

# **TENTH AVENUE PETROLEUM CORP.**

## **FINANCIAL STATEMENTS**

**Post implementation of the Plan of Arrangement dated March 24, 2021**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**

**(UNAUDITED)**

## BASIS OF PRESENTATION

The financial statements have been prepared on the basis that the acquisition of the SHU Assets (as defined below) and the Plan of Arrangement (defined below) is effective as of September 30, 2021. The common shares of Tenth Avenue Petroleum Corp ("TAPC") are listed for trading on the TSX Venture Exchange ("TSXV"). Pursuant to the Plan of Arrangement, on September 30, 2021, TAPC declared a dividend wherein TAPC divided one (1) common share of Waskahigan Oil & Gas Corp ("WOGC") to the holders of each (1) common share of TAPC. TSXV approval of the acquisition and the Plan of Arrangement were required. Approval was obtained on November 29, 2021. The TSXV set December 2, 2021 as the ex-dividend distribution date and December 3, 2021 as the dividend records date. The expected payment date is the end of December 2021.

Effective September 30, 2021, TAPC acquired a non-operated 1.3089477% Unit Participation and 1.7224988% revenue and billing interest in the Swan Hills Unit #1 pool ("SHU Asset") from Salida Energy Inc. ("Salida"), an arm's length privately held company. The purchase price was \$825,000 (inclusive of GST). The consideration consisted of 9,716,442 TAPC common shares issued at a deemed price of \$0.085 per TAPC share. The transaction is expected to close on the first business day after the dividend record date being December 6, 2021. These financial statements have been prepared on the basis that the transaction has closed as of September 30, 2021 and the shares have been issued effective September 30, 2021.

Immediately after the closing of the SHU Asset (expected to be December 6, 2021), TAPC will file the Articles of Arrangement with the Registrar of Corporations for the Province of Alberta implementing the Order of Justice D.R. Mah dated May 25, 2021 in Court of Queen's Bench of Alberta Action #2101 02284 which approved the Plan of Arrangement dated March 24, 2021 (as amended) ("Plan of Arrangement") amongst TAPC, WOGC, Odaat Oil Corp ("Odaat") and 2361990 Alberta Ltd. ("ABC Co"). The implementation of the Plan of Arrangement is effective September 30, 2021 upon declaration of the dividend. These financial statements have been prepared on the basis that the Plan of Arrangement was completed on September 30, 2021. Effective September 30, 2021, WOGC will no longer be a subsidiary of TAPC. The shares issued by WOGC to the shareholders of TAPC were valued at \$0.0001 per share and TAPC reduced its stated capital or paid up capital by \$100. The filing of the Articles of Arrangement will formalize WOGC as a reporting issuer in the Province of Alberta. At such point in time, WOGC shall file the financial statements attached as Schedule "A" on [www.sedar.com](http://www.sedar.com).

Odaat is a subsidiary of WOGC. Effective January 1, 2021, the oil and gas assets and liabilities of TAPC (excluding the SHU Asset) were assigned to Odaat. As a result of the Plan of Arrangement, the assets, liabilities, revenue and expense as of September 30, 2021 (including the acquisition of the SHU Asset) will be reflected in the quarterly financial statements of WOGC and not TAPC. The net property and equipment (pre implementation of the Plan of Arrangement) was \$1,823,468. On implementation, the book value of the property and equipment was increased on the books of WOGC to \$2,441,114 to reflect the market value of the assets as derived from the engineered values set out in TAPC's NI 51-101 valuations for the fiscal period ended December 31, 2020 filed on [www.sedar.com](http://www.sedar.com) on April 21, 2021. The difference has been recorded as a recovery of depletion and accretion expense and gain on sale of assets on the books of TAPC.

Attached as Schedule "A" is the financial statements of WOGC post implementation of the Plan of Arrangement for the nine month period ended September 30, 2021. TAPC had two subsidiaries (WOGC and Odaat) and any financial statement of TAPC referred to as Pre Plan are on a consolidated basis.

## NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

Calgary, Alberta  
November 29, 2021

# TENTH AVENUE PETROLEUM CORP

## STATEMENTS OF FINANCIAL POSITION AS AT

In Canadian Dollars

	Note	WOGC Sept 30, 2021 Post Plan	TAPC Sept 30, 2021 Post Plan	TAPC Sept 30, 2021 Pre Plan	WOGC Jan 1, 2021 Post Plan	TAPC Jan 1, 2021 Pre Plan
<b>ASSETS</b>						
<b>CURRENT</b>						
Cash and cash equivalents		(6,253)	\$40,000	\$ 33,747	\$ 46,533	\$ 46,533
Trade receivables		\$70,120		70,120	77,145	77,145
Other receivables		39,285				
Short term investments		14,216	0	14,216	14,216	14,216
Prepaid expenses and deposits		80,032	0	80,032	73,382	73,382
		\$ 197,400	\$40,000	\$ 198,115	\$ 211,276	\$ 211,276
<b>Long Term</b>						
Restricted cash held in trust	3	\$210,906		\$210,906	\$210,883	\$210,883
Exploration and evaluation assets	4	11,036		11,036	5,067	5,067
Property and equipment	5	2,441,814	785,715	1,823,468	2,473,599	1,888,887
		\$2,861,156	\$825,715	\$ 2,243,525	\$2,900,575	\$2,316,001
<b>LIABILITIES</b>						
<b>CURRENT</b>						
Accounts payable and accrued liabilities		\$188,336		\$188,336	\$ 271,246	\$ 271,246
Loan payable	6	1,154,373		1,154,373	1,152,174	1,152,174
Deferred income		4,907		4,907	10,427	10,427
Deposits received					-	-
Asset retirement obligations	7	289,491		289,491	288,902	288,902
		\$1,637,107		\$1,634,107	\$1,722,749	\$1,722,749
Long term loan	8	0	\$40,000	34,312	30,900	30,900
Asset retirement obligations	7	1,117,477	52,643	1,117,477	1,115,391	1,115,391
		\$2,754,584	\$92,643	\$2,788,896	\$2,869,040	\$2,869,040
<b>SHAREHOLDERS' EQUITY</b>						
Share capital	9	\$1	\$13,369,623	\$12,544,623	\$ 1	\$12,544,623
Contributed surplus	10		10,192,777	10,192,777	0	10,512,442
Surplus (Deficit)		106,572	(22,919,328)	(23,282,771)	0	(23,249,109)
		106,572	733,072	(545,371)	31,785	(553,039)
		\$2,861,156	\$825,715	\$ 2,243,525	\$2,900,825	\$2,316,001

