

Consolidated Financial Statements of

WILTON RESOURCES INC.

As at and for the years ended December 31, 2019 and 2018



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Wilton Resources Inc.

Opinion

We have audited the consolidated financial statements of Wilton Resources Inc. (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2019 and December 31, 2018
- the consolidated statements of operations and comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' deficit for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

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

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 "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' 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

We draw attention to note 2 in the financial statements, which indicates that the Company has a significant working capital deficiency as at December 31, 2019 and requires additional capital to fund the working capital deficit, and continue operations.

As stated in note 2 in the financial statements, these events or conditions, along with other matters as set forth in note 2 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will 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 and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

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 IFRS, 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.

Auditors' 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 auditors' 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 the 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 auditors' 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 auditors' 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.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 auditors' report is Petre Gueorguiev Kotev.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
April 27, 2020

WILTON RESOURCES INC.
Consolidated Statements of Financial Position
For the years ended December 31, 2019 and 2018

As At	Note	December 31, 2019	December 31, 2018
Assets			
Current Assets			
Cash		\$ 280,923	\$ 130,672
Accounts receivable	15	354,588	266,612
Prepaid expenses		6,759	2,769
		642,270	400,053
Property and equipment	7	54,342	-
Total Assets		\$ 696,612	\$ 400,053
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 1,067,425	\$ 934,635
Decommissioning obligation	8	46,770	47,379
Total Liabilities		1,114,195	982,014
Shareholders' Equity (Deficit)			
Share capital	9	14,446,481	13,396,771
Warrants	11	2,096,859	1,382,500
Contributed surplus		5,648,021	5,238,948
Deficit		(22,608,944)	(20,600,180)
		(417,583)	(581,961)
Total Liabilities and Shareholders' Equity (Deficit)		\$ 696,612	\$ 400,053
Going concern	2		
Subsequent event	17		

See accompanying notes to the consolidated financial statements.

These consolidated financial statements were approved by the Directors of the Company.

(signed) "Richard Anderson" , Director (signed) "Gerald Roe" , Director

WILTON RESOURCES INC.**Consolidated Statements of Operations and Comprehensive Loss
For the years ended December 31, 2019 and 2018**

	Note	2019	2018
Revenue			
Petroleum and natural gas sales		\$ 13,367	\$ -
Less:			
Royalty		2,195	-
		11,172	-
Expenses			
Production		5,545	-
General and administrative	14	1,524,459	1,585,113
Stock-based compensation	10	271,073	645,844
Accretion of decommissioning obligation	8	(3,638)	2,594
Depletion	7	8,687	-
		1,806,126	2,233,551
Net loss and comprehensive loss		\$ 1,794,954	\$ 2,233,551
Loss per share - basic and diluted	12	\$ 0.03	\$ 0.04

See accompanying notes to the consolidated financial statements.

WILTON RESOURCES INC.
Consolidated Statements of Cash Flows
For the years ended December 31, 2019 and 2018

	Note	2019	2018
Cash flows used in operating activities			
Net loss		\$ (1,794,954)	\$ (2,233,551)
Items not affecting cash:			
Stock-based compensation	10	271,073	645,844
Accretion	8	(3,638)	2,594
Depletion	7	8,687	-
Change in non-cash working capital		40,824	(192,126)
Net cash used in operating activities		(1,478,008)	(1,777,239)
Cash flows from financing activities			
Exercise of warrants	11	-	1,353,928
Proceeds on issuance of units, net	9	1,688,259	-
Change in non-cash working capital		-	368,400
Net cash provided by financing activities		1,688,259	1,722,328
Cash flows used in investing activities			
Property and equipment		(60,000)	-
Net cash used in investing activities		(60,000)	-
Change in cash position		150,251	(54,911)
Cash, beginning of year		130,672	185,583
Cash, end of year		\$ 280,923	\$ 130,672

See accompanying notes to the consolidated financial statements.

