Option, the Corporation will deliver to the Optionholder an Option Agreement dated the Grant Date, containing the terms of the Option and executed by the Corporation, and upon delivery to the Corporation of the Option Agreement executed by the Optionholder such Optionholder will be a participant in the Plan and have the right to purchase the Optioned Shares on the terms set out in the Option Agreement and the Plan.

4.02 **Exercise Price**

The Exercise Price of the Common Shares subject to an Option will be determined by the Board at the time of grant and shall in no event be less than the greater of: i) the closing market price of the Common Shares of the Corporation on the TSX Venture Exchange Inc. on the trading day immediately prior to the grant of the option (or, if no trades occurred on such day, then on the next previous day on which trading took place) less the maximum discount permitted under the regulations of the Exchange (the "Discounted Market Price") ; or ii) \$0.10 or such other Discounted Market Price minimum approved by the Exchange and as may be agreed to by the Corporation.

4.03 **Time of Exercise**

- (1) The Board may determine at the time of grant that a particular Option will be exercisable in whole or in part on different dates and to determine after the Grant Date that a particular Option will be exercisable in whole or in part on earlier dates for any reason, including the occurrence of a proposal by the Corporation or any other person to implement a transaction that would, if implemented, result in a Change of Control.

- (2) Notwithstanding anything herein to the contrary, if there occurs a Change of Control at any time when an Option granted under the Plan remains unvested with respect to any Optioned Shares, such unvested portion will vest and become fully exercisable, as to all the Optioned Shares in respect of which such Option was not previously exercisable, by the Optionee at any time up to and including a date 30 days following the consummation of such Change of Control.
- (3) Notwithstanding the provisions of Sections 4.03(1) and (2), no unvested portion of an Option will vest as a result of a Change in Control that occurs after the Date of Termination of an Optionholder.

4.04

Expiry Date

- (1) The Expiry Date of an Option will be five years after the Grant Date, subject to:
 - (a) the right of the Board to determine at the time of grant that a particular Option will have a shorter or longer term, in accordance with applicable Exchange requirements and securities laws and not to exceed 10 years from the Grant Date; and
 - (b) the provisions of Section 4.05 relating to early expiry.

4.05

Early Expiry

- (1) An Option will expire before its Expiry Date in the following events and manner:
 - (a) if an Optionholder dies, only the portion of the Option that is exercisable at the date of death of the Optionholder may be exercised by the personal representatives of the Optionholder during the period ending six (6) months after the death of the Optionholder, after which period all Options terminate;
 - (b) if an Optionholder resigns his or her office or employment (other than as provided for in Section 4.05(e)), or an Optionholder's contract as a Consultant terminates at its normal termination date, only the portion of the Option that is exercisable at the date of resignation or termination may be exercised by the Optionholder during the period ending ninety (90) days after the date of resignation or termination, after which period all Options terminate;
 - (c) if an Optionholder is terminated without Cause, including a constructive dismissal, or an Optionholder's contract as a Consultant is terminated by the Corporation before its normal termination date without Cause, only the portion of the Option that is exercisable at the Date of Termination may be exercised by the Optionholder during the period ending ninety (90) days after the Date of Termination, after which period all Options terminate, subject to Subsection 4.05(1)(d);

- (d) if an Optionholder who is engaged in Investor Relations Activities on behalf of the Corporation is terminated without Cause, including a constructive dismissal, or the contract with such Optionholder is terminated by the Corporation before its normal termination date without Cause, only the portion of the Option that is exercisable at the Date of Termination may be exercised by the Optionholder during the period ending ninety (30) days after the Date of Termination, after which period all Options terminate.
- (e) if an Optionholder attains the mandatory retirement age established by the Corporation from time to time or an Optionholder's employment or service ceases due to permanent disability, only the portion of the Option that is exercisable at the date of retirement or cessation may be exercised by the Optionholder during the period ending six (6) months after the date of retirement or cessation, after which period all Options terminate; and
- (f) an Option will expire immediately upon the Optionholder ceasing to be an Eligible Person as a result of being dismissed from his or her office or employment for Cause or an Optionholder's contract as a Consultant being terminated before its normal termination date for Cause, including where an Eligible Person resigns his or her office or employment or terminates his or her contract as a Consultant after being requested to do so by the Corporation as an alternative to being dismissed or terminated by the Corporation for Cause

subject in all cases to the earlier expiration of an Option on its applicable Expiry Date.

4.06 Non-Assignable

Except as provided in Section 4.05(a), an Option may be exercised only by the Optionholder and is not assignable in law or in equity, and any purported assignment is void and of no force and effect whatsoever.

4.07 No Rights as Shareholder or to Remain an Eligible Person

- (1) An Optionholder will only have rights as a shareholder of the Corporation with respect to Optioned Shares that the Optionholder acquires through the exercise of an Option in accordance with its terms.
- (2) Nothing in this Plan or in any Option Agreement will confer on any Optionholder any right to remain as a director, officer, employee or Consultant of the Corporation or any Subsidiary.

4.08 Adjustments to Common Shares

- (1) The number of Common Shares delivered to an Optionholder upon exercise of an Option will be adjusted as determined by the Board in the following events and manner, subject to the right of the Board to make such additional or other adjustments as are appropriate in the circumstances:
 - (a) upon a subdivision of the Common Shares into a greater number of Common Shares, a consolidation of the Common Shares into a lesser number of Common Shares or the issue of a stock dividend to holders of the Common Shares (other than dividends in the ordinary course), the Corporation will deliver upon the exercise of an Option, in addition to or in lieu of the number of Optioned Shares in respect of which the right to purchase is being exercised and without the Optionholder making any additional payment, such greater or lesser number of Common Shares as results from the subdivision, consolidation or stock dividend;
 - (b) upon the distribution by the Corporation to holders of the Common Shares of shares of any class (whether of the Corporation or another corporation, but other than Common Shares), rights, options or warrants, evidences of indebtedness or cash (other than dividends in the ordinary course), other securities or other assets, the Corporation will deliver upon exercise of an Option, in addition to the number of Optioned Shares in respect of which the right to purchase is being exercised and without the Optionholder making any additional payment, such other securities, evidence of indebtedness or assets as result from such distribution; and

- (c) upon a capital reorganization, reclassification or change of the Common Shares, a consolidation, amalgamation, arrangement or other form of business combination of the Corporation with another corporation or a sale, lease or exchange of all or substantially all of the assets of the Corporation, the Corporation will deliver upon exercise of an Option, in lieu of the Optioned Shares in respect of which the right to purchase is being exercised, the kind and amount of shares or other securities or assets as result from such event.

The purpose of such adjustments is to ensure that any Optionholder exercising an Option after any such event will be in the same position as such Optionholder would have been in if he or she had exercised the Option prior to such event.

