

PROAM EXPLORATIONS CORPORATION

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars)

PROAM EXPLORATIONS CORPORATION
CONSOLIDATED INTERM STATEMENT OF FINANCIAL POSITION
As at September 30, 2019

(Expressed in Canadian Dollars)

	30-Sep 2019	31-Dec 2018
ASSETS		
Current		
Cash	\$ 2,375	\$ 4,952
Marketable Securities	595	1,001
Accounts Receivable	2,942	4,582
	<u>5,912</u>	<u>10,535</u>
Exploration and Evaluation assets	21,170	11,973
Property and equipment	469,351	464,834
	<u>\$ 496,433</u>	<u>\$ 487,342</u>
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	71,454	77,811
Other		
Due to related party	1,945	54,302
Asset Retirement Obligations	38,855	39,555
	<u>\$ 112,254</u>	<u>\$ 171,688</u>
EQUITY		
Share Capital	7,325,721	7,234,763
Reserves	2,690,529	2,685,345
Deficit	(9,632,071)	(9,604,434)
	<u>384,179</u>	<u>315,674</u>
	<u>\$ 496,433</u>	<u>\$ 487,342</u>

Nature and continuance of operations - Note 1

Approved and authorized by the Board on November 19, 2019

"Donald L. MacDonald" Director

"W Rex Davidson" Director

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

PROAM EXPLORATIONS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS, COMPHRHENSIVE INCOME/LOSS
As at September 30, 2019

(Expressed in Canadian Dollars)

	Nine Months ended 30-Sep-19 2019	Three months ended 30-Sep-19 2019	Nine Months ended 30-Sep-19 2018	Three months ended 30-Sep-19 2018
REVENUE				
Oil and gas revenue	22,963 \$	4,961	19,989 \$	6,007
EXPENSES				
Accretion, amort & depletion	0	0	600	76
Exploration Expense	2,257	2,257		
Operating Expenses	16,554	4,777	15,741	3,556
Filing and transfer fees	20,852	13,735	2,417	209
Office and Miscellaneous	4,852	3,653	1,072	230
Professional fees	6,085	0	10,045	0
	<u>50,600 \$</u>	<u>24,422</u>	<u>29,875 \$</u>	<u>4,071</u>
Net loss before other items	-27,637 \$	-19,461	-9,886 \$	1,936
OTHER ITEMS				
Other Comprehensive income/loss				
Foreign exchange gain/(loss)	-5,591	-5,231		(1,882)
Unrealized gain/loss marketable securities	-407		52	
Comprehensive loss for the period	<u>-33,635 \$</u>	<u>-24,692</u>	<u>-(9,938) \$</u>	<u>(3,818)</u>
Basic and diluted loss per share	-0.005 \$	-0.003	-(.001) \$	(.000)
Weighted average number of common shares outstanding	7,142,857	7,142,857	15,283,936	15,283,936

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

As at September 30, 2019

(Expressed in Canadian Dollars)

	Share Capital		Reserves		Deficit	Total
	Number of shares	Amount	Share -based payment reserve	Foreign currency translation		
Balance at December 31, 2017	15,283,936 \$	7,234,763 \$	2,713,096	25,128 \$	(65,282) \$	418,614
Income for the period					(449)	(449)
Unrealized gain/loss on short term investments					0	0
Foreign exchange gain (loss)				20,600		20,600
Balance at September 30, 2018	15,283,936 \$	7,234,763 \$	2,713,096 \$	25,128 \$	65,282 \$	419,063
Balance at December 31, 2018	15,283,936 \$	7,234,763 \$	2,713,096 \$	37,531 \$	(65,282) \$	315,674
Income for the period					-27,637	-27,637
Financing - share issuance		90,958				90,958
Unrealized gain/loss on short term investments					407	407
Foreign exchange gain /loss				5,591		5,591
Balance at September 30, 2019	7,142,857 \$	7,325,721 \$	2,713,096 \$	43,122 \$	-65,689 0	384,993

PROAM EXPLORATIONS CORPORATION
CONSOLIDATED INTERM STATEMENT OF CASH FLOWS
As at September 30, 2019

(Expressed in Canadian Dollars)