WILTON RESOURCES INC.**Consolidated Statements of Changes in Shareholders' Deficit
For the Years ended December 31, 2019 and 2018**

	Share capital	Contributed surplus	Warrants/ agents' options	Deficit	Total
Balance at January 1, 2019	\$ 13,396,771	\$ 5,238,948	\$ 1,382,500	\$ (20,600,180)	\$ (581,961)
Issuance of common shares, net	1,049,710	-	-	-	1,049,710
Warrants issued (note 11)	-	-	638,549	-	638,549
Warrants expired	-	138,000	(138,000)	-	-
Warrant extension (note 11)	-	-	213,810	(213,810)	-
Share-based compensation (note 10)	-	271,073	-	-	271,073
Net loss and comprehensive loss	-	-	-	(1,794,954)	(1,794,954)
Balance at December 31, 2019	\$ 14,446,481	\$ 5,648,021	\$ 2,096,859	\$ (22,608,944)	\$ (417,583)
Balance at January 1, 2018	\$ 11,624,278	\$ 4,059,677	2,334,493	\$ (18,366,629)	\$ (348,181)
Share-based compensation (note 10)	-	645,844	-	-	645,844
Warrants expired	-	533,427	(533,427)	-	-
Warrants exercised (note 11)	1,772,493	-	(418,566)	-	1,353,927
Net loss and comprehensive loss	-	-	-	(2,233,551)	(2,233,551)
Balance at December 31, 2018	\$ 13,396,771	\$ 5,238,948	\$ 1,382,500	\$ (20,600,180)	\$ (581,961)

See accompanying notes to the consolidated financial statements.

WILTON RESOURCES INC.

Notes to the Consolidated Financial Statements

Years ended December 31, 2019 and 2018

1. General business description

Hackamore Capital Corp. was incorporated under the laws of the Province of Alberta on August 15, 2007 and changed its name to Wilton Resources Inc. on October 27, 2008. On July 24, 2009, the Company completed its initial public offering (“IPO”) by way of a capital pool company prospectus. The Company was listed as a capital pool company (“Capital Pool Company”) as defined in Policy 2.4 of the TSX Venture Exchange (“TSXV”) on August 5, 2009. On October 28, 2011, Wilton completed its qualifying transaction (“Qualifying Transaction”) by the acquisition of a 75% non-operated working interest in a producing oil and natural gas well located in Monitor, Alberta.

The consolidated financial statements of the Company comprise accounts of the Company and its subsidiaries (collectively, the "Company" or "Wilton"). Wilton is currently an oil and gas exploration and development company, with a property in Canada, however, the Company is pursuing oil and gas properties in various international locations including the Middle East and Africa.

The common shares of the Company (“Common Shares”) are listed for trading on the TSXV with the trading symbol WIL.

The address of the Company is 1900, 520-3rd Ave SW, Calgary, Alberta, T2P 0R3.

2. Going concern

As at December 31, 2019, the Company has a working capital deficit of \$425,155 (2018 - \$534,582). In order to settle its existing liabilities and continue operations, including its ongoing oil and natural gas acquisition, exploration and development activities, Wilton will require additional financing. The amount of capital required cannot be quantified until additional transactions are identified and completed. Failure to obtain such financing on a timely basis could cause Wilton to forfeit its interest in its properties, to miss certain acquisition opportunities and/or to reduce or terminate its operations. There can be no assurance that debt or equity financing will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Wilton. Moreover, future activities may require Wilton to alter its capitalization significantly. The inability of Wilton to access sufficient capital for its operations could have a material adverse effect on Wilton’s financial condition, results of operations or prospects. These conditions create a material uncertainty which casts significant doubt on the Company’s ability to continue as a going concern.

The Company's access to capital and the consequences of COVID-19 will impact its ability to complete exploration and development activities, acquire international concessions and to ultimately achieve profitable operations. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue as a going concern and therefore be required to realize its assets and liabilities in other than the normal course of business and potentially at amounts significantly different from those recorded in these consolidated financial statements.

3. Basis of presentation

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

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Notes to the Consolidated Financial Statements
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These consolidated financial statements were authorized for issue by the Board of Directors of the Company on April 27, 2020.

3.2 Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. The following companies have been consolidated within the Company's financial statements.

Subsidiary	Registered	Holding
Beacon Upstream Limited	Nigeria	45%
Wilton Overseas Holding SA	Panama	100%
Wilton Investment Holdings SA	Panama	100%

There are no transactions in any of the entities listed above.

3.3 Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

3.4 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain instruments as outlined in the accounting policies, which are measured at fair value.