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

*Signed "Gregory J. Leia"*  
Gregory J. Leia, Director

*Signed "Tracy Zimmerman"*  
Tracy Zimmerman, Director

# TENTH AVENUE PETROLEUM CORP.

## STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

In Canadian Dollars

FOR NINE MONTHS ENDED SEPTEMBER 30, 2021

	Note	WOGC September 30, 2021 Post Plan	TAPC September 30, 2021 Post Plan	TAPC September 30, 2021 Pre Plan
<b>REVENUE</b>				
Natural gas and liquids sales	17	\$ 720,950	0	\$ 720,950
Royalties		(123,211)	0	(123,211)
Other income		17	0	17
		\$ 597,756	0	\$ 597,756
<b>EXPENSES</b>				
Production and transportation		278,533	0	278,533
General and administrative		205,554	0	205,554
Accretion	7	2,625	0	2,625
Share based compensation	12	41,335	0	41,335
Depletion, depreciation	5	65,307	0	65,307
		\$ 593,354	0	\$ 593,354
<b>OPERATING PROFIT ( LOSS)</b>		4,402	0	4,402
<b>Other (income) expense items</b>				
Interest expense		(58,013)	0	(58,013)
Other Income		(19,972)		(19,972)
Recovery of depletion expense , accretion expense and gain on asset distribution to WOGC			111,928	
<b>NET INCOME( LOSS) AND COMPREHENSIVE INCOME LOSS</b>		(33,667)	119,928	(33,667)
<b>Basic and Diluted</b>		\$(0.003)	\$0.005	\$(0.003)

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

# TENTH AVENUE PETROLEUM CORP.

## STATEMENTS OF CASH FLOWS

In Canadian Dollars

	Note	WOGC Sept 30, 2021 Post Plan	TAPC Sept 30, 2021 Post Plan	TAPC Sept 30, 2021 Pre Plan
<b>OPERATING ACTIVITIES</b>				
Net income (loss)		\$ (33,667)	119,928	\$ (33,667)
<b>Items not requiring cash:</b>				
Depletion, depreciation	5	65,302		65,302
Loan interest accrued		16,010		16,010
Accretion	7	2,625		2,625
Stock based compensation	12	41,335		41,335
Foreign exchange		50		50
Change in Restricted Cash		(23)		(23)
Recovery of depletion expense, accretion expense and gain on distribution of asst to WOGC			(119,928)	
Change in non-cash working capital		(88,055)		(88,055)
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>3,582</b>	<b>0</b>	<b>3,582</b>
<b>FINANCING ACTIVITIES</b>				
Repayment of loan		(10,339)		(10,339)
<b>CASH USED IN FINANCING ACTIVITIES</b>		<b>(10,339)</b>		<b>(10,339)</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of exploration and evaluation assets		(5,969)		(5,969)
Purchase of property and equipment		-		-
<b>CASH USED IN INVESTING ACTIVITIES</b>		<b>5,969</b>		<b>5,969</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(12,786)</b>		<b>(12,786)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>		<b>46,533</b>		<b>46,533</b>
<b>CASH AND CASH EQUIVALENTS, end of period</b>		<b>33,747</b>		<b>33,747</b>
<b>Interest paid</b>		<b>\$ 42,003</b>		<b>\$ 42,003</b>
<b>Taxes paid</b>				

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

# TENTH AVENUE PETROLEUM CORP.

## STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIT)

In Canadian Dollars

FOR THE NINE MONTHS ENDED

	Note	TAPC Sept 30, 2021 Post Plan	TAPC Sept 30, 2021 Pre Plan
<b>SHAREHOLDERS' EQUITY</b>			
<u>Share capital</u>			
Balance, beginning of period		\$ 12,544,623	\$ 12,544,623
Issuance of Capital		825,000	
Balance, end of period	8	13,369,623	
<u>Contributed surplus</u>			
Balance, beginning of period		10,191,777	10,191,777
Share based compensation			
Balance, end of period		10,191,777	10,191,777
<u>Deficit</u>			
Balance, beginning of period			(23,249,104)
Net loss			(33,667)
Net gain on implementation of plan of arrangement			
Balance, end of period			
<b>TOTAL SHAREHOLDERS' DEFICIT</b>		22,919,328	23,282,771

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

# TENTH AVENUE PETROLEUM CORP.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

In Canadian Dollars

Tenth Avenue Petroleum Corp. (the “**Company**” or “**TAPC**”) is in the business of exploring for, developing, and producing petroleum and natural gas properties in Western Canada. TAPC 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

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.

TAPC acquired 1.72% revenue and billing interest in Swan Hills Unit #1 effective September 30, 2021. On September 30, 2021, TAPC declared a dividend to implement the Plan of Arrangement dated March 24, 2021 (as amended)(“**Plan of Arrangement**”). Under the terms of the Plan of Arrangement, TAPC divided the common shares of WOGC a wholly owned subsidiary of TAPC to the shareholders of TAPC pursuant to the Order of Justice Mah dated May 21, 2021 in Court of Queen’s Bench of Alberta Action #2101 02284.

The effect of the Plan of Arrangement is to that WOGC become a standalone reporting issuer independent of TAPC upon filing of the Articles of Arrangement. On January 1, 2021, the oil and gas assets of TAPC had been assigned to Odaat Oil Corp (“**Odaat**”) a wholly owned subsidiary of WOGC. WOGC will carry on the oil and gas business previously carried on by TAPC. Those oil and gas assets are not in TAPC and are not reflected in this financial statement. WOGC will file its financial statement on [www.sedar.com](http://www.sedar.com) as at September 30, 2021.

For the period ended September 30, 2021, TAPC did not have a net profit or loss. Any profit and loss and working capital are reflected in the WOGC financial statements. TAPC will have to rely on support from various creditors and lenders to finance its operations. The continued volatility in global commodity prices and equity markets caused in part by the COVID-19 pandemic creates significant uncertainties which may impact the TAPC’s future operations, revenues and its ability to access the capital necessary to execute on its business plans. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

The future operations of TAPC are dependent on the continued support from its creditors and lenders and the TAPC’s ability to raise additional capital through equity financings or the sale of assets. There is no assurance that it will be able to do so in the future.