	30-Sep 2019	30-Sep 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the period	\$ -27,637	\$ -9,834
Non Cash		
Accretion, amortization and depletion	0	600
Changes in non cash working capital items		
(Increase) decrease in receivables	639	398
(Decrease) increase in accounts payable	13,136	-4576
Loan payable	-90,957	
	0	265
	<u>\$ -104,819</u>	<u>\$ -13,147</u>
Effect of Foreign Exchange	\$ 10,803	\$ -962
Financing activity (debt settlement)	90,957	
Change in cash for the period	-3,059	-14,374
Cash, beginning of the period	5,434	19,808
Cash end of the period	<u>\$ 2,375</u>	<u>\$ 5,434</u>
Cash paid for income taxes	<u>nil</u>	<u>nil</u>
Cash paid for interest	<u>nil</u>	<u>nil</u>

1. Nature and continuance of operations

ProAm Explorations Corporation (the "Company") was incorporated under the laws of the province of British Columbia. The Company's shares trade on the TSX Venture Exchange (the "Exchange") (symbol ("PMX")). The corporate headquarters and registered office of the Company is located at 867 West 3rd Street, North Vancouver, British Columbia, V7P 1E2.

The Company's principal business activities are oil and gas production and the exploration and development of its exploration and evaluation assets ("E&EA"). The Company is in the process of exploring and developing its E&EA, however, on the basis of information to-date, has not yet determined whether any of these E&EA contain reserves which are economically recoverable. The underlying value of these E&EA is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete their development and upon future profitable production.

Uncertainties exist which could adversely affect the Company's ability to continue to finance its activities. These uncertainties cast significant doubt about the Company's ability to continue as a going concern. Management's plan may include continuing to pursue sources of financing and reducing overhead costs. With the use of existing funds, revenue from oil and gas interests and advances from directors, management expects that the Company will have sufficient capital to fund operations and keep its E&EA in good standing for the upcoming fiscal year. Further discussion of liquidity risk has been disclosed in Note 14.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. Summary of significant accounting policies

Basis of preparation

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

	Country of incorporation	Percentage owned*	
		2019	2018
OSEC Petroleum Canada Limited	Canada	100%	100%
OSEC Trading Corp.	Canada	100%	100%
OSEC Petroleum Inc.	USA	100%	100%

*Percentage of voting power is in proportion to ownership.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

2. Summary of significant accounting policies

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of E&EA and property and equipment, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and provisions for restoration and environmental obligations.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification / allocation of expenditures as E&EA expenditures, property and equipment or operating expenses;
- the classification of financial instruments; and
- the determination of the functional currency of the Company.

Foreign currency translation

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currencies of the subsidiaries are as follows:

	Functional currency
OSEC Petroleum Canada Limited	Canadian
OSEC Trading Corp.	Canadian
OSEC Petroleum Inc.	U.S.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses

2. Summary of significant accounting policies (cont'd)

Foreign currency translation (cont'd)

arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit and loss. The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Company's foreign currency translation reserve in the statement of comprehensive income. These differences are recognized in the profit or loss in the period in which the operation is disposed.

Exploration and evaluation expenditures

Acquisition and exploration costs are accumulated on a field-by-field basis. Acquisition and exploration expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Costs incurred before the legal rights to explore an area have been obtained are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units (CGUs).

The technical feasibility and commercial viability of extracting a resource is considered to be determined when proven reserves are determined to exist. A review of each exploration license or data field is carried out, at least annually, to ascertain whether proven reserves have been discovered. Upon determination of proven reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to separate category within tangible assets referred to as property and equipment.

Property and equipment

Property and equipment, which includes oil and gas properties and production assets, are measured at cost, less accumulated depreciation and accumulated impairment losses. Property and equipment assets are grouped into CGUs for impairment testing.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalized within oil and gas properties, as long as the facts and circumstances indicate that the field has commercially viable reserves.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the asset retirement obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within property and equipment.

2. Summary of significant accounting policies (cont'd)

Property and equipment (cont'd)

Where commercial production in an area of interest has commenced, oil and gas properties are depreciated on a unit-of-production basis over the proven reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved and probable reserves of the relevant area. The unit-of-production rate for the amortization of field development costs takes into account expenditures incurred to date, together with future development expenditure to develop the proved and probable reserves. Changes in factors such as estimates of proved and probable reserves that affect unit-of production calculations do not give rise to prior year financial period adjustments and are dealt with on a prospective basis.

