

Goldstrike Resources Ltd.
Consolidated Financial Statements
December 31, 2019 and 2018

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Goldstrike Resources Ltd.

Opinion

We have audited the consolidated financial statements of Goldstrike Resources Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which describes events and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 23, 2020



Goldstrike Resources Ltd.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Notes	December 31, 2019	December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents		\$ 2,245,407	\$ 2,672,671
Accounts receivable	3	18,288	86,280
Prepaid expenses and deposits	4	27,324	40,002
		2,291,019	2,798,953
Non-current assets			
Restricted cash	16	318,300	318,300
Deposit	4	18,329	18,329
Marketable securities	9	383,333	-
Equipment		5,151	5,977
Exploration and evaluation assets	7	9,572,178	9,469,998
Petroleum and natural gas assets	10	94,950	757,892
Investment in associate	9	-	2,043,484
Right of use lease asset	5	59,850	-
TOTAL ASSETS		\$ 12,743,110	\$ 15,412,933
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	11, 13	\$ 71,299	\$ 118,335
Lease liability	6	63,080	
		134,379	118,335
Non-Current Liabilities			
Decommissioning liability	15	300,963	301,675
TOTAL LIABILITIES		435,342	420,010
EQUITY			
Share capital	12	48,537,360	48,537,360
Share-based payment reserves	12	18,370,581	18,370,581
Equity reserve		1,195,608	1,195,608
Accumulated other comprehensive loss		(20,833)	-
Deficit		(55,774,948)	(53,110,626)
TOTAL EQUITY		12,307,768	14,992,923
TOTAL LIABILITIES AND EQUITY		\$ 12,743,110	\$ 15,412,933

Subsequent events (Notes 19)

Approved on Behalf of the Board on April 23, 2020

``Lucy Zhang``

Director

``Daithi Mac Gearailt``

Director

Goldstrike Resources Ltd.
Consolidated Statements of Comprehensive Income (Loss)
(Expressed in Canadian dollars)

		For the Year Ended December 31,	
	Note	2019	2018
Expenses			
Listing and filing fees		\$ 25,439	\$ 35,987
Management consulting	13	33,350	147,700
Corporate development and communication	13	61,892	88,648
Investor relations		2,500	19,950
Office and miscellaneous		71,568	168,576
Professional fees	13	96,881	303,665
Rent		47,510	38,310
Accretion	15	3,120	3,121
Stock-based compensation	12	-	112,582
		(342,260)	(918,539)
Other items			
Interest income		(44,301)	(35,797)
Interest expense		7,105	-
Rental income		(82,237)	-
Royalty income		(24,568)	(25,039)
Amortization		62,748	2,780
Foreign Exchange		(904)	(71,909)
Impairment of exploration and evaluation assets	7	-	113,520
Impairment of petroleum and natural gas assets	10	764,901	-
Gain from distribution as per arrangement	8	-	(6,790,671)
Fair value adjustment on investment	9	1,516,043	-
Loss on equity accounted investment	9	123,275	456,516
Adjustment to accrued liabilities		-	3,159
		(2,322,062)	6,347,441
Net income (loss)		(2,664,322)	5,428,902
Other comprehensive loss			
Unrealized loss on investments in marketable securities	9	(20,833)	-
Comprehensive income (loss) for the year		\$ (2,685,155)	\$ 5,428,902
Earnings (loss) per share, basic		\$ (0.28)	\$ 0.57
Weighted average number of common shares outstanding, basic		9,517,150	9,517,150
Earnings (loss) per share, diluted		\$ (0.28)	\$ 0.52
Weighted average number of common shares outstanding, diluted		9,517,150	10,345,106

Goldstrike Resources Ltd.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share capital		Equity Reserve	Share-based Payment Reserve	Accumulated other comprehensive loss	Deficit	Total
	Number of shares	Amount					
Balance at January 1, 2019	9,517,150	\$ 48,537,360	\$ 1,195,608	\$ 18,370,581	\$ -	\$ (53,110,626)	\$ 14,992,923
Comprehensive loss for the year	-	-	-	-	(20,833)	(2,664,322)	(2,685,155)
Balance at December 31, 2019	9,517,150	\$ 48,537,360	\$ 1,195,608	\$ 18,370,581	\$ (20,833)	\$ (55,774,948)	\$ 12,307,768