3.5 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets, liabilities and equity as at December 31, 2019:

Estimating oil and gas reserves

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

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

Determination of cash generating units (“CGUs”)

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

Decommissioning provision

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

Impairment testing

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

Fair values of stock options and warrants

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

4. Significant accounting policies

4.1 Cash

Cash comprises of cash on hand, cash at bank and short-term investments include investments in highly liquid instruments with original maturities of three months or less.

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4.2 Financial instruments

The Company recognizes financial assets and financial liabilities, including derivatives, on the consolidated statements of financial position when the Company becomes a party to the contract. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are removed from the consolidated financial statements when the liability is extinguished either through settlement of or release from the obligation of the underlying liability.

Financial assets, financial liabilities and derivatives are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instrument's classification, as described below.

Amortized cost

A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the cash flows; and all contractual cash flows represent only principal and interest on that principal. All financial liabilities are measured at amortized cost using the effective interest method except for liabilities incurred for the purposes of selling or repurchasing in the short-term liabilities, if they are held-for trading and those that meet the definition of a derivative. Cash, accounts receivable, and accounts payable are measured at amortized cost.

Fair value through other comprehensive income ("FVTOCI")

A financial asset shall be measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payment of Principal and Interest ("SPPI") on the principal amount outstanding. The Company has no financial assets measured at FVOCI.

Fair value through profit or loss ("FVTPL")

All financial assets that do not meet the definition of being measured at amortized cost or FVTOCI are measured at FVTPL, this includes all derivative financial assets. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. For financial assets and liabilities, the Company may make an irrevocable election to designate an asset at FVTPL. If the election is made it is irrevocable, meaning that asset, liability, or group of financial instruments must be recorded at FVTPL until that asset, liability or group of financial instruments are derecognized.

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

4.3 Equity instruments

Common shares are classified as equity. Incremental costs directly attributable to the common shares are recognized as a deduction from equity, net of any tax effects.

4.4 Impairment

The Company addresses at each reporting date whether there is objective evidence that a financial asset, other than those at fair value through profit and loss, or a group of financial assets, is impaired. When an impairment has occurred, the loss is recognized in the statement of earnings.

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Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Receivables that are assessed not to be impaired are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables may include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in the national or local economic conditions that may default on receivables.

For financial assets carried at amortized cost, the amount of impairment loss recognized is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the financial assets' original effective interest rate.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive loss are reclassified to earnings in the period.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited through the allowance account. Changes in the carrying amount of the allowance account are recognized in earnings.

With the exception of equity instruments, an impairment loss on financial assets is reversed if the reversal can be related objectively to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through earnings to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. Any increase in fair value subsequent to an impairment loss with respect to equity instruments is recognized in comprehensive loss.

4.5 Income taxes

Income tax expense or recovery is comprised of current and deferred tax. Income tax expense or recovery is recognized in earnings except to the extent that it relates to items recognized in equity, in which case it is recognized in equity.

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

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, including carry forward of non-capital losses, can be utilized.

WILTON RESOURCES INC.
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Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they are related to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, where the intention is to settle current tax liabilities and asset on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that the related tax benefit will be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future profit will allow the deferred tax asset to be recovered.

4.6 Share-based compensation

Options granted to employees and directors are recorded at their estimated fair value using a Black-Scholes option pricing model. The associated compensation cost is recognized over the vesting period of the options, net of an estimated forfeiture rate. When the options are exercised, share capital is adjusted to recognize the proceeds received and the associated non-cash compensation costs.

4.7 Warrants

Warrants granted to non-employees are recorded at the fair value of the goods or services received in the statement of operations and comprehensive loss. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is estimated using a Black-Scholes option pricing model.

4.8 Exploration and evaluation assets

Pre-license costs are recognized in earnings as incurred. Costs associated with acquiring an exploration license, including costs to acquire acreage and exploration rights, legal and other professional fees and land brokerage fees are capitalized as exploration and evaluation ("E&E") assets. Geological, geophysical and seismic costs associated with assessing exploration licenses are also capitalized to E&E. Land acquisition costs and expenditures directly associated with exploratory wells are capitalized as E&E assets and remain capitalized until the Company has made a determination of reserves or has chosen to discontinue all exploration activities in the associated area. E&E assets are not subject to depreciation and depletion.