- (2) An adjustment will take effect at the time of the event giving rise to the adjustment, and the adjustments provided for in this Section are cumulative.
- (3) The Corporation will not be required to issue fractional Common Shares or other securities under the Plan and any fractional interest in a Common Share or other security that would otherwise be delivered upon the exercise of an Option will be cancelled.

ARTICLE 5 - EXERCISE OF OPTIONS

5.01 Manner of Exercise

An Optionholder (or the personal representatives of a deceased Optionholder) who wishes to exercise an Option may do so by delivering the following to the Corporation on or before the Expiry Date of the Option:

- (a) a completed Notice of Exercise; and
- (b) subject to the provisions of Section 5.03, a certified cheque, cash or bank draft payable to the Corporation for the aggregate Exercise Price for the Optioned Shares being acquired.

If the Optionholder is deceased, the personal representatives of the Optionholder must also deliver to the Corporation evidence of their status.

5.02 Delivery of Share Certificate

Not later than five business days after receipt of the Notice of Exercise and payment in full for the Optioned Shares being acquired, the Corporation will direct its transfer agent to issue a certificate in the name of the Optionholder (or, if deceased, the Optionholder's estate) for the number of Optioned Shares purchased by the Optionholder (or the Optionholder's estate), which will be issued as fully paid and non-assessable Common Shares.

5.03 Withholding

The Corporation will withhold taxes to the extent required by applicable law in respect of any amounts under this Plan.

ARTICLE 6 - ADMINISTRATION

6.01 Administration

- (1) The Plan will be administered by the Board or, if determined by the Board, by a compensation committee of the Board consisting of not less than three directors. If a compensation committee is appointed to administer the Plan, all references in this Plan to the Board will be deemed to be references to the compensation committee.
- (2) The Board may interpret the Plan and determine all questions arising out of the Plan and any Option granted pursuant to the Plan, which interpretations and determinations will be conclusive and binding on the Corporation and all other affected persons.

6.02 **Amendment of Plan and Options**

- (1) The Board may amend, suspend or terminate the Plan at any time, provided that no such amendment, suspension or termination may:
 - (a) be made without obtaining any required Exchange, regulatory or shareholder approvals; or
 - (b) prejudice the rights of any Optionholder under any Option previously granted to the Optionholder without the consent or deemed consent of the Optionholder.

- (2) The Board may amend the terms of any outstanding Option (including, without limitation, the cancellation of an Option or an amendment to the date or dates on which an Option or a portion thereof vests and so becomes exercisable), provided that:
 - (a) any required regulatory, Exchange and shareholder approvals are obtained;
 - (b) the Board would have had the authority to initially grant the Option under terms as so amended; and
 - (c) the consent or deemed consent of the Optionholder is obtained if the amendment would prejudice the rights of the Optionholder under the Option.

6.03 **Compliance with Laws and Exchange Rules**

The Plan, the grant and exercise of Options under the Plan and the Corporation's obligation to issue Common Shares on exercise of Options will be subject to all applicable federal, provincial and foreign laws, rules and regulations and the rules of any stock exchange on which the Common Shares are listed for trading. No Option will be granted and no Common Shares will be issued under the Plan where such grant or issue would require registration of the Plan or of such Common Shares under the securities laws of any foreign jurisdiction and any purported grant of any Option or issue of Common Shares in violation of this provision will be void. Common Shares issued to Optionholders pursuant to the exercise of Options may be subject to limitations on sale or resale under applicable securities laws.

6.04 **Decreasing Exercise Price for Insider Options**

Disinterested shareholder approval is required when decreasing the exercise price of Insider Options.

Schedule “B”

CORPORATE GOVERNANCE POLICY

CORPORATE GOVERNANCE DISCLOSURE (FORM 58-101F2)

1. **Board of Directors** — Disclose how the board of directors (the board) facilitates its exercise of independent supervision over management, including

- (i) the identity of directors that are independent

Gerald Roe and Tracy Zimmerman

- (ii) the identity of directors who are not independent, and the basis for that determination.

Gregory J. Leia and Craig Leggatt

In determining whether a director is independent, the Corporation chiefly considers whether the director has a relationship which could, or could be perceived to interfere with the director's exercise of independent judgement.

Gregory J. Leia is an executive officer of the Corporation and is therefore not considered to be independent. Craig Leggatt is the interim CFO and is not considered independent.

2. **Directorships** — If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

None of the directors of the Corporation are directors of other reporting issuers (or equivalent) in a jurisdiction or a foreign jurisdiction except for the following:

Gerald Roe was a director of GasFrac Energy Services Inc. from May 10, 2006 to June 2014 and a director of Boxxer Gold Corp since October 2003.

Gregory J. Leia is a director of several Canadian subsidiaries of SNC Lavalin a company which is listed on the Toronto Stock Exchange.

3. **Orientation and Continuing Education** — Describe what steps, if any, the board takes to orient new board members, and describe any measures the board takes to provide continuing education for directors.

The Corporation has not developed an official orientation or training program for new directors as required, new directors will have the opportunity to become familiar with the Corporation by meeting with other directors and its officers and employees. Orientation activities will be tailored to the particular needs and expertise of each director and the overall needs of the Board.

4. **Ethical Business Conduct** — Describe what steps, if any, the board takes to encourage and promote a culture of ethical business conduct.

The Corporation does not currently have a formal code of business conduct or policy in place for its directors, officers, employees and consultants. The Board believes that the Corporation's size facilitates informal review of and discussions with employees and consultants.

The Board monitors ethical conduct of the Corporation and ensures that it complies with applicable legal and regulatory requirements, such as those of relevant securities commissions and stock exchanges. The Board has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law, as well as the restrictions placed by applicable corporate legislation on the individual director's participation in decisions of the Board in which the director has an interest, have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation.

5. Nomination of Directors — Disclose what steps, if any, are taken to identify new candidates for board nomination, including:

- (i) who identifies new candidates, and
- (ii) the process of identifying new candidates.

The Board has not appointed a nominating committee as the Board fulfills these functions. When the Board identifies the need to fill a position on the Board, the Board requests that current Directors forward potential candidates for consideration.

6. Compensation — Disclose what steps, if any, are taken to determine compensation for the directors and CEO, including:

- (i) who determines compensation, and

Management of the Corporation is responsible for making recommendations to the Board with respect to compensation for the directors and the CEO. The Board has the ability to adjust and approve such compensation.

- (ii) the process of determining compensation.

Market comparisons as well as evaluation of similar positions in different industries in the same geography are the criteria used in determining compensation.

7. Other Board Committees — If the board has standing committees other than the audit and compensation identify the committees and describe their function.

There are no other standing committees.

8. Assessments — Disclose what steps, if any, that the board takes to satisfy itself that the board, its committees, and its individual directors are performing effectively.

The Board takes responsibility for monitoring and assessing its effectiveness and the performance of individual directors, its committees, including reviewing the Board's decision making processes and the quality of information provided by management.

SCHEDULE "C"

TENTH AVENUE PETROLEUM CORP.