	Share capital		Equity Reserve	Share-based Payment Reserve	Accumulated other comprehensive loss	Deficit	Total
	Number of shares	Amount					
Balance at January 1, 2018	9,517,150	\$ 48,537,360	\$ 1,195,608	\$ 18,257,999	\$ -	\$ (48,551,369)	\$ 19,439,598
Comprehensive income for the year	-	-	-	-	-	5,428,902	5,428,902
Distribution as per plan arrangement	-	-	-	-	-	(9,988,159)	(9,988,159)
Stock-based compensation	-	-	-	112,582	-	-	112,582
Balance at December 31, 2018	9,517,150	\$ 48,537,360	\$ 1,195,608	\$ 18,370,581	\$ -	\$ (53,110,626)	\$ 14,992,923

See accompanying notes to the consolidated financial statements

Goldstrike Resources Ltd.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	For the Year Ended December 31,	
	2019	2018
Operating activities		
Net Income (loss) for the year	\$ (2,664,322)	\$ 5,428,902
Adjustments for non-cash items:		
Amortization	62,748	2,780
Impairment of exploration and evaluation assets	-	113,520
Impairment of petroleum and natural gas assets	764,901	-
Accretion	3,120	3,121
Interest expense	7,105	-
Stock-based compensation	-	112,582
Adjustments to accrued liabilities	-	3,159
Gain from plan arrangement	-	(6,790,671)
Fair value adjustment on investment	1,516,043	-
Loss on equity investment	123,275	456,516
Changes in non-cash working capital:		
Accounts receivable	67,992	16,803
Prepaid expenses and deposits	12,678	111,541
Trade payables and accrued liabilities	(47,036)	(7,781)
Net cash flows used in operating activities	(153,496)	(549,528)
Investing activities		
Purchase of equipment	(2,071)	(2,119)
Exploration and evaluation assets	(102,180)	(241,397)
Investment	-	(2,500,000)
Exploration and evaluation assets option payment received	-	1,327,500
Petroleum and natural gas assets	(101,959)	(86,878)
Reclamation costs	(3,832)	(4,734)
Net cash flows used in investing activities	(210,042)	(1,507,628)
Financing activities		
Lease payments	(63,726)	-
Net cash flows used in financing activities	(63,726)	-
Decrease in cash and cash equivalents	(427,264)	(2,057,156)
Cash and cash equivalents, beginning	2,672,671	4,729,827
Cash and cash equivalents, ending	\$ 2,245,407	\$ 2,672,671
Cash and cash equivalents consist of:		
Cash	\$ 52,526	\$ 546,153
GIC	2,192,881	2,126,518
	\$ 2,245,407	\$ 2,672,671

1. Nature of operations

Goldstrike Resources Ltd. (the “Company”) was incorporated under the laws of the province of British Columbia, Canada. The Company trades on the TSV Venture Exchange (the “TSX-V”) under the symbol “GSR.V”, and the Frankfurt Stock Exchange under the symbol “KCG”. The registered office of the Company is located at Suite 1500, 1040 West Georgia Street, Vancouver, B.C. The head office of the Company is located at Suite 1010, 1130 West Pender Street, Vancouver, B.C.

The Company is a mineral exploration company focusing on acquiring and developing exploration and evaluation assets.

These consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern. The Company has no current source of revenues from operations. The Company’s continuation as a going concern is dependent upon the successful results from its exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand and the private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may materially less than the amounts on its statement of financial position.

2. Significant accounting policies and basis of preparation

The consolidated financial statements were authorized for issuance on April 23, 2020 by the directors of the Company.

Statement of compliance with IFRS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of measurement

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars, except otherwise indicated. The financial currency of each entity is measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiary is the Canadian dollar.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary. The subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control and continues to be consolidated until the date such control ceases. Details of the controlled entity are as follows:

Entity:	Country of incorporation:	Ownership interest	
		December 31, 2019	December 31, 2018
Petro One Energy Corp.	Canada	100%	100%

Inter-company balances and transactions have been eliminated upon consolidation.

Significant estimates and assumptions

The preparation of these financial statements in accordance with IFRS requires management to make certain 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 exploration and evaluation assets and petroleum and natural gas assets, the measurements for financial instruments and share-based payments, the recoverability of deferred tax assets and the measurement of decommissioning liabilities.