At least annually a review of each exploration area is carried out to identify whether technical feasibility and commercial viability has been achieved, which is often when proved reserves have been discovered. Upon determination of technical feasibility and commercial viability, E&E assets, including land acquisition costs, related seismic and costs directly associated with exploratory wells attributable to those reserves are first tested for impairment and then reclassified from E&E assets to property and equipment. E&E assets are assessed for impairment if (i) sufficient data exists to determine the lack of technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E assets are allocated to CGU's, which are the smallest group of assets capable of generating largely independent cash inflows.

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If no reserves are identified, the capitalized exploration costs and relevant dry hole costs are recorded in earnings.

4.9 Property and equipment

Petroleum and natural gas assets

Development and production costs, including E&E transfers, proved property acquisitions, seismic and geological analysis of proved reserves, drilling, completion, equipping and tying in of development wells, facility and road construction, and decommissioning costs related to oil and gas reserves which have reached technical feasibility and commercial viability are capitalized within property and equipment.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as petroleum and natural gas assets only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in earnings as incurred. Such capitalized subsequent petroleum and natural gas assets generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis.

Repairs, maintenance and the day-to-day servicing of the items of property and equipment are expensed as incurred. The carrying amount of any replaced or sold component is derecognized and any gains or losses from the divestiture of property and equipment are recognized in earnings.

Depletion

Petroleum and natural gas assets are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Petroleum and natural gas assets are depleted using the unit-of-production method over their reserve life based on proved plus probable reserve volumes, unless the useful life of the asset is less than the reserve life, in which case the asset is depreciated over its estimated useful life using the straight-line method. Future development costs are included in costs subject to depletion. Reserves and estimated future development costs are determined annually by qualified independent reserve engineers. Changes in factors such as estimates of reserves that affect unit-of- production calculations are dealt with on a prospective basis.

Proved plus probable reserves are estimated using independent reserves reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially viable.

Such reserves may be considered commercially viable if management has the intention of developing and producing them and such intention is based upon:

- (a) a reasonable assessment of the future economics of such production;
- (b) a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and,
- (c) evidence that the necessary production, transmission and transportation facilities are available or can be made available.

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Reserves may only be considered proved plus probable if their ability to be produced is supported by either actual production or a conclusive formation test.

Disposals

Petroleum and natural gas assets are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on derecognition of the asset, calculated as the difference between the proceeds on disposal, if any, and the carrying value of the asset, is recognized in earnings.

Assets held under finance leases will be depreciated over the expected lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

4.10 Loss per share

Basic loss per share is calculated by dividing the net loss attributable to shareholders of the Company by the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to determine the dilutive effect of issued instruments such as options and warrants. This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase common shares at the average market price for the year. These instruments are not included in the per share calculation if the effect of their inclusion is antidilutive.

4.11 Revenue and expense recognition

Revenue from the sale of crude oil, natural gas and natural gas liquids is recognized based on the consideration specified in contracts with customers. The Company recognizes revenue when control of the product transfers to the buyer and collection is reasonably assured. This is generally at the point in time when the customer obtains legal title to the product which is when it is physically transferred to the pipelines or other transportation method agreed upon.

The following table presents the composition of petroleum and natural gas sales by product:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Crude oil	12,537	-
Natural gas	727	-
Natural gas liquids	103	-
Total petroleum and natural gas sales	13,367	-

Wilton delegated to the Operator the responsibility to sell all petroleum substances produced from upstream joint operation. The transaction price is based on the commodity price, adjusted for quality, location and other factors. The amount of revenue recognized is based on the agreed transaction price with any variability in transaction price recognized in the same period.

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4.12 Business combinations

The Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquire, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in earnings.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

4.13 New Accounting Standards

IFRS 16 – Leases

IFRS 16 replaces IAS 17, Leases was released in January 2016. This standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. Adoption of IFRS 16 is mandatory and will be effective for annual periods beginning on or after January 1, 2019. Effective January 1, 2019, the Company adopted the standard and the adoption did not have an impact as the Company currently has no leases with terms greater than 12 months.