Depreciation for equipment is recognized in profit or loss on the following basis, and at half the annual rate in the year of acquisition, at the following rate:

Computers	30% declining basis
Well equipment	7 year, straight line basis

Decommissioning liabilities

The Company reviews and recognizes legal obligations associated with the retirement of tangible long-lived assets, including rights to explore or exploit natural resources and equipment. When such obligations are identified and measurable, the estimated fair values of the obligations are recognized on a systematic basis over the remaining period until the obligations are expected to be settled. On recognition of the liability, there is a corresponding increase in the carrying amount of the related assets known as decommissioning liabilities, which is depleted on a unit-of-production basis over the life of the assets. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings and for revisions to the estimated future cash flows. Actual costs incurred upon settlement of the obligations are charged against the liability.

Share-based payments

The Company has a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions.

The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

<u>Financial assets/liabilities</u>	<u>Original Classification IAS 39</u>	<u>New Classification IFRS 9</u>
Cash and cash equivalents	FVTPL	FVTPL
Receivables	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost
Marketable securities	Available for sale	FVTOCI

2. Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

2. Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Cash

Cash include cash on hand and deposits held at call with banks.

Revenue

Revenue from the sale of oil and natural gas is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party, can be reasonably estimated and collectability is reasonably assured. This is generally at the time product enters the pipeline or any other means of transportation. Revenue is measured net of any royalties. The Company adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15") on a retroactive basis in accordance with the transitional provisions. IFRS 15 will replace IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations on revenue. The Company has concluded that there are no significant differences between the point of risks and rewards transfer and the point of transfer of control under IFRS 15. As such, no adjustment has been recorded to the comparative figures.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

Loss per share

Loss per share is calculated by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees. 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 year. The Company computes diluted earnings per share using the treasury stock method to determine the dilutive effect of securities or other contracts. Under this method, the diluted weighted average number of shares is calculated assuming the proceeds that arise from the exercise of outstanding, in-the-money options are used to purchase common shares of the Company at their average market price for the year. No adjustment to diluted earnings per share or diluted shares outstanding is made if the result of the calculations is anti-dilutive

3. Accounting standards issued by not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16 - Leases was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

The Company plans to apply IFRS 16 effective January 1, 2019 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize a lease obligation related to its lease commitment for its office lease. It will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The associated right of use asset will be measured at the lease obligation amount, less prepaid lease payments, resulting in no adjustment to the opening balance of deficit. The Company intends to apply the following practical expedients permitted under the new standard: leases of low dollar value will continue to be expensed as incurred; and the Company will not apply any grandfathering practical expedients. As at January 1, 2019 the Company does not expect to recognize any right-of-use asset and corresponding liability for any of its existing lease commitments.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements. The Company is assessing the impact of the new or revised IFRS standards on its financial position and financial performance.

4. Short-term investments

Short-term investments consist of shares of unrelated listed companies.

5. Accounts receivable

	September 30, 2019		December 31, 2018	
Trade receivables	\$	2,942	\$	4,952
	\$	2,942	\$	4,952

6. Accounts payables and accrued liabilities

	September 30, 2019		December 31, 2018	
Trade payables	\$	71,454	\$	77,811
Accrued liabilities		-		15,000
	\$	71,454	\$	92,811

7. Exploration and evaluation assets

Included in exploration and evaluation assets are the following:

Tucker County

Tucker County, West Virginia: A 3.6% revenue, net of royalty, interest in 1 unproven well. At December 31, 2018 and 2018, the Company holds its interest in the Trucker County property at a nominal value of \$1.

Samuel Lake

Samuel Lake Property: Pursuant to certain agreements, the Company owns an option to acquire an undivided 100% interest, subject to a 2.5% NSR, in certain claims comprising the Samuel Lake Property. At September 30, 2019 the Company holds its interest in the Samuel Lake Property at a value of \$7,162 (December 31, 2018: \$1).