2. Significant accounting policies and basis of preparation (continued)

Critical judgements in applying accounting policies

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 following are the most significant judgements that management has made in applying the Company's financial statements: the assessment of the Company's ability to continue as a going concern, the identification of cash-generating units, determining whether the Company has significant influence over an investee, and the classification of evaluation and exploration assets.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and redeemable guaranteed investment certificates.

Investment in associate

Associates are all entities over which the Company has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Company had determined its investment in Golden Sky Minerals Corp. ("Golden Sky") was an investment in associate until its ownership interest was significantly diluted (Note 9).

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Where change in an investment in associate results in the Company no longer having significant influence, the use of equity method will be discontinued if the retained interest in the former associate or joint venture is a financial asset. The retained interest will be measured at fair value on initial recognition as a financial asset in accordance with IFRS 9, with any difference between the carrying value of the investment and the fair value of the financial asset recorded in profit or loss.

Financial instruments

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

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company classifies its cash, cash equivalents, restricted cash and accounts receivable at amortized cost. The Company classifies its marketable securities at FVTOCI. The Company classifies its accounts payable at amortized cost.

(ii) Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

2. Significant accounting policies and basis of preparation (Continued)

Financial instruments (Continued)

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 statement of 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 statement of comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (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 credit risk of 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 statement 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. Gains and losses on derecognition are generally recognized in the statement of comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of comprehensive loss.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the common shares. If the proceeds from the offering are less than or equal to the estimated fair market value of common shares issued, no value is assigned to the warrants. Warrants that are issued as payment to a finder or other transaction costs are accounted for as share-based payments.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

2. Significant accounting policies and basis of preparation (Continued)

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive loss.

Amortization is calculated on a declining-balance method over their estimated useful lives. Amortization is provided at half the annual rate in the year of acquisition. The estimated useful lives of equipment are reviewed when events and circumstances warrant. The Company's equipment consists of computer equipment and computer software, which are amortized on a 55% and 100% declining-balance basis, respectively.

Share-based payments

The Company has a stock option plan. Share-based payments to employees are measured at the grant date at fair value and recognized 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 credited to the share-based payment reserves. The fair value of stock options is determined using the Black-Scholes option pricing model. 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.

Exploration and evaluation assets

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

Exploration and evaluation expenditures are capitalized. The Company capitalizes costs to specific blocks of claims or areas of geological interest. Government tax credits and grants received are recorded as a reduction to the cumulative costs.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

2. Significant accounting policies and basis of preparation (Continued)

Impairment of assets

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Petroleum and natural gas interests

Exploration license and unproved property acquisition costs, geological and geophysical costs and costs directly associated with an exploration well and appraisal activities are capitalized. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability. As the Company has not yet commenced commercial production of petroleum and natural gas products, any revenues in the development stage from test wells or other incidental production is treated as a recovery of capitalized exploration costs.

The assessment of technical feasibility and commercial viability is based upon estimates of the recoverability of capitalized costs by future exploitation or sale and where the activities have reached a stage that permits a reasonable assessment of the existence of proved reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available.

When technical feasibility and commercial viability of a well is determinable based on management's assessment of current information, the exploration and evaluation assets attributable to that well are first tested for impairment and then reclassified from exploration and evaluation assets to property and equipment.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability if the risks have not been incorporated into the estimate of cash flows. The increase in the provision due to the passage of time is recognized within accretion expense.

Decommissioning liabilities

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. Decommissioning liabilities are measured at the present value of management's best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation and discount rates. Changes in the present value of the estimated expenditure are reflected as an adjustment to the provision and relevant asset. The unwinding of the discount on the decommissioning provision is recognized as accretion expense. Actual costs incurred upon settlement of the decommissioning liabilities are charged against the provision to the extent the provision was recognized.

2. Significant accounting policies and basis of preparation (Continued)

Adoption of New Accounting Standards

Effective January 1, 2019, the Company adopted the requirements of IFRS 16 using the modified retrospective approach. Accordingly, comparative figures as at and for the year ended December 31, 2018 have not been restated and continued to be reported IAS 17 and IFRIC 4, determining whether an arrangement contains a lease (“IFRIC 4”).

This new standard replaces IAS 17 Leases and IFRIC 4. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current accounting for finance leases, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed.

The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- i. The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- ii. The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- iii. The Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use

For recording new right-of-use assets and lease liabilities under IFRS 16, the Company:

- Discounted remaining future lease payments as at January 1, 2019 using its incremental borrowing rate as at January 1, 2019 of 8%; and
- Measured the right-of-use asset equal to the lease liability at January 1, 2019.