AUDIT COMMITTEE CHARTER

1. **Establishment of Audit Committee:** The directors of the Corporation (the "**Directors**") hereby establish an audit committee (the "**Audit Committee**").
2. **Membership:** The membership of the Audit Committee shall be as follows:
 - (a) The Audit Committee shall be composed of three members or such greater number as the Directors may from time to time determine.
 - (b) The majority of the members of the Audit Committee shall be independent Directors.
 - (c) Each member of the Audit Committee shall be financially literate. For purposes hereof "financially literate" has the meaning set forth under NI 52-110 (as amended from time to time) and currently means the ability to read and understand a set of financial statements that present the breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can be reasonably be expected to be raised by the Corporation's financial statements.
 - (d) Members shall be appointed annually from among members of the Directors. A member of the Audit Committee shall *ipso facto* cease to be a member of the Audit Committee upon ceasing to be a Director of the Corporation.
3. **Oversight Responsibility:** The external auditor is ultimately accountable to the Directors and the Audit Committee, as representatives of the shareholders and such shareholders representatives have the ultimate authority and responsibility to select, evaluate, and where appropriate, replace the external auditors (or to nominate the external auditors to be proposed for shareholder approval in any management information circular and proxy statement). The external auditor shall report directly to the Audit Committee and shall have the responsibilities as set forth herein.
4. **Mandate:** The Audit Committee shall have responsibility for overseeing:
 - (a) the accounting and financial reporting processes of the Corporation; and
 - (b) audits of the financial statements of the Corporation.

In addition to any other duties assigned to the Audit Committee by the Directors, from time to time, the role of the Audit Committee shall include meeting with the external auditor and the senior financial management of the Corporation to review all financial statements of the Corporation which require approval by the Directors, including year end audited financial statements. Specifically, the Audit Committee shall have authority and responsibility for:

- (a) reviewing the Corporation's financial statements, MD&A and earnings press releases before the information is publicly disclosed;
- (b) overseeing the work of the external auditors engaged for purpose of preparing or issuing , an audit report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting;
- (c) reviewing annually and recommending to the Directors:
 - (i) the external auditors to be nominated for purposes of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation; and
 - (ii) the compensation of the external auditors.
- (d) discussing with the external auditor:
 - (i) the scope of the audit, in particular their view of the quality of the Corporation's accounting principles as applied in the financials in terms of disclosure quality and evaluation methods, inclusive of the clarity of the Corporation's financial disclosure and reporting, degree of conservatism or aggressiveness of the Corporation's accounting principles and underlying estimates and other significant decisions made by management in preparing the financial disclosure and reviewed by the auditors;
 - (ii) significant changes in the Corporation's accounting principles, practices or policies; and

- (iii) new developments in accounting principles, reporting matters or industry practices which may materially affect the Corporation.
- (e) reviewing with the external auditor and the Corporation's senior financial management the results of the annual audit regarding:
 - (i) the financial statements;
 - (ii) MD&A and related financial disclosure contained in continuous disclosure documents;
 - (iii) significant changes, if any, to the initial audit plan;
 - (iv) accounting and reporting decisions relating to significant current year events and transactions;
 - (v) the management letter, if any, outlining the auditor's findings and recommendations, together with management's response, with respect to internal controls and accounting procedures; and
 - (vi) any other matters relating to the conduct of the audit, including such other matters which should be communicated to the Audit Committee under Canadian generally accepted auditing standards.
- (f) reviewing and discussing with the Corporation's senior financial management and, if requested by the Audit Committee, the external auditor:
 - (i) the interim financial statements;
 - (ii) the interim MD&A; and
 - (iii) any other material matters relating to the interim financial statements, including, inter alia, any significant adjustments, management judgments or estimates, new or amended accounting policies.
- (g) receipt from external auditor of a formal written statement delineating all relationships between the auditor and the Corporation and considering whether the advisory services performed by the external auditor during the course of the year have impacted their independence, and also ensuring that no relationship or services between) the external auditor and the Corporation is in existence which may affect the objectivity and independence of the auditor or recommending appropriate action to ensure the independence of the external auditor.
- (h) pre-approval of all non-audit services to be provided to the Corporation or its subsidiary entities by the external auditors or the external auditors of the Corporation's subsidiary entities, unless such pre-approval is otherwise appropriately delegated or if appropriate specific policies and procedures for the engagement of non-audit services have been adopted by the Audit committee.
- (i) reviewing and discussing with the external auditors and senior financial management: the adequacy of procedures for review of disclosure of financial information extracted or derived from financial statements, other than the disclosure referred to in subparagraph (a) above.
- (j) establishing and reviewing of procedures for:
 - (i) receipt, retention and treatment of complaints received by the Corporation and its subsidiary entities regarding internal accounting controls, or auditing matters;
 - (ii) anonymous submission by employees of the Corporation and its subsidiary entities of concerns regarding questionable accounting or auditing matters; and
 - (iii) hiring policies regarding employees and former employees of present and former external auditors of the Corporation and its subsidiary entities.
- (k) reviewing with the external auditor, the adequacy of management's internal control over financial reporting relating to financial information and management information systems and inquiring of management and the external auditor about significant risks and exposures to the Corporation that may have a material adverse impact on the Corporation's financial statements, and inquiring of the external auditor as to the efforts of management to mitigate such risks and exposures.
- (l) reviewing and/or considering that, with regard to the previous fiscal year,
 - management has reviewed the Corporation's audited financial statements with the Audit Committee, including a discussion of the quality of the accounting principles as applied and significant judgments affecting the financial statements;

- the external auditors and the Audit Committee have discussed the external auditors' judgments of the quality of the accounting principles applied and the type of judgments made with respect to the Corporation's financial statements;
- the Audit Committee, on its own (without management or the external auditors present), has considered and discussed all the information disclosed to the Audit Committee from the Corporation's management and the external auditor; and
- in reliance on review and discussions conducted with senior financial management and the external auditors, the Audit Committee believes that the Corporation's financial statements are fairly presented in conformity with the with Canadian Generally Accepted Accounting Principles (GAAP) in all material respects and that the financial statements fairly reflect the financial condition of the Corporation.