5. Determination of fair values

Certain of the Company's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The significance of inputs used in making fair value measurements for assets and liabilities measured at fair value are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly and are based on valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The fair values of cash, accounts receivable, and accounts payable and accrued liabilities approximates their carrying values due to their short term to maturity and is included in Level 1.

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6. Financial risk management

6.1 Overview

The Company's planned operations will expose it to a variety of financial risks that arise as a result of its operating and financing activities:

- credit risk;
- liquidity risk; and,
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

The Company employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Company's business objectives and risk tolerance levels. While the Directors have the overall responsibility for the establishment and oversight of the Company's risk management framework, management has the responsibility to administer and monitor these risks.

6.2 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk at December 31, 2019 and 2018 is as follows:

	Carrying amount	Carrying amount
	2019	2018
Cash	\$ 280,923	\$ 130,672
Accounts receivable	354,588	266,612
Total	\$ 635,511	\$ 397,284

Cash consists of cash bank balances. The Company manages the credit exposure related to cash by selecting financial institutions with high credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

The Company's accounts receivable relates to amounts owing from the Mr. Anderson, the CEO for advances on operating expenses and GST receivables which are from the Canadian government and is subject to credit risk that would be considered normal in the environment.

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6.3 Liquidity risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements: (a) The Company will not have sufficient funds to settle a transaction on the due date; (b) The Company will be forced to sell financial assets at a value which is less than the fair value; or, (c) The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements are continuously monitored and adjusted as input variables change. As these variables change, liquidity risks may necessitate the Company to conduct equity issues or obtain project debt financing.

The Company's liquidity risk is reflected in Note 2, Going Concern. The Company will require additional funding to reduce its exposure to liquidity risk. The Company continuously monitors its actual and forecast cash flows to review whether there are adequate reserves to meet the maturing profiles of its liabilities (see note 2). The following table outlines the maturities of the Company's liabilities:

	Contractual Cash Flows	Less than 1 year	Greater than 1 year
Accounts payable and accrued liabilities	\$ 1,071,398	\$ 1,071,398	\$ -

6.4 Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's net income or the value of financial instruments. The objective of the Company is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates.

The Company had no interest rate swaps or financial contracts in place and as a result has no exposure to interest rate risk as at or during the years ended December 31, 2019 and 2018.

Commodity price risk

The Company's financial performance is closely linked to natural gas and crude oil prices. While the Company may employ the use of various financial instruments in the future to manage these price exposures, the Company is not currently using any such instruments. The Company has not obtained any hedging instruments to mitigate the potential effects of price fluctuations. The Company does not currently have significant commodity price risk exposure.

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Foreign exchange risk

The Company mainly transacts in Canadian dollars which is the Company's functional currency, therefore, the exposure to foreign currency fluctuation risk is minimal.

6.5 Capital management

The Company's capital management policy is to maintain a capital base that optimizes the Company's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its shareholders. The Company intends to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities, which considers the Company's early stage of development and the requirement to sustain future development of the business (see note 2).

The Company will manage its capital structure and make changes to it in the light of changes to economic conditions and the risk characteristics of the nature of the business. The Company considers its capital structure to include shareholders' deficit and working capital deficit. In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek debt financing and adjust its capital spending to manage its current and projected capital structure.

The Company is not subject to externally imposed capital requirements.

7. **Property and equipment**

Petroleum and natural gas		
Cost		
Balance at January 1, 2018 and December 31, 2018	\$	867,190
Additions		60,000
Asset Retirement Costs		3,029
Balance at December 31, 2019	\$	930,219
Accumulated depletion and impairment		
Balance at January 1, 2018 and December 31, 2018	\$	867,190
Depletion		8,687
Balance at December 31, 2019	\$	875,877
Net book value, December 31, 2018	\$	-
Net book value, December 31, 2019	\$	54,342

On April 30, 2019, the Company entered into a workover participation and earning agreement (the "Agreement") with an Alberta oil and gas company pursuant to which the Company has agreed to participate in a planned workover program with respect to a well near Highvale, Alberta (the "Workover"). Upon execution of the Agreement, the Company paid a \$10,000 signing fee. Pursuant to the Agreement, the Company also paid \$50,000 upon receiving a Workover notice as a fee for its participation in the Workover and earned a 3.833% working interest in the well.