The following is a reconciliation of total operating lease commitments at December 31, 2018 to the lease liabilities recognized at January 1, 2019:

Lease commitment at January 1, 2019	\$	129,137
Discounted using incremental borrowing rate		(9,436)
Lease liability	\$	119,701

2. Significant accounting policies and basis of preparation (Continued)

Measurement and Recognition of Leases as a Lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the balance sheet. The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available. If the interest rate implicit in the lease is not readily available, the Company discounts using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets have been included under non-current assets and lease liabilities have been included under current and non-current liabilities.

3. Accounts receivable

	December 31, 2019	December 31, 2018
GST receivable	\$ 4,716	\$ 6,834
Royalty income receivable	4,740	2,897
Receivable from oil sales	-	6,206
Other receivables	8,832	3,394
Due from Golden Sky	-	66,949
	\$ 18,288	\$ 86,280

4. Prepaid expenses and deposits

	December 31, 2019	December 31, 2018
Current prepaid expenses	\$ 27,324	\$ 40,002
Non-current deposits	18,329	18,329
	\$ 45,653	\$ 58,331

5. Right of use lease asset

The Company's right-of-use asset relates to the lease of office space.

On adoption of IFRS 16, the group recognized lease liabilities which has previously been classified as "operating leases" under IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments and discounted using the lessee's estimated borrowing rate as of January 1, 2019. The estimated borrowing rate applied to the lease liabilities on January 1, 2019 was 8%.

Cost:		
Balance at January 1, 2019, on adoption of IFRS 16	\$	119,701
Accumulated amortization:		
Balance at January 1, 2019, on adoption of IFRS 16		-
Depreciation for the period		59,851
Balance, December 31, 2019		59,850
Net book value:		
As at January 1, 2019, on adoption of IFRS 16	\$	119,701
As of December 31, 2019	\$	59,850

6. Lease liability

On January 1, 2018, the Company signed a lease agreement for its Vancouver office premise for three years expiring December 31, 2020.

Balance at January 1, 2019, on adoption of IFRS 16	\$	119,701
Interest expense		7,105
Lease payments		(63,726)
Balance, December 31, 2019	\$	63,080

Goldstrike Resources Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)
For the year ended December 31, 2019 and 2018

7. Exploration and evaluation assets

A continuity of the Company's exploration and evaluation assets is as follows:

	Balance at December 31, 2018	Exploration							Subtotal	Balance at December 31, 2019
		Assay	Exploration Management	Logistics	Field Equipment	Travel & Accommodation	Geological & Geophysical Consulting			
Mineral Property Interests										
Cando2	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1
Plateau	9,469,995	32	93,340	700	(5,810)	1,030	12,888	102,180	9,572,175	
St. Patrick	1	-	-	-	-	-	-	-	1	
Strike Claims	1	-	-	-	-	-	-	-	1	
Total:	\$ 9,469,998	\$ 32	\$ 93,340	\$ 700	\$ (5,810)	\$ 1,030	\$ 12,888	\$ 102,180	\$ 9,572,178	

A continuity of the Company's exploration and evaluation assets is as follows:

	Balance at December 31, 2017	Acquisition	Option payment received	Exploration										Subtotal	Government		Balance at December 31, 2018			
				Assay	Trenching & Drilling	Contractors & Labour	Exploration Management	Logistics	Field Equipment	Travel & Accommodation	Mapping	Permitting	Geological & Geophysical Consulting		Grant	Impairment				
Mineral Property Interests																				
Cando2	\$ 56,039	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (56,038)	\$ 1	
Plateau	10,556,094	17,810	(1,327,500)	12,724	10,783	10,651	8,768	17,483	(2,796)	20,448	10,670	-	134,860	223,591	-	-	-	-	9,469,995	
St. Patrick	13,389	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,388)	1
Strike Claims	44,095	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(44,094)	1
Total:	\$ 10,669,617	\$ 17,810	\$ (1,327,500)	\$ 12,724	\$ 10,783	\$ 10,651	\$ 8,768	\$ 17,483	\$ (2,796)	\$ 20,448	\$ 10,670	\$ -	\$ 134,860	\$ 223,591	\$ -	\$ -	\$ (113,520)	\$ 9,469,998		

On August 10, 2018, the Company completed the plan of arrangement with Golden Sky (Note 8) in which it spun-off the White Gold District properties, being the Lucky Strike, Hotspot, Bull's Eye, BRC, Gold Source and King's Ransom properties. Pursuant to the purchase and sale agreement, the Company was reimbursed by Golden Sky for all exploration work incurred from January 1, 2018 to the date of transfer and therefore these properties have been excluded from the above table.