5. **Administrative Matters:** The following general provisions shall have application to the Audit Committee:

- (a) A quorum of the Audit Committee shall be the attendance of a majority of the members thereof. No business may be transacted by the Audit Committee except at a meeting of its members at which a quorum of the Audit Committee is present or by a resolution in writing signed by all the members of the Audit Committee.
- (b) Any member of the Audit Committee may be removed or replaced at any time by resolution of the Directors of the Corporation. If and whenever a vacancy shall exist on the Audit Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, each member of the Audit Committee shall hold such office until the close of the annual meeting of shareholders next following the date of appointment as a member of the Audit Committee or until a successor is duly appointed.
- (c) The Audit Committee may invite such Directors, directors, officers and employees of the Corporation or affiliates thereof as it may see fit from time to time to attend at meetings of the Audit Committee and to assist thereat in the discussion of matters being considered by the Audit Committee. The external auditors are to appear before the Audit Committee when requested to do so by the Audit Committee.
- (d) The time and place for the Audit Committee meetings, the calling and the procedure at such meetings shall be determined by the Audit Committee having regard to the Articles and By-Laws of the Corporation.
- (e) The Chair shall preside at all meetings of the Audit Committee and shall have a second and deciding vote in the event of a tie. In the absence of the Chair, the other members of the Audit Committee shall appoint a representative amongst them to act as Chair for that particular meeting.
- (f) Notice of meetings of the Audit Committee may be given to the external auditors and shall be given in respect of meetings relating to the annual audited financial statements. The external auditors have the right to appear before and to be heard at any meeting of the Audit Committee. Upon the request of the external auditors, the Chair of the Audit Committee shall convene a meeting of the Audit Committee to consider any matters which the external auditors believes should be brought to the attention of the Directors or shareholders of the Corporation.
- (g) The Audit Committee shall report to the Directors of the Corporation on such matters and questions relating to the financial position of the Corporation or any affiliates of the Corporation as the Directors of the Corporation may from time to time refer to the Audit Committee.
- (h) The members of the Audit Committee shall, for the purpose of performing their duties, have the right to inspect all the books and records of the Corporation and its affiliates, and to discuss such books and records that are in any way related to the financial position of the Corporation with the Directors, directors, officers, employees and external auditors of the Corporation and its affiliates.
- (i) Minutes of the Audit Committee meetings shall be recorded and maintained. The Chair of the Audit Committee will report to the Directors on the activities of the Audit Committee and/or the minutes of the Audit Committee meetings will be promptly circulated to the Directors or otherwise made available at the next meeting of Directors.
- (l) The Audit Committee shall have the authority to:
 - (i) engage independent counsel and other advisors or consultants as it determines necessary to carry out its duties;
 - (ii) set and pay the compensation for any advisors employed by the Audit Committee; and
 - (iii) communicate directly with the internal (if any) and external auditors and qualified reserves evaluators or auditors.

TENTH AVENUE PETROLEUM CORP.
CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018
AND DECEMBER 31, 2017



Tel: 403 266 5608
Fax: 403 233 7833
www.bdo.ca

BDO Canada LLP
903 - 8th Avenue SW, Suite 620
Calgary AB T2P 0P7
Canada

Independent Auditor's Report

To the Shareholders of Tenth Avenue Petroleum Corp.

Opinion

We have audited the consolidated financial statements of Tenth Avenue Petroleum Corp. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of loss and comprehensive loss, shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Restated Comparative Information

The consolidated financial statements of Tenth Avenue Petroleum Corp. for the year ended December 31, 2017 (prior to the restatement of the comparative information described in Note 18 to the consolidated financial statements) were audited by Calvista LLP whose practice now operates as BDO LLP, who expressed an unmodified opinion on those consolidated financial statement on April 30, 2018. As part of our audit of the consolidated financial statement of Tenth Avenue Petroleum Corp. for the year ended December 31, 2018, we also audited the adjustments described in Note 18 that were applied to restate the consolidated financial statements for the year ended December 31, 2017. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements of Tenth Avenue Petroleum Corp. for the year ended December 31, 2017 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the year ended December 31, 2017 taken as a whole.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements that indicates the Group has a history of losses and an accumulated deficit of \$22,581,756. As stated in Note 1, these events or conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



Other Information

Management is responsible for the other information. The other information comprises the information included in the *Management Discussion and Analysis* for the year ended December 31, 2018.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Abdur Sharjeel.

BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta

May 15, 2018

TENTH AVENUE PETROLEUM CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In Canadian Dollars

As at	Note	December 31, 2018	December 31, 2017 <i>Restated (Note 18)</i>
ASSETS			
Current			
Cash and cash equivalents	\$	9,139	\$ 8,227
Trade and other receivables		130,112	52,150
Short term investments		14,211	14,022
Prepaid expenses and deposits		27,166	988
		180,628	75,387
Long term			
Restricted cash held in trust	3	211,582	206,281
Property and equipment	4	1,664,525	1,879,844
		\$ 2,056,735	\$ 2,161,512
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$	200,030	\$ 253,879
Current portion of loan payable	5	\$ 219,420	\$ 115,756
Asset retirement obligation	6	67,859	-
		487,309	369,635
Loan payable	5	685,670	771,452
Asset retirement obligation	6	769,447	784,458
Total Liabilities		1,942,426	1,925,545
SHAREHOLDERS' EQUITY			
Share capital	7	12,544,623	12,465,831
Contributed surplus	8	10,151,442	10,151,442
Deficit		(22,581,756)	(22,381,306)
		114,309	235,967
		\$ 2,056,735	\$ 2,161,512
Going concern	1		

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

Signed "Craig Leggatt"
Craig Leggatt Director

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

TENTH AVENUE PETROLEUM CORP.

CONSOLIDATED STATEMENTS -- OF LOSS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED

In Canadian Dollars

	Note	December 31, 2018	December 31, 2017 <i>Restated (Note 18)</i>
REVENUE			
Oil & natural gas sales	17	\$ 834,591	\$ 416,440
Royalties		(75,980)	(97,740)
Other revenue		71	5,033
		758,682	323,733
EXPENSES			
Production and transportation		362,927	291,747
General and administrative		195,473	293,644
Share based compensation	10	-	15,160
Accretion	6	47,202	27,786
Depletion, depreciation and impairment	4	215,319	119,364
		820,921	747,701
Operating income (loss) from operations		(62,239)	(423,968)
Other income (expense) items			
Interest income		1,684	22
Interest expense		(135,793)	(52,610)
Foreign exchange		(4,102)	-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		\$ (200,450)	\$ (476,556)
INCOME (LOSS) PER SHARE			
Basic and diluted		\$ (0.022)	\$ (0.05)

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

TENTH AVENUE PETROLEUM CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED

In Canadian Dollars

	Note	December 31, 2018	December 31, 2017 <i>Restated (Note 18)</i>
Operating activities			
Net loss	\$	(200,450)	\$ (476,556)
Depletion, depreciation and impairment		215,319	119,364
Loan interest accrued		69,444	52,170
Accretion		47,202	27,786
Share based compensation		-	15,160
Foreign exchange		953	(6,035)
Changes in non-cash working capital	16	(158,178)	101,229
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		(25,710)	(166,882)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Private placement		80,000	100,000
Share issuance costs		(1,208)	-
Repayment of loan		(52,170)	-
Proceeds from loan		-	1,326,593
		26,622	1,426,593
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Purchase of property and equipment		-	(1,252,926)
		-	(1,252,926)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		912	6,785
Foreign exchange on cash balance		-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS		912	6,785
CASH AND CASH EQUIVALENTS, beginning of year		8,227	1,442
CASH AND CASH EQUIVALENTS, end of year		9,139	8,227
Interest paid		115,756	-
Taxes paid		-	-