These financial statements do not give effect to adjustments, if any, that would be necessary should TAPC be unable to continue as a going concern. If the going concern assumption was not appropriate, the adjustments required to report TAPC’s assets and liabilities on a liquidation bases could be material to these financial statements.

# TENTH AVENUE PETROLEUM CORP.

In Canadian Dollars NOTES TO THE FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

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## 2. SIGNIFICANT ACCOUNTING POLICIES

### **Basis of presentation and measurement - Statement of compliance and authorization:**

These 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 financial statements of the Company include the accounts of only TAPC. TAPC (post implementation of the Plan of Arrangement) has no subsidiaries.

The financial statements have been prepared by management. Jadela Oil (US) Operating LLC (“Jadela US”) and Odaat are subsidiaries of WOGC. Except as outlined below, the financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements of TAPC for the year ended December 31, 2020.

These financial statements should be read in conjunction with the TAPC’s consolidated financial statements for the year ended December 31, 2020 and the unaudited financial statement of WOGC attached as Schedule “A”. These financial statements were authorized for issue by the Board of Directors on November 29, 2021.

### **Changes in accounting policies**

The interim consolidated financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in the consolidated financial statements for the fiscal year ended December 31, 2020.

## 3. RESTRICTED CASH HELD IN TRUST

TAPC has no restricted cash as of September 30, 2021. TAPC holds certain deposits in trust for WOGC pending recognition of assignments.

# TENTH AVENUE PETROLEUM CORP.

In Canadian Dollars NOTES TO THE FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

## 4. EXPLORATION AND EVALUATION ASSETS

	September 30, 2021
Balance, January 1, 2021 (Pre implementation of the Plan of Arrangement)	\$5,067
Distribution of Assets by Plan of Arrangement	(5,067)
Purchase of Assets	0
<b>Balance, end of period</b>	<b>0</b>

## 5. PROPERTY AND EQUIPMENT

<b>COSTS</b>	<b>Oil and Natural Gas Assets</b>	<b>Water-well Assets</b>	<b>Other Assets</b>	<b>Total</b>
Balance, January 1, 2021	0	0	0	0
Distribution of Assets under Plan of Arrangement				
Additions	\$785,715	0	0	\$785,715
Balance September 30, 2021	\$785,715	0	0	\$785,715

<b>Accumulated Depletion and Depreciation</b>	<b>Oil and Natural Gas Assets</b>	<b>Water-well Assets</b>	<b>Other Assets</b>	<b>Total</b>
Balance, January 1, 2021	\$3,095,388	\$155,800	\$76,407	\$3,327,595
Distribution of Assets under Plan of Arrangement	(3,095,388)	(155,800)	(76,407)	(3,327,595)
Additions	0	0	0	0
Balance September 30, 2021	0	0	0	0

<b>Carrying Amount</b>	<b>Oil and Natural Gas Assets</b>	<b>Water-well Assets</b>	<b>Other Assets</b>	<b>Total</b>
Balance, January 1, 2021	\$1,885,302	0	\$3,473	\$1,888,775
Distribution of Assets under Plan of Arrangement	(1,885,302)	0	(3,473)	(1,888,775)
Additions	\$785,715	0	0	\$785,715
Balance September 30, 2021	\$785,715	0	0	\$785,715

TAPC acquires a 1.72% revenue and billing interest in Swan Hills Unit #1 for \$825,000 (inclusive of GST) by issuance of 9,716,442 common shares at \$0.085/share

# TENTH AVENUE PETROLEUM CORP.

In Canadian Dollars

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

## 6. LOAN PAYABLE

On July 31, 2017, TAPC entered into a Loan and Participation Agreement with Smoky Oil & Gas Corp (“Smoky”) and 1454871 Alberta Ltd. (“1454871”) (formerly Batoche Oil & Gas Exploration Ltd.) which are related companies by way of common directors and officers. Pursuant to the terms of the Loan and Participation Agreement (“Smoky LPA”), Smoky lent TAPC the sum of \$1,326,593 to complete the acquisition of certain assets. The interest rate on the loan principal is 6% per annum. All obligations owing are secured by a general security agreement charging all of the assets of TAPC. The loan was assumed by WOGC upon completion of the Plan of Arrangement. Smoky has executed a release in favour of TAPC which will become effective upon completion of the acquisition of the SHU Asset and the Plan of Arrangement. TAPC will have no further obligation under the Smoky LPA.

## 7. ASSET RETIREMENT OBLIGATIONS

TAPC estimates the total undiscounted cash flows to settle its asset retirement obligations are approximately \$52,643. A risk-free interest rate of 0.10% and an estimated inflation rate of 1.4% (2020 - 1.4%) was used to calculate the present value of asset retirement obligations.

## 8. LONG TERM LOAN (RBC Govt of Canada Covid loan)

TAPC received a loan from the government for \$60,000 during 2020 as assistance to deal with the effects of the Covid-19 pandemic. The loan is non-interest bearing and is due December 31, 2022. If \$40,000 of the loan is repaid by this date, the remaining \$20,000 is forgivable. TAPC intends to repay the \$40,000 by this date and will meet all conditions of the grant, therefore it has recorded the forgivable portion as a government grant in other income. The loan provided is below market rate, and therefore the fair value of the loan has been determined using the present value of the future cash flows of the loan discounted at the TAPC’s estimated effective borrowing rate of 15%. The difference between the face value and the fair value of \$9,666 was recorded in other income in 2020 and will be recognized as interest expense over the remaining term of the loan.

## 9. 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:	Number of common shares	Value
Balance, January 1, 2021	10,512,658	\$12,544,623
Acquisition of SHU	9,716,442	825,000
Private placements	0	
Share issue costs		
Allocated to warrants		
Over issuance		
Balance, September 30, 2021	20,229,100	\$13,369,623

# TENTH AVENUE PETROLEUM CORP.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

In Canadian Dollars

## 10. CONTRIBUTED SURPLUS

The Company's contributed surplus consists of value assigned to issued options and other contributions from related parties. The following table reconciles the Company's contributed surplus:

	September 30, 2021	January 1, 2021
Contributed Surplus, beginning of period	\$ 10,192,777	\$ 10,192,777
Additions	0	0
Contributed Surplus at the end of the period	\$ 10,192,777	\$ 10,192,777

## 11. WARRANTS

The following table reflects share purchase warrants activity from January 1, 2020 to September 30, 2021 and the weighted average exercise prices.