7. Exploration and evaluation assets (Continued)

Plateau Property

The Company has a 100% interest in the Plateau Property which is subject to a 3% Net Smelter Royalty (“NSR”) royalty which may be reduced by 1% for a payment of \$1,500,000.

During the year ended December 31, 2017, the Company entered into an investment agreement and an earning and venture agreement with Newmont Canada FN Holdings ULC (“Newmont”), whereby Newmont agreed to acquire 12,705,715 pre-consolidation units of the Company for gross proceeds of USD\$4,500,000 (\$6,025,050) (the “Investment”) and the Company granted the options to Newmont to earn the participating interest in the Plateau Property up to 80% (“Earn-In Transaction”).

During the year ended December 31, 2018, the Company received an option payment of USD \$1,000,000 (\$1,349,200) from Newmont pursuant to the earning and venture agreement.

On January 23, 2019, Newmont provided notice to the Company that it was terminating its rights with respect to the Earn-In Transaction.

Goldspike Exploration Inc. Option Agreement

Cando2 Property

The Company has a 100% interest in the Cando2 Property which is subject to a 3% NSR. During the year ended December 31, 2018, the Company assessed that the carrying value of the property was impaired to \$1.

Strike Claims Property

The Company has a 100% interest in the Strike Claims Property. During the year ended December 31, 2018, the Company assessed that the carrying value of the property was impaired to \$1.

St. Patrick Property

The Company has a 100% interest in the St. Patrick Property. During the year ended December 31, 2018, the Company assessed that the carrying value of the property was impaired to \$1.

8. Plan of Arrangement

On August 10th, 2018, the Company completed the plan of arrangement with Golden Sky (the “Transaction”). The Transaction resulted in:

- The Company’s shareholders receiving one common share of Golden Sky for every seven common shares held by the Company’s shareholders;
- The Company’s option and warrant holders receiving one Golden Sky option or warrant for every seven options or warrants of the Company held by the holders, with necessary adjustments to the exercise price for the Arrangement based on the proportionate value of the White Gold Properties;
- Golden Sky indirectly acquiring the Company’s six 100% owned White Gold District properties, being the Lucky Strike, Hotspot, Bull’s Eye, BRC, Gold Source and King’s Ransom properties; and
- The Company investing an aggregate of \$2,500,000 in Golden Sky by subscribing for 833,333 units of Golden Sky at a subscription price of \$3.00 per Unit. Each Unit is comprised of one Golden Sky Share and one share purchase warrant, with each Warrant entitling the holder to acquire one Golden Sky Share at a price of \$6.00 for a period of 36 months from August 10, 2018, subject to acceleration. The Company attributed all of the transaction value to the shares as this was supported by the subsequent trading price of the Golden Sky share which is a level 1 fair value measure. No value was recorded for the warrants as IFRS 9 does not permit the recognition of a day 1 gain or loss where the fair value measurement uses unobservable inputs.

8. Plan of Arrangement (Continued)

The plan of arrangement was accounted for as a distribution of non-cash assets to the Company's owners in accordance with IFRIC 17. The Company recorded a gain being the difference between the fair value and the carrying value of the assets distributed. The fair value of the assets transferred was estimated based on the fair value of the equity instruments issued by Golden Sky to complete the Transaction as follows:

Equity instruments issued:	
Golden Sky common shares	\$ 8,157,575
Stock options	927,513
Warrants	903,071
	\$ 9,988,159

The fair value of the Golden Sky common shares was estimated based on the private placement that was completed concurrently with the Transaction. The fair value of the options and warrants was estimated based on the Black-Scholes option pricing model. The carrying value of the White Gold District properties at the time of the Transaction was \$3,197,488 resulting in a gain of \$6,790,671. On completion of the Transaction, the Company recorded the fair value of the assets distributed as a charge to deficit.

9. Investment in Golden Sky

The Company holds a total of 833,333 Golden Sky common shares which is representing 8.90% (December 31, 2018 – 22.17%) of the issued and outstanding Golden Sky Shares. The Company's interest in Golden Sky shares was accounted for using the equity method until December 18, 2019.