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

TENTH AVENUE PETROLEUM CORP.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED

In Canadian Dollars

	Note	December 31, 2018	December 31, 2017
			<i>Restated (Note 18)</i>
SHAREHOLDERS' EQUITY			
<u>Share capital</u>			
Balance, beginning of year	\$	12,465,831	\$ 12,365,831
Private placement		78,792	100,000
Balance, end of year	\$	12,544,623	\$ 12,465,831
<u>Contributed surplus</u>			
Balance, beginning of year	\$	10,151,442	\$ 9,644,362
Loan payable below market rate	5	-	491,920
Share based compensaton		-	15,160
Balance, end of year	\$	10,151,442	\$ 10,151,442
<u>Accumulated other comprehensive income</u>			
Balance, beginning of year	\$	-	\$ -
Changes in other comprehensive income		-	-
Balance, end of year	\$	-	\$ -
<u>Deficit</u>			
Balance, beginning of year	\$	(22,381,306)	\$ (21,904,750)
Net loss		(200,450)	(476,556)
Balance, end of year	\$	(22,581,756)	\$ (22,381,306)
TOTAL SHAREHOLDERS' EQUITY	\$	114,309	\$ 235,967

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

DECEMBER 31, 2018

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 year ended December 31, 2018, the Company incurred a net loss of \$200,450 (December 31, 2017 – \$476,556) and has working capital deficit of \$306,681 (December 31, 2017 - \$294,248) and an accumulated deficit of \$22,581,756 (December 31, 2017 - \$22,381,306).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and measurement

Statement of compliance:

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 May 15, 2019.

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss, share based compensation, and business acquisitions which are measured at fair value. The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency, as well as the functional currency of the Company's subsidiaries.

Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Financial results as determined by actual events may differ from these estimates. These consolidated financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

The significant estimates and judgments in the consolidated financial statements include:

Estimating oil and gas reserves

The Company engages a qualified, independent oil and gas reserves evaluator to perform an estimation of the Company's oil and gas reserves annually. Reserves form the basis for the calculation of depletion charges and assessment of impairment of oil and gas assets. Reserves are estimated using the reserve definitions and guidelines prescribed by National Instrument 51-101 and the Canadian Oil and Gas Evaluation Handbook.

Proved plus probable reserves are defined as the "best estimate" of quantities of oil, natural gas and related substances estimated to be commercially recoverable from known accumulations, from a given date forward, based on drilling, geological, geophysical and engineering data, the use of established technology and specified economic conditions. It is equally likely that the actual remaining quantities recovered will be greater than or less than the sum of the estimated proved plus probable reserves. The estimates are made using all available geological and reservoir data as well as historical production data. Estimates are reviewed and revised as appropriate. Revisions occur as a result of changes in prices, costs, fiscal regimes and reservoir performance or a change in the Company's plans with respect to future development or operating practices.

TENTH AVENUE PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

In Canadian Dollars

Determination of cash generating units

The recoverability of development and production asset carrying values are assessed at the CGU level. Determination of what constitutes a CGU is subject to management's judgment. The asset composition of a CGU can directly impact the recoverability of the assets included therein. In assessing the recoverability of oil and gas properties, each CGU's carrying value is compared to its recoverable amount, defined as the greater of fair value less costs to sell and value in use.

Asset retirement obligation

The Company estimates obligations under environmental regulations in respect of decommissioning and site restoration. These obligations are determined based on the expected present value of expenses required in the process of plugging and abandoning wells, dismantling of wellheads, production and transportation facilities and restoration of producing areas in accordance with relevant legislation, discounted from the date when expenses are expected to be incurred. Most of the abandonment of future expenses, estimated logistics of performing abandonment work and the discount rate used to calculate the present value of future expenses would have a significant effect on the carrying amount of the decommissioning provision.

Impairment testing

When impairment testing of property and equipment is completed for each CGU, it is based on estimates of proved plus probable reserves, production rates, oil and natural gas prices, future costs, discount rate and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and may impact the financial statements of future periods.

Fair values of stock options

The amounts recorded for fair values of stock options are based on estimates of the expected volatility of the Company's share price, expected lives of the options, and expected future dividend rates and other relevant assumptions.

Property and equipment and exploration and evaluation assets

Exploration and evaluation assets

Costs of exploring for and evaluating oil and natural gas properties (exploration and evaluation assets or ("**E&E Assets**") are capitalized within exploration assets. These costs include lease acquisition costs, geological and geophysical expenditures, costs of drilling and completion of wells, plant and production equipment costs and related overhead charges. E&E assets do not include costs of general prospecting, or evaluation costs incurred prior to having obtained the legal rights to explore an area, which are expensed as incurred. Interest is not capitalized on E&E Assets.

E&E Assets are not depleted or depreciated and are carried forward until technical feasibility and commercial viability is considered to be determined. The technical feasibility and commercial viability is generally considered to be determined when proved plus probable reserves are determined to exist and the production of oil and gas has commenced. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved plus probable reserves have been discovered and production has commenced. Upon determination of proved plus probable reserves and commencement of production, E&E Assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to oil and natural gas interests, a separate category within Property Plant and Equipment ("**PP&E**").

Property and equipment

PP&E is stated at cost; less accumulated depletion, depreciation and amortization, and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, and costs attributable to bring the asset into operation, and the initial estimate of decommissioning obligation. Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of PP&E are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis.

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Depletion and depreciation

The net carrying value of developed and producing fields are depleted using the unit of production method by reference to the ratio of production in the period to the related proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually. Total proved plus probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrated with a 50 percent statistical probability.

Other property and equipment are depreciated over their estimated useful lives at the following annual rates and methods:

Water-well disposal assets	10%	straight line
Vehicles	20%	declining balance
Computer equipment	30%	declining balance
Office equipment	20%	declining balance

Depreciation methods, useful lives and residual values are reviewed at least annually.

Impairment – Property and equipment

For the purpose of impairment testing, PP&E are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets – cash generating unit ("CGU").

The carrying amounts of PP&E are reviewed at each reporting date to determine whether there is any indication of impairment, such as decreased commodity prices or downward revisions in reserves volumes. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount is the greater of the value in use or fair value less costs to sell.

Value in use is based on the estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of income.

Impairment losses recognized in respect of CGU's are allocated to reduce the carrying amounts of the assets in the unit on a pro rata basis.

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

Decommissioning obligations

Decommissioning obligations include legal obligations to retire tangible long-lived assets such as well sites, pipelines, and production facilities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the balance sheet date. Subsequent to the initial measurement, the obligations are adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged

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against the provision to the extent the provision were established.