	Number of Warrants	Stated Value
Balance, January 1, 2021	1,600,000	0
Warrants issued		
Balance September 30, 2021	1,600,000	0

## 12. STOCK OPTIONS

TAPC has a stock option plan available to directors, officers, employees and consultants. The maximum number of common shares reserved for issuance pursuant to the plan cannot exceed 10 percent of the issued and outstanding common shares. Options vest on grant, are generally exercisable for five years from the date of grant and are exercisable at prices equal to or greater than the market value of the shares at the date of the grant less the maximum discount permitted by the stock exchange. At September 30, 2021, there were an additional 982,910 common shares that are still available to be reserved for the granting of stock options. A summary of the status of the TAPC's stock option plan as at December 31, 2020 and September 30, 2021 and changes during the periods ending on those dates is as follows:

	Number of Options	Stated Value
Balance, January 1, 2021	510,000	0
Options issued	540,000	
Balance September 30, 2021	1,050,000	0

On February 19, 2021, the Company issued 540,000 stock options with an exercise price of \$0.075 that vest immediately and expire on February 18, 2026. The fair value of each option was determined using the Black-Scholes option valuation model. The assumptions used in calculating the fair value of the options are as follows:

Share price – \$0.08  
 Exercise price - \$0.075  
 Risk-free rate – 0.67%  
 Expected volatility – 179%  
 Expected dividend yield – 0%  
 Option life – 5 years

# TENTH AVENUE PETROLEUM CORP.

## NOTES TO THE FINANCIAL STATEMENTS

In Canadian Dollars

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

Expected volatility was calculated based on the historical share volatility of the Company. The weighted average fair value of the options at the date of issued was estimated to be \$0.0765 per option which resulted in \$41,335 of stock based compensation expense being recognized in income.

Outstanding and exercisable stock options as at September 30, 2021 have a weighted average remaining contractual life of 2.5 years (December 31, 2020 – 1.3 years).

### 13. RELATED PARTY TRANSACTIONS

TAPC has determined that the key management personnel of TAPC consist of its officers and directors. Compensation expense related to officers and directors for the period ended September 30, 2021 is reported in the WOGC financial statements.

### 14. PER SHARE AMOUNTS

Basic income (loss) per share has been calculated using the weighted average number of common shares outstanding during the period of 10,512,667 (September 30, 2020 – 10,512,667). The effect of all stock options and warrants has been excluded from the calculation of diluted income (loss) per share as they are anti-dilutive. TAPC issued 9,716,442 common shares to Salida effective September 30, 2021.

### 15. FINANCIAL INSTRUMENTS

TAPC'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, accounts payable and accrued liabilities, and loan payable, are recorded at amortized cost. There are no financial instruments recorded at fair value. TAPC classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument.

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

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

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

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

At September 30, 2021, TAPC's financial instruments approximate their fair value due to their current nature.

# TENTH AVENUE PETROLEUM CORP.

## NOTES TO THE FINANCIAL STATEMENTS

In Canadian Dollars

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

Credit risk – Consists of cash and cash equivalents, restricted cash held in trust and accounts receivable. A portion of the TAPC's accounts receivable are with joint venture partners in the petroleum and natural gas industry and are subject to normal credit terms. TAPC 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. TAPC is also exposed to credit risk on certain deposits to the extent that TAPC may not be refunded these amounts. TAPC does not anticipate any default or non-performance by its oil and gas sales customers. As such, a provision for doubtful accounts has not been recorded at September 30, 2021.

Liquidity risk – TAPC's 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 TAPC's reputation. TAPC has to date, required funds from private placements to finance capital expenditures and operations (see note 1).

The only TAPC's financial liabilities and contractual obligations as at September 30, 2021 is long term loan and abandonment and remediation liabilities.

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.

	September 30, 2021
Commodity price risk sensitivity	Increase (decrease) to net income
Increase of \$1.00/bbl oil	\$ 156
Decrease of \$1.00/bbl of oil	\$ (156)
Increase of \$0.10/Mcf of natural gas	\$ 8,220
Decrease of \$0.10/Mcf of natural gas	\$ (8,200)

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 loan payable as the rate is fixed.

## 16. CAPITAL DISCLOSURES

TAPC has defined its capital to mean its consolidated shareholders' equity and long-term debt. TAPC'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. TAPC'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 TAPC's operations (see notes 1 and 2).

## 17. REVENUE

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

# TENTH AVENUE PETROLEUM CORP.

In Canadian Dollars NOTES TO THE FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

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## 18. RISK MANAGEMENT

There have been no changes to TAPC's exposure to risks, or the objectives, policies and processes to manage these risks from December 31, 2020, other than the natural gas commodity price.

### **Market Risk**

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

### **Commodity price risk**

The nature of the TAPC's operations results in exposure to fluctuations in commodity prices. Management continuously monitors commodity prices and initiates instruments to manage exposure to these risks when it deems appropriate. As a means of managing commodity price volatility, TAPC enters into various derivative financial instrument agreements and physical contracts. The fair values of the derivative financial instruments are based on mark-to-market assessments and estimates of fair value and are recorded on the consolidated balance sheet as either an asset or liability with the change in fair value recognized in comprehensive loss. The price which TAPC receives (unless hedged), for its natural gas is referred to as AECO.

# **WASKAHIGAN OIL & GAS CORP.**

## **SCHEDULE “A”**

### **CONSOLIDATED FINANCIAL STATEMENTS** **Post Implementation of Plan of Arrangement dated March 24, 2021** **FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021** **(UNAUDITED)**

# WASKAHIGAN OIL & GAS CORP.

## BASIS OF PRESENTATION

The financial statements have been prepared on the basis that the acquisition of the SHU Assets (as defined below) and the Plan of Arrangement (defined below) is effective as of September 30, 2021. The common shares of Tenth Avenue Petroleum Corp ("TAPC") are listed for trading on the TSX Venture Exchange ("TSXV"). Pursuant to the Plan of Arrangement, on September 30, 2021, TAPC declared a dividend wherein TAPC divided one (1) common share of Waskahigan Oil & Gas Corp ("WOGC") to the holders of each (1) common share of TAPC. TSXV approval of the acquisition and the Plan of Arrangement were required. Approval was obtained on November 29, 2021. The TSXV set December 2, 2021 as the ex-dividend distribution date and December 3, 2021 as the dividend records date. The expected payment date is the end of December 2021.