	Carrying Value
Fair value of Golden Sky investment acquired under plan arrangement	\$ 2,500,000
Share of loss for period	(456,516)
Carrying value at December 31, 2018	2,043,484
Share of loss for the period	(123,275)
Carrying value on December 18, 2019.	\$ 1,920,209

Summarized financial information for Golden Sky as at December 31, 2018:

	December 31, 2018
Total assets	\$ 11,525,166
Total liabilities	126,663
Net loss	\$ 2,058,662

On December 18, 2019, as a result of the closing of a private placement by Golden Sky, the Company's interest decreased to 8.90%. As a result of this dilution, the use of equity method was discontinued and the difference of \$1,516,043 between the carrying value of the investment under the equity method and the fair value of the financial assets was recorded in profit or loss.

Marketable securities are measured at fair value by reference to quoted stock prices. During the year ended December 31, 2019, the Company recorded an unrealized loss of \$20,833.

9. Investment in Golden Sky (Continued)

	Fair value
Fair value on initial recognition as a financial instrument under IFRS 9	\$ 404,166
Unrealized loss	(20,833)
Carrying value at December 31, 2019	\$ 383,333

The Company also holds 833,333 share purchase warrants in Golden Sky. Each Golden Sky warrant entitles the Company to purchase one additional share of Golden Sky at a price of \$6.00 per share for a period of 36 months from August 10, 2018, subject to acceleration. The fair value recorded for the warrants at December 31, 2019 was determined to be nominal.

10. Petroleum and natural gas assets

	Well Equipment	Exploration and Evaluation	Total
Balance at December 31, 2017	116,269	554,745	671,014
Additions	-	245,753	245,753
Incidental revenue	-	(158,875)	(158,875)
Amortization	(11,198)	11,198	-
Balance at December 31, 2018	\$ 105,071	\$ 652,821	\$ 757,892
Additions	-	166,314	166,314
Incidental revenue	-	(64,355)	(64,355)
Amortization	(10,121)	10,121	-
Impairment	-	(764,901)	(764,901)
Balance at December 31, 2019	\$ 94,950	\$ -	\$ 94,950

The Company's petroleum and natural gas assets consist of oil and gas wells located in Saskatchewan and Manitoba. During the year ended December 31, 2019, the Company determined that it was unlikely to recover its investment in the exploration and evaluation assets and therefore wrote-down the carrying value to \$nil.

11. Accounts payables and accrued liabilities

	December 31, 2019	December 31, 2018
Accounts Payable	\$ 9,523	\$ 34,660
Accrued Liabilities	31,280	31,379
Due to related parties (Note 13)	449	21,977
GST payable	47	319
Prepaid rent advance received	30,000	30,000
	\$ 71,299	\$ 118,335

12. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

No shares were issued during the years ended December 31, 2019 and 2018.

Stock option

The Company has adopted a stock option plan, which provides that the Board of Directors of the Company may, in accordance with the TSX-V 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 20% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 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 of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent of the issued and outstanding common shares.

As at December 31, 2019 the Company had the following options outstanding and exercisable:

Date Issued	Expiry Date	Exercise Price	Number of Options	Number of Options
			Outstanding	Exercisable
January 26, 2011	January 26, 2021	\$ 1.75	32,500	32,500
August 5, 2011	August 5, 2021	\$ 2.98	5,000	5,000
August 5, 2011	August 5, 2021	\$ 1.75	145,000	145,000
August 19, 2011	August 19, 2021	\$ 1.75	5,000	5,000
October 17, 2011	October 17, 2021	\$ 2.98	5,000	5,000
June 23, 2014	June 23, 2024	\$ 1.75	85,000	85,000
August 15, 2014	August 15, 2024	\$ 1.75	105,000	105,000
March 6, 2015	March 5, 2020	\$ 1.75	50,000	50,000
February 29, 2016	August 3, 2020	\$ 1.75	6,250	6,250
February 29, 2016	November 26, 2020	\$ 1.75	36,250	36,250
February 29, 2016	February 2, 2021	\$ 1.75	3,750	3,750
February 29, 2016	May 5, 2021	\$ 1.75	11,250	11,250
February 29, 2016	July 31, 2024	\$ 1.75	71,250	71,250
February 29, 2016	July 31, 2024	\$ 1.75	1,250	1,250
April 11, 2016	April 11, 2021	\$ 2.80	5,000	5,000
April 19, 2016	April 19, 2026	\$ 2.98	50,000	50,000
April 28, 2016	April 28, 2026	\$ 3.15	117,500	117,500
May 6, 2016	May 6, 2026	\$ 3.15	150,000	150,000
July 26, 2016	July 26, 2021	\$ 4.55	10,000	10,000
July 29, 2016	July 29, 2021	\$ 4.55	5,000	5,000
October 11, 2016	October 11, 2021	\$ 4.55	25,000	25,000
May 18, 2017	May 18, 2027	\$ 5.95	462,500	462,500
			1,387,500	1,387,500