Depletion of \$8,687 was recorded for the year ended December 31, 2019 (2018 - \$nil).

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8. Decommissioning obligation

Decommissioning obligations are estimated based on the Company's net working interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in the future periods. These costs are expected to be incurred between 2020 – 2037 depending on the estimated reserve life. The undiscounted amount of the estimated costs at December 31, 2019 was \$54,710 (2018 - \$57,529). The estimated costs have been discounted at a risk-free rate of 1.63% (2018 - 1.96%) and an inflation rate of 1.31% (2018 - 2%) has been applied.

Balance, January 1, 2018	\$	44,785
Additions		672
Change of estimate		1,922
Balance, December 31, 2018		47,379
Additions		3,029
Change of estimate		(3,638)
Balance December 31, 2019	\$	46,770

9. Share capital

(a) Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares, issuable in series, none of which are issued and outstanding as of the date hereof.

(b) Common Shares

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value.

The holders of Common Shares are entitled to dividends, if, as and when declared by the board of directors, to one vote per share at meetings of the shareholders of the Company and, upon dissolution, to share equally in such assets of the Company as are distributable to the holders of Common Shares.

	Number of shares
Balance at January 1, 2018	49,474,846
Warrants exercise	2,124,272
Balance at December 31, 2018	51,599,118
Shares issued	4,364,714
Balance, December 31, 2019	55,963,832

On February 13, 2019, the Company closed a private placement for an aggregate of 835,714 units of the Company at a purchase price of \$0.56 per unit for gross proceeds of \$468,000. Transaction costs associated with the private placement were \$17,942. Each unit consisted of one Common Share and one Common Share purchase warrant. The fair value assigned to the purchase warrants pursuant to the unit offering was \$257,188. Each purchase warrant entitles the holder to purchase an additional Common Share for a period of twenty-four months from the date of issuance at an exercise price of \$0.70 per Common Share.

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The fair value of the purchase warrants granted was estimated using the Black-Scholes option pricing model based on the date of grant using the following assumptions:

Annualized volatility	111%
Dividend yield	0%
Risk-free interest rate	1.67%
Expected option life	2 years

On June 10, 2019, the Company closed a private placement for an aggregate of 1,500,000 Common Shares at a purchase price of \$0.30 per common share for gross proceeds of \$450,000. Transaction costs associated with the private placement were \$12,816.

On October 24, 2019, the Company closed a private placement for an aggregate of 1,500,000 units of the Company at a purchase price of \$0.35 per unit for gross proceeds of \$525,000. Transaction costs associated with the private placement were \$39,060. Each unit consisted of one Common Share and one Common Share purchase warrant. The fair value assigned to the purchase warrants pursuant to the unit offering was \$184,593. Each purchase warrant entitles the holder to purchase an additional Common Share for a period of twenty-four months from the date of issuance at an exercise price of \$0.40 per Common Share.

The fair value of the purchase warrants granted was estimated using the Black-Scholes option pricing model based on the date of grant using the following assumptions:

Annualized volatility	121%
Dividend yield	0%
Risk-free interest rate	1.63%
Expected option life	2 years

On December 12, 2019, the Company closed a private placement for an aggregate of 529,000 units of the Company at a purchase price of \$0.70 per unit for gross proceeds of \$370,300. Transaction costs associated with the private placement were \$31,204. Each unit consisted of one Common Share and one Common Share purchase warrant. The fair value assigned to the purchase warrants pursuant to the unit offering was \$176,497. Each purchase warrant entitles the holder to purchase an additional Common Share for a period of twenty-four months from the date of issuance at an exercise price of \$1.00 per Common Share.

In Connection with the December 12, 2019 unit offering, the Company paid a finder's fee to Haywood Securities Inc. consisting of a cash payment of \$24,019 and 34,312 non-transferable finder warrants. The fair value assigned to the purchase warrants pursuant to the unit offering was \$20,271. Each of the finder warrants issued to Haywood Securities Inc. entitles the holder to acquire one Common Share for a period of twenty-four months from the date of issuance at an exercise price of \$0.72 per Common Share.