Effective September 30, 2021, TAPC acquired a non-operated 1.3089477% Unit Participation and 1.7224988% revenue and billing interest in the Swan Hills Unit #1 pool ("SHU Asset") from Salida Energy Inc. ("Salida"), an arm's length privately held company. The purchase price was \$825,000 (inclusive of GST). The consideration consisted of 9,716,442 TAPC common shares issued at a deemed price of \$0.085 per TAPC share. The transaction is expected to close on the first business day after the dividend record date being December 6, 2021. These financial statements have been prepared on the basis that the transaction has closed as of September 30, 2021 and the shares have been issued effective September 30, 2021.

Immediately after the closing of the SHU Asset (expected to be December 6, 2021), TAPC will file the Articles of Arrangement with the Registrar of Corporations for the Province of Alberta implementing the Order of Justice D.R. Mah dated May 25, 2021 in Court of Queen's Bench of Alberta Action #2101 02284 which approved the Plan of Arrangement dated March 24, 2021 (as amended) ("Plan of Arrangement") amongst TAPC, WOGC, Odaat Oil Corp ("Odaat") and 2361990 Alberta Ltd. ("ABCo"). The implementation of the Plan of Arrangement is effective September 30, 2021 upon declaration of the dividend. These financial statements have been prepared on the basis that the Plan of Arrangement was completed on September 30, 2021. Effective September 30, 2021, WOGC will no longer be a subsidiary of TAPC. The shares issued by WOGC to the shareholders of TAPC were valued at \$0.0001 per share and TAPC reduced its stated capital or paid up capital by \$100. The filing of the Articles of Arrangement will formalize WOGC as a reporting issuer in the Province of Alberta.

Odaat is a subsidiary of WOGC. Effective January 1, 2021, the oil and gas assets and liabilities of TAPC (excluding the SHU Asset) were assigned to Odaat. As a result of the Plan of Arrangement, the assets, liabilities, revenue and expense as of September 30, 2021 (including the acquisition of the SHU Asset) will be reflected in the quarterly financial statements of WOGC and not TAPC. The net property and equipment (pre implementation of the Plan of Arrangement) was \$1,823,468. On implementation, the book value of the property and equipment was increased on the books of WOGC to \$2,473,599 to reflect the market value of the assets as derived from the engineered values set out in TAPC's NI 51-101 valuations for the fiscal period ended December 31, 2020 filed on [www.sedar.com](http://www.sedar.com) on April 21, 2021. The difference has been recorded as a recovery of depletion and accretion expense and gain on sale of assets on the books of TAPC.

## NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of TAPC have been prepared by and are the responsibility of management. TAPC's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

Calgary, Alberta  
November 29, 2021

# WASKAHIGAN OIL & GAS CORP.

## STATEMENTS OF FINANCIAL POSITION AS AT

In Canadian Dollars

		WOGC Sept 30, 2021 Post Plan	TAPC Sept 30, 2021 Post Plan	TAPC Sept 30, 2021 Pre Plan	WOGC Jan 1, 2021 Post Plan	TAPC Jan 1, 2021 Pre Plan
	Note					
<b>ASSETS</b>						
<b>CURRENT</b>						
Cash and cash equivalents		(6,253)	\$40,000	\$ 33,747	\$ 46,533	\$ 46,533
Trade receivables		\$70,120		70,120	77,145	77,145
Other receivables		39,285				
Short term investments		14,216	0	14,216	14,216	14,216
Prepaid expenses and deposits		<u>80,032</u>	<u>0</u>	<u>80,032</u>	<u>73,382</u>	<u>73,382</u>
		\$ 197,400	\$40,000	\$ 198,115	\$ 211,276	\$ 211,276
<b>Long Term</b>						
Restricted cash held in trust	3	\$210,906		\$210,906	\$210,883	\$210,883
Exploration and evaluation assets	4	11,036		11,036	5,067	5,067
Property and equipment	5	<u>2,441,814</u>	785,715	<u>1,823,468</u>	<u>2,473,599</u>	<u>1,888,887</u>
		<b>\$2,861,156</b>	<b>\$825,715</b>	<b>\$ 2,243,525</b>	<b>\$2,900,875</b>	<b>\$2,316,001</b>
<b>LIABILITIES</b>						
<b>CURRENT</b>						
Accounts payable and accrued liabilities		\$188,336		\$188,336	\$ 271,246	\$ 271,246
Loan payable	6	1,154,373		1,154,373	1,152,174	1,152,174
Deferred income		4,907		4,907	10,427	10,427
Deposits received					-	-
Asset retirement obligations	7	<u>289,491</u>		<u>289,491</u>	<u>288,902</u>	<u>288,902</u>
		\$1,637,107		\$1,634,107	\$1,722,749	\$1,722,749
Long term loan	8	0	\$40,000	34,312	30,900	30,900
Asset retirement obligations	7	<u>1,117,477</u>	52,643	<u>1,117,477</u>	<u>1,115,391</u>	<u>1,115,391</u>
		<b>\$2,754,584</b>	<b>\$92,643</b>	<b>\$2,788,896</b>	<b>\$2,869,040</b>	<b>\$2,869,040</b>
<b>SHAREHOLDERS' EQUITY</b>						
Share capital	9	\$1	\$13,369,623	\$12,544,623	\$ 1	\$12,544,623
Contributed surplus	10		10,192,777	10,192,777	0	10,512,442
Surplus (Deficit)		<u>106,572</u>	<u>(22,919,328)</u>	<u>(23,282,771)</u>	<u>31,785</u>	<u>(23,249,109)</u>
		106,572	733,072	(545,371)	31,785	(553,039)
		<b>\$2,861,156</b>	<b>\$825,715</b>	<b>\$ 2,243,525</b>	<b>\$2,900,825</b>	<b>\$2,316,001</b>