12. Share capital (Continued)

Stock options (Continued)

The following is a summary of the Company's stock option activities:

	December 31, 2019		December 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	1,387,500	\$ 3.56	1,417,500	\$ 3.61
Option cancelled	-	-	(30,000)	5.83
Options outstanding, end of year	1,387,500	\$ 3.56	1,387,500	\$ 3.56

For the year ended December 31, 2019, the Company recognized share-based compensation relating to the vesting of options granted in prior years of \$nil (2018 - \$112,582).

As at December 31, 2019, 1,387,500 options were exercisable. The weighted average life and weighted average exercise price of exercisable options are 5.09 years and \$3.56 respectively.

Share purchase warrants

As at December 31, 2019, the Company had the following warrants outstanding:

Date issued	Expiry date	Exercise price	Number of warrants outstanding
February 13, 2015	February 13, 2020	\$ 1.05	571,000

Pursuant to the Transaction, the exercise price of the share purchase warrants was reduced by 12.5% to reflect the estimated fair value of the Company's assets that were distributed to Golden Sky. This reduction is reflected in the exercise prices in the above table.

The following is a summary of the Company's warrant activities:

	December 31, 2019		December 31, 2018	
	Number of Common Shares Issuable	Weighted Average Exercise Price	Number of Common Shares Issuable	Weighted Average Exercise Price
Warrants outstanding, beginning	2,014,162	\$ 6.78	2,233,250	\$ 6.63
Warrants cancelled	(635,286)	15.00	-	-
Warrants expired	(807,876)	4.38	(219,088)	5.25
Warrants outstanding, ending	571,000	\$ 1.05	2,014,162	\$ 6.78

As at December 31, 2019, the weighted average exercise price and weighted average life of the warrants are \$1.05 and 0.12 years, respectively.

Share-based payment reserves

The share-based payment reserves record items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

13. Related party transactions

Key personnel compensation:

	December 31, 2019	December 31, 2018
Management and accounting fees incurred to a company controlled by the Chief Financial Officer of the Company	\$ 60,000	\$ 112,500
Management fees incurred to a company controlled by the Chief Executive Officer of the Company	\$ 3,350	\$ 91,450
Corporate development and communication fees incurred to a company controlled by the Chief Operating Officer of the Company	\$ 56,660	\$ 87,773
Corporate development and communication fees incurred to a company controlled by the Chief Operating Officer of the Company	\$ 857	\$ -
Exploration management fees incurred to a company controlled by the Chief Operating Officer and capitalized to exploration and evaluation assets	\$ 103,330	\$ 157,778
Directors' fees incurred to directors of the Company	\$ 12,000	\$ 12,000
Gross overriding royalty (Petroleum & natural gas production) paid to companies controlled by retired director and officer of the Company	\$ 3,025	\$ 8,163

As at December 31, 2019, \$449 (December 31, 2018 - \$21,977) was owing to related parties and has been included in accounts payables and accrued liabilities (Note 11). The amounts are unsecured, non-interest bearing and due on demand.

14. Income Tax

The income tax provisions differ from the expected amounts calculated by applying Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	December 31, 2019	December 31, 2018
Net income (loss)	\$ (2,664,322)	\$ 5,428,902
Statutory tax rate	27%	27%
Expected income tax expense (recovery)	(719,367)	1,465,804
Permanent differences	112	153,656
Impact of distribution of Golden Sky	-	(1,833,481)
Adjustment to prior year provision versus statutory	(536,360)	287,197
Increase in valuation allowance	1,445,439	324,439
Other	(189,824)	(397,615)
Income tax recovery	\$ -	\$ -

14. Income Tax (Continued)

The Company's tax-effected future income tax assets and liabilities are estimated as follows:

	December 31, 2019	December 31, 2018
Deferred income tax assets		
Non-capital loss carry-forwards	\$ 4,683,669	\$ 4,784,574
Canadian eligible capital	-	13,396
Equipment	489,089	488,057
Research and development	190,844	190,844
Share issuance costs	27,002	50,078
Tax credits	392,032	382,232
Asset retirement obligation	81,260	81,452
Exploration and evaluation assets	8,006,227	8,069,314
	13,870,123	14,059,947
Less: Valuation allowance	(13,870,123)	(14,059,947)
Net deferred income tax assets	\$ -	\$ -

The Company has non-capital losses of \$18,014,110 which expire in the years 2026 to 2039, and resource pools relating to exploration and development costs that may be carried forward indefinitely.