Jet Property

Jet Property: On November 30, 2018, the Company entered into an option agreement to acquire an undivided 100% interest subject to 2.5% NSR, in certain claims comprising the Jet Property, located in Elko County, Nevada, for the following consideration:

- Payment of \$2,000 (paid subsequent to year end), issuance of 200,000 common shares (issued subsequent to year end) upon execution of the agreement and expenditure of \$50,000 on the property prior to February 28, 2020
- Payment of \$25,000 and issuance of 400,000 common shares on the first anniversary of the agreement and incur \$150,000 in expenditures on the property prior to November 30, 2020. Upon completion of these undertakings, the Company will have earned a 50% interest in the property;
- Payment of \$50,000 and issuance of 400,000 common shares on the second anniversary of the agreement and incur \$500,000 in expenditures on the property in the ensuing 12 months. Upon completion of these undertakings, the Company will have earned a 70% interest in the property;
- Payment of \$125,000 issuance of 500,000 common shares on the third anniversary of this agreement and complete a NI 43-101 resource calculation on the property in the ensuing 12 months. Upon completion of these undertakings, the Company will have earned an 80% interest in the property;
- Payment of \$250,000 on the fourth anniversary of this agreement. Upon completion of this undertaking, the Company will have earned a 100% interest in the property.

7. Exploration and evaluation assets

A continuity of exploration and evaluation assets is as follows:

	Tucker County	Samuel Lake	Jet	Total
Balance, December 31, 2018	\$ 1	5,552	\$ 6,420	11,973
Exploration expenditures	-	2,200	6,697	8,897
Balance, December 31, 2019	\$ 1	\$ 7,752	\$ 13,417	\$ 21,170

8. Property and equipment

The Company owns working interests in a number of oil and gas properties as follows:

United States

Muskingum County, Eastern Ohio: 2 natural gas producing wells ranging from a 2.8% - 4.24% revenue, net of royalty, interest.

Indiana County, Pennsylvania: A 75% revenue, net of royalty, interest in 41 nonproducing oil wells.

Logan County, Arkansas: 1 gas producing well with 10.1% revenue, net of royalty, interest.

Oklahoma City, Oklahoma: A 10.2% revenue, net of royalty, interest in 2 natural gas producing wells.

Canada

Okotoks Alberta: 50% Interest in two producing gas wells.

9. Decommissioning Liabilities

The total future asset retirement obligations were estimated based on the Company's net ownership interest in all wells and facilities, the estimated cost to abandon and reclaim the wells and facilities and the estimated timing of the cost to be incurred in future periods. A credit adjusted risk-free rate of 10% and an inflation rate of 2% was used to calculate the present value of US \$17,555. A Canadian property included in this amount has a retirement obligation of \$15,607.

The asset retirement obligations for the periods ended are as follows:

Balance, December 31, 2016	\$	17,355
Accretion		462
Foreign exchange adjustment		(1,108)
Balance, December 31, 2018		16,710
Change in estimated cash flow and discount rate		17,925
Accretion		3,492
Foreign exchange adjustment		700
Balance, September 30, 2019	\$	38,855

10. Income tax expense and deferred tax assets and liabilities (cont'd)

At September 30, 2019, the Company has the following tax pools available for deduction in future years which expire as follows:

Canadian non-capital losses	US non-capital losses	Canadian resource pools
\$ 1,010,920	\$ 443,897	\$ 4,200,268

The taxable entities have historically made tax losses, and the existence of future taxable profits cannot be assessed as probable. Accordingly, the future tax benefit of the above noted tax pools have been offset by recognition of a valuation allowance in these financial statements.

11. Share capital

Authorized share capital

Unlimited number – Common shares without par value.

33,333,333 – Class A voting common shares with no par value

4,474,000 – Preferred shares with no par value.

526,000 – 15% cumulative Series A preferred shares with no par value.

Issued share capital

On September 30, 2019 the Company announced a consolidation of its share capital on a one new for three old basis. The Company also announced its intent to settle a \$90,957.33 debt through the issuance of 1,819,146 post consolidation common shares at a price of five cents a share.

As at September 30, 2019 the Company owns 973,402 of its own Class A voting common shares acquired at an average cost of \$889,957. These shares are recorded as a reduction on equity.

Share Capital Changes		
Shares Outstanding as at December 31, 2018		18,404,143
one new for three old consolidation		6,134,714
shares owned by subsidiaries		-973,402
shares outstanding after consolidation		5,161,312
shares issued pursuant to debt settlement		1,819,146
shares outstanding after debt settlement as at September 30, 2019		6,980,458

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares. The Company expenses the fair value of all stock-based compensation awards as determined using the Black-Scholes Option Pricing Model.

The Company did not grant any stock options during the periods ended September 30, 2019 and 2018.