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

**Signed "Gregory J. Leia"**  
Gregory J. Leia, Director

**Signed "Tracy Zimmerant"**  
Tracy Zimmerman, Director

# WASKAHIGAN OIL & GAS CORP.

## CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

In Canadian Dollars

FOR NINE MONTHS ENDED SEPTEMBER 30, 2021

	Note	Three Months Ended		Nine Months Ended	
		September 30, 2021	September 30, 2020 (TAPC)	September 30, 2021	September 30, 2020 (TAPC)
<b>REVENUE</b>					
Natural gas and liquids sales	17	\$ 289,468	\$ 133,745	\$ 720,950	\$ 707,944
Royalties		(34,817)	(25,257)	(123,211)	(102,080)
Other income		3	2	17	42
		\$ 254,654	\$ 108,490	\$ 597,756	\$ 605,906
<b>EXPENSES</b>					
Production and transportation		96,593	96,859	278,533	362,917
General and administrative		77,498	50,563	205,554	179,189
Accretion	7	886	13,322	2,625	39,151
Share based compensation	12	-	-	41,335	-
Depletion, depreciation	5	33,026	15,697	65,307	82,427
		208,003	176,441	593,354	663,684
<b>OPERATING PROFIT ( LOSS)</b>		46,651	(67,951)	4,402	(57,778)
<b>Other (income) expense items</b>					
Interest income		-	1	-	376
Interest expense		(18,718)	(18,144)	(58,013)	(55,550)
Other Income		(19,972)		19,972	
Foreign exchange		(989)	778	(28)	(867)
Recovery of depletion expense , accretion expense and gain on asset distribution to WOGC					
<b>NET INCOME( LOSS) AND COMPREHENSIVE INCOME LOSS</b>		\$ 46,915	\$ (85,316)	\$ (33,667)	\$ (113,819)
<b>Basic and Diluted</b>		\$ 0.004	\$(0.008)	\$(0.003)	\$(0.011)

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

# WASKAHIGAN OIL & GAS CORP.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

In Canadian Dollars

	Note	Nine Months Ended		Nine Months Ended	
		Sept 30, 2021	Sept 30, 2020 (TAPC)	Sept 30, 2021	Sept 30, 2020 (TAPC)
<b>OPERATING ACTIVITIES</b>					
Net income (loss)		\$ 46,916	\$ (85,316)	\$ (33,667)	\$ (113,819)
<b>Items not requiring cash:</b>					
Depletion, depreciation	5	33,026	15,697	65,307	82,427
Loan interest accrued		11,115	191	16,010	191
Accretion	7	886	13,322	2,625	39,151
Stock based compensation	12	-	-	41,335	-
Foreign exchange		1,853	(2,570)	50	655
Change in Restricted Cash		(868)	1,600	(23)	(374)
Recovery of depletion expense, accretion expense and gain on distribution of asst to WOGC					
Change in non-cash working capital		(98,810)	59,570	(88,055)	194,718
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>(6,882)</b>	<b>2,494</b>	<b>3,582</b>	<b>202,949</b>
<b>FINANCING ACTIVITIES</b>					
Repayment of loan		-	(30,724)	(10,399)	(138,697)
<b>CASH USED IN FINANCING ACTIVITIES</b>		<b>-</b>	<b>(30,724)</b>	<b>(10,399)</b>	<b>(138,697)</b>
<b>INVESTING ACTIVITIES</b>					
Purchase of exploration and evaluation assets	4	-	-	(5,969)	(5,067)
Purchase of property and equipment	5	-	-	-	(1,348)
<b>CASH USED IN INVESTING ACTIVITIES</b>		<b>-</b>	<b>-</b>	<b>(5,969)</b>	<b>(6,415)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(6,862)</b>	<b>(28,230)</b>	<b>(12,786)</b>	<b>57,837</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>		<b>40,629</b>	<b>88,916</b>	<b>46,533</b>	<b>2,849</b>
<b>CASH AND CASH EQUIVALENTS, end of period</b>		<b>\$ 33,747</b>	<b>\$ 60,686</b>	<b>\$ 33,747</b>	<b>\$ 60,686</b>
<b>Interest paid</b>					
		\$ 7,604	\$ 18,578	\$ 42,003	\$ 55,077
<b>Taxes paid</b>					
		-	-	-	-

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

# WASKAHIGAN OIL & GAS CORP.

## STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIT)

In Canadian Dollars

FOR THE NINE MONTHS ENDED

	Note	WOGC Sept 30, 2021 Post Plan	WOGC Jan 1, 2021 Pre Plan
<b>SHAREHOLDERS' EQUITY</b>			
<u>Share capital</u>			
Balance, beginning of period		\$ 1.00	\$ 1.00
Issuance of Capital		-	-
Balance, end of period	8	\$ 1.00	\$ 1.00
<u>Contributed surplus</u>			
Balance, beginning of period		0	0
Share based compensation		0	0
Balance, end of period		0	0
<u>Deficit/Surplus</u>			
Balance, beginning of period		0	0
Net loss			
Net gain on implementation of plan of arrangement		106,572	0
Balance, end of period			
<b>TOTAL SHAREHOLDERS'SURPLUS</b>		<b>\$ 106,572</b>	<b>\$ 1.00</b>

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

# WASKAHIGAN OIL & GAS CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

In Canadian Dollars

### 1. 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.

For the nine period ended September 30, 2021, WOGC had a net loss of \$ 33,667 and has working capital deficit of \$ 1,439,707 and an accumulated surplus of \$ 106,572. WOGC has relied on support from various creditors and lenders to finance its operations. The continued volatility in global commodity prices and equity markets caused in part by the COVID-19 pandemic creates significant uncertainties which may impact WOGC's future operations, revenues and its ability to access the capital necessary to execute on its business plans. These material uncertainties may cast significant doubt on WOGC's ability to continue as a going concern.

The future operations of WOGC are dependent on the continued support from its creditors and lenders and WOGC's ability to raise additional capital through equity financings or the sale of assets. While WOGC has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future.

These consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not appropriate, the adjustments required to report the Company's assets and liabilities on a liquidation bases could be material to these consolidated financial statements.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of presentation and measurement - Statement of compliance and authorization:**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated financial statements of WOGC include the accounts of its wholly owned subsidiary Odaat and its wholly owned subsidiary of Jadela Oil (US) Operating LLC, (collectively referred to as "**the Company**") and have been prepared by management. Except as outlined below, the consolidated financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements as at January 1, 2021. These consolidated financial statements should be read in conjunction with the WOGC's consolidated financial statements as at January 1, 2021.

These financial statements were authorized for issue by the Board of Directors on November 29, 2021.

#### **Changes in accounting policies**

The interim consolidated financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in the consolidated financial statements for TAPC for the fiscal year ended December 31, 2020.

# WASKAHIGAN OIL & GAS CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

In Canadian Dollars

### 3. RESTRICTED CASH HELD IN TRUST (still in name of TAPC at September 30, 2021)

Restricted cash held in trust includes \$54,424 held by the Alberta Energy and Utilities Board, \$124,629 held by British Columbia Minister of Energy, Mines and Petroleum Resources and \$30,985 (USD \$25,000) held by the Texas Railway Commission.

### 4. EXPLORATION AND EVALUATION ASSETS

	<b>September 30 2021</b>
Balance, January 1, 2021	\$5,067
Purchase of Assets	5,969
<b>Balance, end of period</b>	<b>\$11,036</b>

### 5. PROPERTY AND EQUIPMENT

<b>COSTS</b>	<b>Oil and Natural Gas Assets</b>	<b>Water-well Assets</b>	<b>Other Assets</b>	<b>Total</b>
Balance, January 1, 2021	\$ 2,473,599	0	0	\$ 2,473,599
Additions	0	0	0	0
<b>Balance September 30, 2021</b>	<b>\$ 2,473,599</b>	<b>0</b>	<b>0</b>	<b>\$ 2,473,599</b>

<b>Accumulated Depletion and Depreciation</b>	<b>Oil and Natural Gas Assets</b>	<b>Water-well Assets</b>	<b>Other Assets</b>	<b>Total</b>
Balance, January 1, 2021	0	0	0	0
Additions	\$ 31,785	—	496	\$ 31,785
<b>Balance September 30, 2021</b>	<b>\$ 31,785</b>	<b>—</b>	<b>496</b>	<b>\$ 31,785</b>

<b>Carrying Amount</b>	<b>Oil and Natural Gas Assets</b>	<b>Water-well Assets</b>	<b>Other Assets</b>	<b>Total</b>
Balance, January 1, 2021	2,473,599	0	0	2,473,599
Less	31,785	0	0	31,785
<b>Balance September 30, 2021</b>	<b>2,441,814</b>	<b>0</b>	<b>0</b>	<b>2,441,814</b>

# WASKAHIGAN OIL & GAS CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

In Canadian Dollars

### 6. LOAN PAYABLE

On July 31, 2017, TAPC entered into a Loan and Participation Agreement with Smoky Oil & Gas Corp (“Smoky”) and 1454871 Alberta Ltd. (“1454871”) (formerly “Batoche Oil & Gas Exploration Ltd.”) which are related companies by way of common directors and officers. Pursuant to the terms of the Loan and Participation Agreement (“TAPC LPA”), Smoky lent TAPC the sum of \$1,326,593 to complete the acquisition of the Waskahigan Assets. The interest rate on the loan principal is 6% per annum. All obligations owing are secured by a general security agreement charging all of the assets of TAPC. The TAPC LPA had provided, that, 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.

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 TAPC 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 TAPC 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”).

On May 6, 2019 the TAPC LPA was amended and the loan was converted to a demand loan. As at March 31, 2021 and December 31, 2020, the loan is presented at its face value and is subject to interest at a rate of 6% per annum, which is payable quarterly.

In September 2020, the terms of the loan were further modified to reinstate terms from the original contract that were previously modified. These changes reinstated the restriction to charging a maximum of \$75,000 per year for general and administration costs for the administration of the Waskahigan Assets and \$75,000 per year for the administration of the Waskahigan Participation Assets.

TAPC was not in compliance with the terms of the loan as general and administrative charges have exceeded the maximum allowable amounts as noted above. As of the date of approval of these consolidated financial statements, the lender has not demanded repayment but retains the right to do so. By novation agreement effective January 1, 2021, WOGC and Odaat agreed to assume the obligations to Smoky under the LPA and Smoky released TAPC from the obligations. WOGC and Odaat granted a general security agreement in favour of Smoky pledging all of the assets in support of the debt.

### 7. ASSET RETIREMENT OBLIGATIONS

The Company estimates the total undiscounted cash flows to settle its asset retirement obligations are approximately \$1,427,733 (January 1, 2021 - \$1,429,540). A risk-free interest rate of 0.25% and an estimated inflation rate of 1.4% was used to calculate the present value of asset retirement obligations.

The following table reconciles the asset retirement obligations:

	September 30, 2021	January 1, 2021
Balance at the Beginning of the Period		1,404,293
Reclamation expenditures		(1,961)
Foreign Exchange		(1,488)
Accretion		51,296
Balance at end of period		1,404,293
Less: Current portion		(288,902)
Long Term Portion		1,115,391

# WASKAHIGAN OIL & GAS CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

In Canadian Dollars

### 8. LONG TERM LOAN

TAPC had a \$60,000 COVID loan with RBC of which \$40,000 was repayable after a certain date. On implementation on of the Plan of Arrangement the loan remained with TAPC and a deposit of \$40,000 to repay the loan.

### 9. 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

<b>Issued:</b>		
	<b>Number of common shares</b>	<b>Value</b>
Balance, January 1, 2021	10,512,658	10
Private placements		
Share issue costs		
Allocated to warrants		
Over issuance		
Balance, September 30, 2021	10,512,658	10

### 10. CONTRIBUTED SURPLUS

The Company's contributed surplus consists of value assigned to issued options and other contributions from related parties. The following table reconciles the Company's contributed surplus:

	<b>September 30, 2021</b>	<b>January 1, 2021</b>
Contributed Surplus, beginning of period		\$ 0
Additions		
Contributed Surplus at the end of the period	0	0

Note – change from TAPC FS – the options do not carry forward – and there for the should not be a \$41,335 charge for stock based compensation

### 11. WARRANTS

The following table reflects share purchase warrants activity from January 1, 2021 to September 30, 2021 and the weighted average exercise prices.