The fair value of the purchase warrants granted was estimated using the Black-Scholes option pricing model based on the date of grant using the following assumptions:

Annualized volatility	137%
Dividend yield	0%
Risk-free interest rate	1.66%
Expected option life	2 years

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10. Stock options

	Number of options
Balance at January 1, 2018	4,840,000
Options granted	780,000
Options expired unexercised	(750,000)
Balance, December 31, 2018	4,870,000
Options issued	523,480
Options exercised ⁽¹⁾	(200,000)
Options cancelled	(180,000)
Options reissued	180,000
Options expired	(575,000)
Balance, December 31, 2019	4,618,480

(1) The notice to exercise 200,000 stock options held by directors and officers was received by the December 29, 2019 expiration date, with the shares issued and cash deposited subsequent to the year ended December 31, 2019.

At December 31, 2019, the Company had 4,618,480 (2018 - 4,870,000) issued and outstanding stock options. The options are held by officers, directors and consultants of the Company.

As at December 31, 2019, the Company had stock options outstanding and exercisable as follows:

Exercise Price	Number Outstanding	Number Exercisable	Issue Date	Expiration Date
\$0.18	685,000	685,000	February 17, 2016	February 17, 2021
\$0.58	1,740,000	1,740,000	October 31, 2016	October 31, 2021
\$0.63	150,000	150,000	December 1, 2016	December 1, 2021
\$0.85	560,000	560,000	October 13, 2017	October 13, 2022
\$0.98	130,000	130,000	June 6, 2018	June 6, 2023
\$1.00	400,000	400,000	July 24, 2018	July 24, 2023
\$1.10	250,000	250,000	November 1, 2018	November 1, 2023
\$1.00	100,000	100,000	January 3, 2019	January 3, 2024
\$0.80	180,000	180,000	June 18, 2019	June 22, 2022
\$0.33	423,480	423,480	June 18, 2019	June 18, 2024
	4,618,480	4,618,480		

On January 3, 2019, the Board of Directors of the Company granted 100,000 stock options to an officer of the Company. The options fully vested on the date of issuance. The stock options have an exercise price of \$1.00 per share and are exercisable for a period of five years from the date of grant. The fair value of the options was \$0.74.

The fair value of the options granted was estimated using the Black-Scholes option pricing model based on the date of grant using the following assumptions:

Annualized volatility	113%
Dividend yield	0%
Risk-free interest rate	1.76%
Expected option life	5 years

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On June 18, 2019, the Board of Directors of the Company cancelled 180,000 fully vested options issued on June 22, 2017 with an exercise price of \$0.80 per share held by an officer of the Company. On June 18, 2019, the Company re-issued 180,000 fully vested options to purchase shares to such officer of the Company with an exercise price of \$0.80 exercisable by June 22, 2022. The cancellation and re-issuance of the options did not result in addition compensation expense.

On June 18, 2019, the Board of Directors of the Company granted 423,480 stock options to directors, officers and consultants of the Company. The options fully vested on the date of issuance. The stock options have an exercise price of \$0.33 per share and are exercisable for a period of five years from the date of grant. The fair value of the options was \$0.36.

The fair value of the options granted was estimated using the Black-Scholes option pricing model based on the date of grant using the following assumptions:

Annualized volatility	111%
Dividend yield	0%
Risk-free interest rate	1.32%
Expected option life	5 years

On July 10, 2019, 400,000 stock options to purchase Common Shares held by directors and officers of the Company expired unexercised.

The share-based compensation for the year ended December 31, 2019 was \$271,073 (2017 - \$432,140).

11. Warrants

	Number of warrants
Balance at January 1, 2018	10,199,172
Warrants exercised (note 9)	(2,124,272)
Warrants expired	(3,024,900)
Balance, December 31, 2018	5,050,000
Warrant issued (note 9)	2,899,026
Warrants expired	(300,000)
Balance, December 31, 2019	7,649,026

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

Exercise price	Number outstanding	Expiration date
\$1.05	4,750,000	August 8, 2020
\$0.70	835,714	February 13, 2021
\$0.40	1,500,000	October 24, 2021
\$1.00 (1)	529,000	December 11, 2021
\$0.72 (2)	34,312	December 11, 2021
	7,649,026	

Note (1): If at any time prior to the expiry of the purchase warrants the trading price of the Common Shares exceeds \$1.50 for a certain period of time, the Company may provide notice to the holder of the purchase warrants that the warrants will be subject to early expiry.