The Company's estimates of future asset retirement obligations are based on reclamation standards that meet current regulatory requirements. The estimate of the total liability of future site restoration costs may be subject to change based on amendments to laws and regulations and as new information concerning the Company's operations becomes available. Accordingly, the amount of the liability will be subject to re-measurement at each reporting period. Any adjustments to this liability will impact the related asset.

Share based compensation

The grant date fair value of options granted to employees, officers, and directors is recognized as share based compensation expense with a corresponding increase in contributed surplus over the vesting period. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. A Black-Scholes option pricing model was used to estimate share based compensation with various assumptions that are detailed in note 11. As the Company does not pay dividends a dividend rate was not considered in the Black-Scholes model. For options and other share based payments to non-employees, compensation costs are generally measured based on the estimated fair value of the goods or services received.

Warrants

When warrants are issued with share capital as part of a private placement, the entire value of the issuance is included in share capital and the value of the warrants is not recorded separately.

Revenue recognition

Revenue from the sale of oil, natural gas and NGLs is recognized when performance obligations in the sales contract are satisfied and it is probable that the Company will collect the consideration to which it is entitled. Performance obligations are satisfied at the point in time when the product is delivered to a location specified in the contract and control passes to the customer. The Company assesses customer creditworthiness before entering into contracts and throughout the revenue recognition process.

Contracts for sale of the Company's oil, natural gas and NGL products generally have terms of less than a year. These contracts specify delivery of product throughout the term of the contract. Sales of the Company's oil, natural gas, and NGLs are made pursuant to contracts based on prevailing commodity pricing at or near the time of delivery and volumes of product delivered.

Revenues are typically collected in the month following delivery and accordingly, the Company has not adjusted for the effects of a financing component.

Revenue in the consolidated statement of loss represents the Company's share of product sales and excludes amounts collect on behalf of third parties.

Per share calculations

Loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted per share calculations reflect the exercise or conversion of potentially dilutive securities or other contracts to issue shares at the later of the date of grant of such securities or the beginning of the period.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to

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offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Flow-through shares

The Company may from time to time issue flow-through shares to finance a portion of its expenditure program. Pursuant to the terms of flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. The Company recognizes a deferred tax liability for flow-through shares and a deferred tax expense, at the moment the eligible expenditures are incurred. The difference between the quoted price of the common shares or the amount recognized in common shares and the amount the investors pay for the shares (the "premium") is recognized as an other liability which is reversed as a deferred tax recovery when eligible expenditures have been made. In instances where the Company has sufficient available tax loss carry forwards or other deductible temporary differences available to offset the renounced tax deductions, the realization of the deductible taxable differences will be credited to income in the period of renunciation.

Jointly owned assets

A percentage of the Company's exploration and production activities are conducted jointly with others, whereby two or more parties jointly own the assets. These financial statements reflect only the Company's share of these jointly owned assets and, once production commences, a proportionate share of the relevant revenue and related costs.

Financial instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are not offset unless the Company has the legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

The Company initially measures all financial assets at fair value. Financial assets are subsequently classified as measured at fair value through profit and loss ("FVPL"), fair value through other comprehensive income ("FVOCI"), or amortized cost. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The Company's financial assets are classified into the following categories:

Amortized cost

A financial asset is measured at amortized cost if it is held within a business model of holding financial assets and collecting contractual cash flows and those cash flows are comprised solely of payments of principal and interest. Financial assets classified at amortized cost are initially recorded at fair value and subsequently at amortized cost using the effective interest rate method. The Company classifies cash and cash equivalents, trade and other receivables, short term investments, and restricted cash held in trust in this category.

Fair value through other comprehensive income

A financial asset is measured at FVTOCI if the financial asset is held within a business model of both collecting contractual cash flows and selling the financial assets or through an irrevocable election for equity instruments that are not held for trading. Financial assets classified as FVTOCI are carried at fair value and any gains or losses are recorded in other comprehensive income in the period which they arise. The Company does not hold any instruments in this category.

Fair value through profit and loss

A financial asset is measured at FVTPL unless it is measured at amortized cost or at FVTOCI. Financial assets classified as FVTPL are carried at fair value and any gains or losses are recorded in net income in the period which they arise. The Company does not hold any instruments in this category.

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The Company's financial liabilities are classified into the following categories:

Amortized cost

Financial liabilities measured at amortized cost are initially measured at fair value, and, where applicable, adjusted for transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. The Company classifies accounts payable and accrued liabilities and the loan payable at amortized cost.

Fair value through profit and loss

Financial liabilities measured at FVTPL are initially measured at fair value and the subsequently at fair value with gains or losses recognized in net income. The Company does not hold any financial liabilities in this category.

Impairment of Financial Assets

The Company recognizes loss allowances for expected credit losses (ECLs) on its financial assets measured at amortized cost. Expected credit losses are measured as the difference between the cash flows that are due to the Company and the cash flows that the Company expects to receive, discounted at the effective interest rate determined at initial recognition. Changes in the provision for expected credit loss are recognized in net earnings.

For accounts receivable, the Company assesses the lifetime ECL applicable to its commodity product sales receivable and joint venture receivables at initial recognition and re-assesses the provision at each reporting date. In making an assessment as to whether the Company's financial assets are credit impaired, the Company considers historical bad debts, the counterparties financial condition, credit rating and total financial exposure. The carrying amounts of receivables are reduced by the amount of the ECL through an allowance account and losses are recognized within general and administrative expense in comprehensive loss.

Business combinations

For acquisitions goodwill as determined under IFRS represents the excess of the cost of the acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired assets or company. The costs of an acquisition is measured at fair value of the assets given, equity instruments issued, and debt incurred or assumed at the acquisition date. The fair values of the assets and liabilities are determined and compared to the fair value of considerations paid. If the net value of the consideration paid exceed the fair value of the net assets then goodwill is recognized

Foreign currency translation and transactions

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Canadian parent entity and its Canadian subsidiaries is the Canadian dollar and the functional currency of the Company's US subsidiary, which operations were discontinued in 2015, is also the Canadian dollar.

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss.

Monetary assets and liabilities of the US subsidiary are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of the US subsidiary are translated to Canadian dollars at exchange rates at the dates of transactions. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss. Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized directly in equity in other comprehensive income.

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Presentation of statement of loss

The Company's consolidated statement of loss is prepared primarily by the nature of the expenses.

Changes in accounting policies

Adoption of IFRS 15 - Revenue from Contracts with Customers

Effective January 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers. The new standard replaces IAS 11 Construction Contracts; IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The new standard dictates the recognition and measurement requirements for reporting the nature, amount, timing and uncertainty of revenue resulting from an entity's contracts with customers. The Company adopted this standard using the retrospective with cumulative effect method. There were no changes to reported net earnings or retained earnings as a result of adopting IFRS 15. Under the standard, the Company is required to provide additional disclosure of disaggregated revenue by major product type. Upon adoption of IFRS 15, the Company applied the practical expedient such that contracts that were completed in comparative periods have not been restated. Applying this expedient had no impact to the revenue recognized under the previous revenue accounting standard as all performance obligations had been met and the consideration had been determined.