	<b>Number of Warrants</b>	<b>Stated Value</b>
Balance, January 1, 2021	0	0
Warrants issued		
Balance September 30, 2021	0	0

# WASKAHIGAN OIL & GAS CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

In Canadian Dollars

### 12. STOCK OPTIONS

The Company has a stock option plan available to directors, officers, employees and consultants. The maximum number of common shares reserved for issuance pursuant to the plan cannot exceed 10 percent of the issued and outstanding common shares. Options vest on grant, are generally exercisable for five years from the date of grant and are exercisable at prices equal to or greater than the market value of the shares at the date of the grant less the maximum discount permitted by the stock exchange. At September 30, 2021, there were 1,052,565 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 January 1, 2021 and September 30, 2021 and changes during the periods ending on those dates is as follows:

	Number of Options	Stated Value
Balance, January 1, 2021	0	0
Warrants issued		
Balance September 30, 2021	0	0

### 13. 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.

	September 30, 2021
Consulting fees to a company controlled by directors	117,753

Included in accounts payable and accrued liabilities is a payable owing to a company controlled by a director of \$117,753 (\$80,135 – 2020).

As disclosed in Note 7, TAPC entered into a TAPC LPA with Smoky and 1454871 (formerly Batoche Oil & Gas Exploration Ltd.) on July 31, 2017. Pursuant to the terms of the LPA, Smoky lent TAPC the sum of \$1,326,593 to complete the Waskahigan Asset acquisition. The interest rate on the loan principal is 6% per annum. On May 6, 2019, the terms of the loan were modified to include a demand feature. The loan is presented at its face value and is subject to interest at a rate of 6% per annum, which is payable quarterly. WOGC incurred interest expense of \$51,260 (\$54,506 – 2020) during the nine months ended September 30, 2021 on this loan. All obligations 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 and an officer and director of Smoky and Batoche. Gregory J. Leia owns approx. 65% of the common shares and preferred shares of Smoky.

# WASKAHIGAN OIL & GAS CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

In Canadian Dollars

### 14. PER SHARE AMOUNTS

Basic income (loss) per share has been calculated using the weighted average number of common shares outstanding during the period of 10,512,667. The effect of all stock options and warrants has been excluded from the calculation of diluted income (loss) per share as they are anti-dilutive.

### 15. 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, accounts payable and accrued liabilities, and loan payable, are recorded at amortized cost. There are no financial instruments recorded at fair value. The Company classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument.

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

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

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

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

At September 30, 2021, the Company's financial instruments approximate their fair value due to their current nature.

# WASKAHIGAN OIL & GAS CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

In Canadian Dollars

As at September 30, 2021

Financial instrument	Classification	Carry Value (\$)	Fair Value (\$)
Cash and cash equivalents	Amortized Cost	40,629	40,629
Trade and other receivables	Amortized Cost	57,371	57,371
Short term investments	Amortized Cost		14,216
Prepaid expenses and deposits	Amortized Cost	137,002	37,002
Restricted cash held in trust	Amortized Cost	210,038	210,038
Accounts payable and accrued liabilities	Amortized Cost	241,219	241,219
Loan payable	Amortized Cost	1,144,395	1,144,395
Long term load	Amortized Cost	33,175	33,175

As at January 1, 2021

Financial instrument	Classification	Carry Value (\$)	Fair Value (\$)
Cash and cash equivalents	Amortized Cost	46,533	46,533
Trade and other receivables	Amortized Cost	77,145	77,145
Short term investments	Amortized Cost	14,214	14,214
Prepaid expenses and deposits	Amortized Cost	73,382	73,352
Restricted cash held in trust	Amortized Cost	210,883	210,833
Accounts payable and accrued liabilities	Amortized Cost	271,246	271,246
Loan payable	Amortized Cost	1,152,174	1,152,174
Long term load	Amortized Cost	30,900	30,900

Credit risk – Consists of cash and cash equivalents, restricted cash held in trust and accounts receivable. A portion of the Company's accounts receivable are with joint venture partners in the petroleum and natural gas industry and are subject to normal credit terms. The Company generally extends unsecured credit to these customers and, therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. The carrying value of accounts receivable reflects management's assessment of the associated credit risk. The Company is also exposed to credit risk on certain deposits to the extent that the Company may not be refunded these amounts. The Company does not anticipate any default or non-performance by its oil and gas sales customers. As such, a provision for doubtful accounts has not been recorded at September 30, 2021

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).

The Company's financial liabilities and contractual obligations as at September 30, 2021 are due as follows:

Accounts payable		Due within 90 days
Loan Payable		Due on Demand
Long Term Debt		Due in 2 years

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.

# WASKAHIGAN OIL & GAS CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

In Canadian Dollars

	September 30, 2021
Commodity price risk sensitivity	Increase (decrease) to net income
Increase of \$1.00/bbl oil	\$ 156
Decrease of \$1.00/bbl of oil	\$ (156)
Increase of \$0.10/Mcf of natural gas	\$ 8,220
Decrease of \$0.10/Mcf of natural gas	\$ (8,200)

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 loan payable as the rate is fixed.

### 16. 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).

### 17. REVENUE

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

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

		September 30, 2020		September 30, 2021
Crude Oil	\$	24,167	\$	22,467
Natural Gas		572,023		572,023
Condensate		124,760		124,760
<b>Total</b>	<b>\$</b>	<b>720,950</b>	<b>\$</b>	<b>720,950</b>

# WASKAHIGAN OIL & GAS CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

In Canadian Dollars

### 18. RISK MANAGEMENT

There have been no changes to the Company's exposure to risks, or the objectives, policies and processes to manage these risks from January 1, 2021, other than the natural gas commodity price.

#### Market Risk

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

#### Commodity price risk

The nature of the Company's operations results in exposure to fluctuations in commodity prices. Management continuously monitors commodity prices and initiates instruments to manage exposure to these risks when it deems appropriate. As a means of managing commodity price volatility, the Company enters into various derivative financial instrument agreements and physical contracts. The fair values of the derivative financial instruments are based on mark-to-market assessments and estimates of fair value and are recorded on the consolidated balance sheet as either an asset or liability with the change in fair value recognized in comprehensive loss.