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Note (2): These warrants were issued to agents as finder's warrants.

On July 22, 2019, the Company made an application to the TSXV to amend the term of 4,750,000 common share purchase warrants issued to subscribers as part of the Company's private placement financing which closed on August 8, 2017. In accordance with the approval of the TSXV, the Company amended the terms of the warrants by extending their expiry date from August 8, 2019 to August 8, 2020. All other terms of the warrants remain the same.

12. Loss per share

The weighted average number of shares outstanding for the year ended December 31, 2019 was 53,487,282 (2018 – 50,947,064). For the years ended December 31, 2019 and 2018, the outstanding options, purchase and finders' warrants were excluded from the diluted loss per share calculation as the instruments were anti-dilutive.

13. Income tax

The provision for income taxes differs from the expected amount calculated by applying the Company's combined Federal and Provincial corporate tax rates as result of the following:

Reconciliation of effective tax rate	December 31,	
	2019	2018
Loss before income taxes	\$ (1,794,954)	(2,233,551)
Combined federal and provincial statutory tax rate	26.5%	27.0%
Expected income tax recovery	(475,663)	(603,059)
Stock-based compensation	71,834	174,378
Other non-deductible expenses	6,186	6,018
Change in rate	723,362	
Change in unrecognized tax asset	(325,720)	426,985
Other	-	(4,322)
Income tax recovery	\$ -	\$ -

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During 2019, the Alberta corporate tax rate was decreased to 11% effective July 1, 2019. The Alberta corporate tax rate will continue to decrease each year until it reaches 8% on January 1, 2022.

Deferred tax assets have not been recognized for the following deductible temporary differences:

	December 31,	
	2019	2018
Non-capital losses (Expiring 2027-2039)	\$ 17,621,958	\$ 15,916,369
Decommissioning liability	46,770	47,379
Share issue costs	267,381	291,813
Property and equipment	438,637	473,482
Other	42,046	42,048
Total deferred tax asset (unrecognized)	\$ 18,416,792	\$ 16,771,091

14. General and administrative

For the year ended December 31, 2019, the Company incurred general and administrative expenses of \$1,524,459 (2018 – \$1,585,113). The decrease was primarily due to reduced travel expenses in connection with identifying and evaluating potential acquisitions.

15. Related Party Transactions

In 2014, the Company entered into an agreement with Rick Anderson, Chief Executive Officer and a Director, whereby the Company pays Mr. Anderson for office rental. During the year ended December 31, 2019, the Company recorded \$48,000 as an expense for office rental (2018 - \$49,360). At December 31, 2019, Mr. Anderson owed the Company \$325,699 (December 31, 2018 - \$248,626). The December 31, 2019 amount represents an advance on operating expenses that will be drawn down as incurred on behalf of Wilton in addition to expenses reimbursed by the Company and repayment.

16. Officers and Directors Compensation

	2019	2018
Short term compensation	\$ 435,238	\$ 269,375
Stock-based compensation	171,539	83,504
Total	\$606,777	\$ 352,879

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17. Subsequent Events

- (a) On January 6, 2020, the Board of Directors of the Company granted 975,000 stock options to purchase Common Shares to certain directors, officers and consultants of the Company. The Options vest on the date of issuance and are exercisable for a period of five years from the date of grant at an exercise price of \$0.50 per share.
- (b) On December 29, 2019, a director and an officer of the Company exercised stock options to acquire an aggregate of 200,000 Common Shares at exercise price of \$0.30 per Common Share and gross proceeds to the Company of \$60,000. The Common Shares relating to this option exercise were subsequently issued by the Company on January 24, 2020.
- (c) On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 a pandemic. The impact of COVID-19 could negatively impact the Company’s operations. The operations the Company could be negatively impacted by the regional and global outbreak of COVID-19, for an unknown period of time. Any quarantines, labor shortages or other disruptions to the Company’s operations may adversely impact the Company’s revenues and its ability to operate as well as commodity prices. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area of their operations. The extent to which the coronavirus impacts the Company’s results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.
- (d) On March 26, 2020, the Company closed a non-brokered private placement of 2,000,000 Common Shares at a purchase price of \$0.25 per Common Share for gross proceeds of \$500,000.