15. Decommissioning liabilities

Closing balance, December 31, 2017	\$ 303,288
Accretion	3,121
Reclamation expenses	(4,734)
Closing balance, December 31, 2018	\$ 301,675
Accretion	3,120
Reclamation expenses	(3,832)
Closing balance, December 31, 2019	\$ 300,963

The Company's decommissioning liabilities result from ownership interests in petroleum and natural gas interests including well sites, gathering systems and processing facilities. The total decommissioning liabilities were estimated by management based on the Company's net ownership interest in all wells, estimated costs to reclaim and abandon the wells and the estimated timing of the costs to be incurred in future periods. The Company has estimated the total discounted amount of future cash flows to settle the liabilities to be \$300,963 (December 31, 2018 - \$301,675) as at December 31, 2019. These payments are expected to be made over the next two to five years.

A risk-free rate of 0.8% (2018 – 0.8%) and an inflation rate of approximately 1% (2018 – 1%) were used to calculate the fair value of the decommissioning liabilities.

16. Contingencies

As of December 31, 2019, the Company has two guaranteed letters of credit in the amount of \$173,070 (expiring and renewable in June 2020) and \$145,230 (expiring and renewable in January 2020) issued by Bank of Montreal for the Minister of Finance – the Saskatchewan Oil and Gas Orphan Fund.

17. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

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 and cash equivalents. Cash and cash equivalents are held with the same financial institution giving rise to a concentration of credit risk. This risk is managed by using a major Canadian bank that is a high credit quality financial institution.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. All of the Company's financial liabilities are due within a year.

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 does not incur significant expenditures that are denominated in foreign currencies and does not have any mineral property commitments that are denominated in foreign currencies. Therefore, the Company's exposure to currency risk is considered minimal.

Interest rate risk

Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk as cash and cash equivalents earn interest income at variable rates. The fair value of cash and cash equivalents are minimally affected by changes in short term interest rates.

Classification of financial instruments

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

	December 31, 2019	December 31, 2018
Financial asset at amortized cost:		
Cash and cash equivalents (including restricted cash)	\$ 2,563,707	\$ 2,990,971
Accounts receivable	13,572	79,446
Fair value through other comprehensive income:		
Marketable securities	383,333	-
	<u>\$ 2,960,612</u>	<u>\$ 3,070,417</u>

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

	December 31, 2019	December 31, 2018
Financial liabilities at amortized cost:		
Accounts payables	\$ 39,570	\$ 64,979
Due to related parties	449	21,977
	<u>\$ 40,019</u>	<u>\$ 86,956</u>

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

18. Capital Management

The Company manages its capital, consisting of share and working capital, in a manner consistent with the risk characteristic of the assets it holds. All sources of financing are analyzed by management and approved by the board of directors.

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern. The Company is meeting its objective of managing capital through preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity. The Company is not subject to any externally imposed capital restrictions.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any external restrictions on its capital.

19. Subsequent events

Effective January 17, 2020, the Company completed the consolidation of its common shares on a 20-old-for-1-new share basis. As of the effective date, the Company had 9,517,186 shares, 1,387,500 stock options and 571,000 warrants issued and outstanding.

As of January 31, 2020, the Company decided to cancel the issued and outstanding stock options and received consents from stock option holders to cancel a total of 1,342,500 options, leaving 45,000 stock options outstanding with exercise prices ranging from \$1.75 to \$5.95.

As of February 13, 2020, 571,000 warrants with exercise price at \$1.05 expired.

The recent outbreak of the coronavirus, also known as "COVID-19," has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. The effect that these events will have, such as the ability for the Company to raise capital, the value of the Company's exploration and evaluation assets and the costs to perform reclamation work on the Company's decommissioning obligations, cannot be determined at this time.