Adoption of IFRS 9 - Financial Instruments

As of January 1, 2018, the Company was required to adopt IFRS 9 Financial Instruments. The Company applied the new standard retrospectively and, in accordance with the transitional provisions, comparative figures have not been restated. The adoption of IFRS 9 did not have a material impact on the Company's consolidated financial statements.

The effects of the key changes to the Company's accounting policies resulting from the adoption of IFRS 9 are summarized below.

Classification of financial assets and liabilities

IFRS eliminates the previous financial instrument categories of held to maturity, loans and receivables, and available for sale and replaces them with three principal classification categories: measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL). The new standard bases the classification of financial assets on the contractual cash flow characteristics and the Company's business model for managing these assets.

The differences between the two standards did not impact the Company at the time of transition.

Impairment of financial assets

IFRS 9 replaces the incurred loss model of IAS 39 with the expected credit loss model (ECL). The new impairment model applies to financial assets measured at amortized cost, contract assets, and debt investments measured at FVOCI. Under IFRS 9, credit losses will be recognized earlier than under IAS 39.

Transition to IFRS 9

On January 1, 2018, the Company identified the business model used to manage its financial assets and classified its financial instruments into the appropriate new categories. It also applied the expected credit loss model to its financial assets classified as measured at amortized cost.

The classification and measurement of financial instruments under IFRS 9 did not have a material impact on the Company's opening retained earnings as at January 1, 2018. The application of the ECL model to financial assets classified as measured at amortized cost did not result in a material adjustment on transition.

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The following table shows the original financial instrument categories under IAS 39 and the new measurement categories under IFRS 9 as at January 1, 2018.

Financial Instrument	IAS 39 Category	IFRS 9 Category
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Short term investments	Loans and receivables	Amortized cost
Restricted cash held in trust	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Financial liabilities measured at amortized cost	Amortized cost
Loan payable	Financial liabilities measured at amortized cost	Amortized cost

New Accounting Pronouncements

The Company has reviewed the following new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company's financial statements:

IFRS 16 - Leases

As of January 1, 2019, the Company will be required to adopt IFRS 16 Leases, which will replace IAS 17 Leases. For lessees applying the new standard, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The Company plans to adopt IFRS 16 on January 1, 2019 and adoption will not have a material impact on the financial position of the Company.

3. RESTRICTED CASH HELD IN TRUST

Restricted cash held in trust includes \$52,847 (2017 - \$51,352) held by the Alberta Energy and Utilities Board, \$124,629 (2017 - \$124,629) held by British Columbia Minister of Energy, Mines and Petroleum Resources and \$34,106 Cdn (USD \$25,000) (2017 - Cdn - \$30,300 (USD \$24,152)) held by the Texas Railway Commission.

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4. PROPERTY AND EQUIPMENT

COSTS				
	Oil and Natural Gas Assets	Water-well assets	Other assets	Total
	\$	\$	\$	\$
Balance, December 31, 2016	819,063	155,800	72,678	1,047,541
ARO additions	324,664	-	-	324,664
ARO change in estimate	221,105	-	-	221,105
Purchases - P&NG	972,926	-	-	972,926
Purchase - Tangible	280,000	-	-	280,000
	1,798,695	-	-	1,798,695
Foreign exchange and other adjustments	4,427	-	-	4,427
Balance, December 31, 2017 - <i>Restated</i>	2,622,185	155,800	72,678	2,850,663
Balance, December 31, 2018	2,622,185	155,800	72,678	2,850,663
ACCUMULATED DEPLETION, DEPRECIATION				
Balance, December 31, 2016	655,580	128,726	67,149	851,455
Depletion, depreciation for the year	100,465	15,766	3,133	119,364
Balance, December 31, 2017 - <i>Restated</i>	756,045	144,492	70,282	970,819
Depletion, depreciation for the year	203,390	11,308	621	215,319
Balance December 31, 2018	959,435	155,800	70,903	1,186,138
CARRYING AMOUNT				
	\$	\$	\$	\$
December 31, 2017	1,866,140	11,308	2,396	1,879,844
December 31, 2018	1,662,750	-	1,775	1,664,525

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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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

Included in the December 31, 2017 statement of loss and comprehensive loss are the amounts relating to the assets acquired on July 31, 2017 to December 31, 2017.

Oil and natural gas sales	\$	302,324
Operating loss (revenue less royalties, transportation and operating costs)	\$	(17,996)

If the asset acquisition had occurred on January 1, 2017, the Company's pro forma results of petroleum and natural gas sale and net income and comprehensive income for the year ended December 31, 2017 would have been as follows:

	As stated in the December 31, 2017 statement of loss and comprehensive loss	January 1, 2017 to closing date acquisition assets	Pro forma (unaudited)
Oil and natural gas sales	\$ 416,440	\$ 1,083,128	\$ 1,499,568
Operating income (revenue less royalties, transportation and operating costs)	\$ 31,986	\$ 433,020	\$ 465,006
Net income (loss) and comprehensive income (loss)	\$ (404,745)	\$ 433,020	\$ 28,275

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.

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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 \$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 \$2,532,003 (2017 - \$2,532,003). A risk-free interest rate of 6.0% (2017 - 6.0%) and an estimated inflation rate of 1.4% (2017 - 1.4%) was used to calculate the present value of asset retirement obligations.

The following table reconciles the asset retirement obligations:

Asset Retirement Obligations	2018	2017 <i>Restated</i>
Balance, beginning of year	\$ 784,458	\$ 215,070
Additions	-	324,664
Change in estimate	-	221,105
Foreign exchange	5,646	(4,167)
Accretion	47,202	27,786
Balance, end of year	837,306	784,458
Less: current portion	(67,859)	-
Long term portion	\$ 769,447	\$ 784,458

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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, 2016	6,912,658	\$ 12,365,831
Issued	2,000,000	100,000
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

During the year, 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.

8. CONTRIBUTED SURPLUS

The Company's contributed surplus consists of value assigned to issued options. The following table reconciles the Company's contributed surplus. The fair values of each option are established using the Black-Scholes option valuation model. The assumptions used in calculating the fair value of the options in 2017 are:

Risk-free interest rate	1.00%
Expected volatility	100.00%
Expected dividend yield	0.00%
Fair value	0.075

	Year Ended December 31, 2018	Year Ended - December 31, 2017
Contributed surplus, beginning of year	\$ 10,151,442	\$ 9,644,362
Stock based compensation	-	15,160
Related party loan at below market rate	-	491,920
Contributed surplus, end of year	\$ 10,151,442	\$ 10,151,442

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Expected volatility considers the historical volatility of the Company's shares and any other features of the option grant that may impact the measurement of fair value such as market conditions. Change in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

On July 31, 2017 a related party loan was issued that was deemed to be at below market interest rate. The expected future cash flows of the loan were discounted at the market rate of 15% to determine fair value and the difference between the fair value of the loan and the face value was charged to contributed surplus.