Details of options outstanding as at September 30, 2019 and 2018, all of which are exercisable, are as follows:

	September 30, 2019		December 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning	nil	\$ -	1,000,000	\$ 0.05

12. Reserves

Share based payment reserve

The share based payment reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of subsidiaries of the Company that have a functional currency other than the Canadian dollar.

Investment revaluation reserve

The investment revaluation reserve records unrealized gains and losses arising on available-for-sale financial assets, except for impairment losses and foreign exchange gains and losses.

13. Related party transactions

Related party balances

The following amounts due to and due from related parties:

	September 30, 2019	December 31, 2018
Due to companies controlled by directors of the Company	\$ 1,945	\$ 54,302

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

14. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and the United States. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its accounts receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes and amounts due from the Company's partners from its oil and gas properties.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been from oil and gas revenues. Management believes that its revenues may not be adequate to pay for its day to day operations. Additional sources of funding may be required. Liquidity risk has been assessed as high.

14. Financial risk and capital management (cont'd)

Liquidity risk

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at September 30, 2019:

	Within one year	Between one and five years	More than five years
Trade payables	\$ 71,454	\$ -	\$ -
Due to related parties	1,945		
	\$ 73,399	\$ -	\$ -

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and the United States. The Company's functional currency is the Canadian dollar. The Company has not hedged its exposure to currency fluctuations.

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in United States dollars:

	September 30, 2018	December 31, 2018
Cash	253	\$ 2,806
Accounts receivable	1,448	2,459
Accounts payable	(31,229)	(33,034)
	\$ (29,528)	\$ (27,769)

Assuming that all variables remain constant, a 10% change in the value of the Canadian dollar against the US dollar would not materially affect the loss from operations.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is limited to the portion of the Company's cash held in bank accounts that earn interest. Due to the limited and short term nature of these financial instruments, fluctuations in the interest rates will not have a significant impact on their fair value. As at September 30, 2019, the Company had not entered into any derivative contracts to manage this risk.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	September 30, 2019	December 31, 2018
Cash	\$ 2,375	\$ 4,952
Amortized cost:		
Receivables	2,942	4,582
FVOCI:		
Short-term investments	595	1,001
	\$ 5,912	\$ 10,531

Financial liabilities included in the statement of financial position are as follows:

	September 30, 2019	December 31, 2018
Financial liabilities at amortized cost:		
Trade payables	\$ 71,454	\$ 77,811
Amounts due to related parties	1,945	54,302
	\$ 73,399	\$ 132,113

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at September 30, 2019 and December 31, 2018:

	As at September 30, 2019		
	Level 1	Level 2	Level 3
Cash	\$ 2,375	\$ -	\$ -
Short-term investments	595	-	-
	\$ 2,970	\$ -	\$ -
	As at December 31, 2018		
	Level 1	Level 2	Level 3
Cash	\$ 4,952	\$ -	\$ -
Short-term investments	1,001	-	-
	\$ 5,953	\$ -	\$ -

15. Segmented information

Operating segments

The Company operates in a single reportable operating segment – the acquisition, exploration and development of resource properties.

Geographic segments

The Company's non-current assets are located in the following countries:

	September 30, 2019		
	Canada	United States	Total
Revenue	\$ 5,487	\$ 17,476	\$ 22,963
Exploration and evaluation assets	21,169	1	21,170
Property and equipment	272,780	196,571	469,351

	December 31 2018		
	Canada	United States	Total
Revenue	\$ 8,310	\$ 18,098	\$ 26,408
Exploration and evaluation assets	11,972	1	11,973
Property and equipment	279,220	185,614	464,834

16. Subsequent event

On October 24, 2019 the Company announced a non-brokered private placement raising gross proceeds of up to \$497,000 through the issuance of up to 7,100,000 units at a price of \$0.07 per unit. Each unit will be comprised of one common share of the Company and one-half common share purchase warrant. Each whole common share purchase warrant will allow the holder to acquire an additional common share of the Company at a price of \$0.15 per share for a period of two years from the date of closing of the non-brokered private placement (the "warrant").

In circumstances where, any time after the expiry of the four-month restricted period, the Company's stock trades at \$0.30 or greater for 10 consecutive trading days, the Company may give notice accelerating the expiry date of the exercise period of the warrants to that date which is 30 days from the date of such notice.

Finder's fees of 8% cash and 8% warrants may be paid in connection with the financing.

Proceeds from the private placement will be used for exploration costs including a drill program on the Company's Jet Property located in Nevada and general administrative and working capital.