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9. WARRANTS

The following table reflects share purchase warrants activity from January 1, 2018 to December 31, 2018 and the weighted average exercise price.

	Number	Weighted Average Exercise Price \$
Balance, December 31, 2016	-	-
Issued	2,000,000	0.075
Balance, December 31, 2017	2,000,000	0.075
Issued	1,600,000	0.075
Balance, December 31, 2018	3,600,000	0.075

Details of warrants outstanding at December 31, 2018:

Year	Exercise price (\$)	Number	Years to expiry
2017	0.075	2,000,000	1.3
2018	0.075	1,600,000	5.0

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 December 31, 2018, there were an additional 271,266 common shares that are still available to be reserved for the granting of stock options.

A summary of the status of the Company's stock option plan as at December 31, 2018 and December 31, 2017 and changes during the years ending on those dates is as follows:

	December 31, 2018		December 31, 2017	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding, beginning of year	780,000	0.075	377,500	0.075
Granted	-	-	510,000	0.075
Forfeited / Expired	-	-	(107,500)	0.075
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 December 31, 2018 have a weighted average remaining contractual life of 2.39 years (2017 – 3.39 years).

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The options granted in 2017 were to the directors, 170,000 each to Gregory J. Leia, Gerry Roe and Craig Leggatt.

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.

	December 31, 2018	December 31, 2017
Consulting fees to a company controlled by directors	\$ 122,632	\$ 146,122
Share based compensation	\$ -	\$ 15,160

Included in accounts payable is a balance owing to a company controlled by directors of \$24,889 (2017 - \$62,847).

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. Interest incurred during 2018 was \$133,030 (2017 - \$52,170). 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 8,925,818 (2017 – 7,912,667). 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.

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.

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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 December 31, 2018, 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).

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

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 December 31, 2018 and 2017.

Contractual undiscounted cash flow requirements for contractual obligations as at December 31, 2018 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	200,030	-	-	-	200,030
Loans payable ⁽¹⁾	-	355,000	424,000	432,000	1,211,000

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.

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Commodity price risk sensitivity	2018		2017	
		Increase (decrease) to net income		Increase (decrease) to net income
Increase of \$1.00/bbl oil	\$	479	\$	1,550
Decrease of \$1.00/bbl of oil	\$	(479)	\$	(1,550)
Increase of \$0.10/Mcf of natural gas	\$	36,437	\$	14,517
Decrease of \$0.10/Mcf of natural gas	\$	(36,437)	\$	(14,517)

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).

15. INCOME TAXES

The provision for income tax differ from the results that would be obtained by applying the combined Canadian and Provincial tax rates of approximately 27% (2016 – 27%). The reasons for these differences are as followed:

	2018	2017
Income(Loss) per Financial Statements	\$ (200,450) 27.0%	\$ (476,556) 27.0%
Expected income tax reduction	\$ (54,122)	\$ (128,670)
Share issuance costs	(1,718)	-
Impact of foreign exchange	(234,900)	-
Stock based compensation		4,007
Non-deductible interest	14,048	9,029
Valuation Allowance	276,692	115,634
Deferred income tax recovery	\$ 0	\$ 0

The following deferred tax assets have not been recognized in the consolidated financial statements because it is not probable that future taxable profits will be available against which they can be utilized.

	2018	2017
Property and equipment tax value in excess of book value	\$ 73,165	\$ 94,547
Asset retirement obligations	226,073	221,804
Non-capital losses carried forward	7,508,832	7,225,027
Total	\$ 7,808,070	\$ 7,531,378

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The Company has Canadian non-capital loss carry forwards of \$17,010,569 (2017 - \$16,827,899) that will expire between 2026 and 2038 and U.S. non-capital loss carry forwards of USD\$10,178,573 that expire between 2031 and 2035.

16. CHANGES IN NON-CASH WORKING CAPITAL

The breakdown of the changes in the non-cash working capital is as follows:

Changes in Non-Cash Working Capital	2018	2017
Accounts receivable	(77,962)	(30,417)
Short term investments	(189)	(14,022)
Prepaid expenses and deposits	(26,178)	5,874
Accounts payable	(53,849)	139,794
Total	(158,178)	101,229

17. REVENUE

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

	2018	2019
Crude oil	33,446	83,218
Natural gas	597,405	214,784
Condensate	203,740	118,438
Total	834,591	416,440

18. PRIOR PERIOD ADJUSTMENT

The Company discovered some material errors related to prior periods and as a result, adjustments were made retrospectively and have affected the 2017 balances. The adjustments on each of the 2017 financial statement line items are as follows:

	Note	Original	Adjustment	Restated
Asset retirement obligation - current	a	\$ 186,574	\$(186,574)	-
Asset retirement obligation - long term	b	215,712	568,746	784,458
Property and equipment	c	1,576,158	303,686	1,879,844
Depletion, depreciation and impairment	d	48,480	70,884	119,364
Loan payable	e	1,359,958	(472,750)	887,208
Accretion	f	20,183	7,603	27,786
Interest expense	g	33,441	19,169	52,610
Comprehensive income (loss)	h	(378,900)	(97,656)	(476,556)
Deficit	h	(22,283,650)	(97,656)	(22,381,306)
Contributed surplus	i	9,659,522	491,920	10,151,442

- The asset retirement obligation's current portion was restated to long term as none of the obligations were expected to be settled in the next year.
- The long-term asset retirement obligation was increased due to the reclassification of the current portion, the addition of several wells that were inappropriately excluded from the asset retirement obligation computation, and a change in the rate used to discount the liabilities at year end. These excluded wells were from the purchase of assets made in 2017

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and the adjustment is to recognize the future liability associated with them. The asset retirement obligation on the new wells was initially calculated at a rate of 13% at the time of the purchase. The adjustment also reflects a change to a 6% discount rate at year end which reflects the Company's risk free rate adjusted for the risk in the liability.

- c) Property and equipment was adjusted due to the additional wells included in the asset retirement obligation, the changes in the estimated discount rate, and the effects that the change in asset base had on depletion.
- d) 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.
- e) The loan payable has been adjusted as this is a related party loan that has a non-market rate of interest. The loan has been valued at the present value of the discounted cash flows discounted at the market interest rate of 15%.
- f) Accretion has been adjusted to reflect the changes in the asset retirement obligation liability as well as the discount rate used.
- g) Interest expense has been adjusted to reflect the market interest rate on the related party loan of 15% versus the stated rate of 6%.
- h) Comprehensive income and deficit have both been adjusted due to the changes in depletion and accretion.
- i) Contributed surplus has been adjusted to reflect the non-market rate of interest as a contribution to the equity of the Company. The contribution is the difference between the present value of the future cash flows of the loan discounted at the market rate of 15% and the face value of the loan