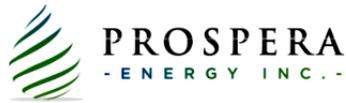


**Prospera Energy Inc.  
(formerly Georox Resources Inc.)**



**Interim Financial Statements**

**September 30, 2021 and 2020**

**(in Canadian dollars)**

The accompanying unaudited interim financial statements ("Interim Financial Statements") of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the Interim Financial Statements by an entity's auditor.

## Interim Balance Sheet (unaudited)

	Note	September 30, 2021	December 31, 2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		10,156	153,393
Trade and other receivables	6	4,056,842	2,967,449
Prepaid and other current assets		183,169	198,890
Inventory		305,009	226,890
		<b>4,555,177</b>	<b>3,546,622</b>
<b>Non-current assets</b>			
Property and equipment	7	3,937,589	1,933,355
<b>Total assets</b>		<b>\$ 8,492,766</b>	<b>\$ 5,479,977</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	\$ 9,513,014	\$ 10,605,689
Credit facilities	10	-	1,575,348
		<b>9,513,014</b>	<b>12,181,037</b>
<b>Non-current liabilities</b>			
Provision for decommissioning	11	13,322,263	11,938,023
Debentures	10	4,889,639	-
<b>Total liabilities</b>		<b>27,724,916</b>	<b>24,119,060</b>
<b>Shareholders' deficiency</b>			
Shareholders' capital	13	12,490,541	11,649,956
Share purchase warrants		154,641	154,641
Contributed surplus		3,804,199	3,804,199
Accumulated other comprehensive income		(14,013)	(14,013)
Accumulated deficit		(35,667,517)	(34,233,865)
		<b>(19,232,150)</b>	<b>(18,639,083)</b>
<b>Total shareholders' deficiency and liabilities</b>		<b>\$ 8,492,766</b>	<b>\$ 5,479,977</b>

See accompanying notes to the Interim Financial Statements

Going Concern (Note 2)

Approved and authorised by the Board of Directors

Signed "Samuel David", Director

Signed "Mel Clifford", Director

## Interim Statement of Comprehensive Income (unaudited)

	Note	Nine Months Ended September 30,	
		2021	2020
<b>Revenue</b>			
Petroleum and natural gas sales	18	\$ 2,093,686	\$ 2,765,229
Royalties		(213,592)	(133,923)
		<b>1,880,094</b>	<b>2,631,306</b>
<b>Expenses</b>			
Operating and production		2,573,602	3,053,071
Depletion, depreciation, and impairment	7	203,492	1,086,088
Share-based compensation		-	13,490
General and administrative		981,245	1,118
		<b>3,758,339</b>	<b>4,153,767</b>
<b>Operating income (loss)</b>		<b>(1,878,245)</b>	<b>(1,522,461)</b>
Interest costs		150,211	145,659
Finance costs		-	-
Accretion on decommissioning provision	11	134,303	185,426
Gains	10	(729,108)	(75,000)
<b>Comprehensive Income (Loss)</b>		<b>\$ (1,433,652)</b>	<b>\$ (1,778,546)</b>
<b>Income (loss) per share</b>			
- Basic	14	\$ (0.01)	(0.03)
- Diluted	14	\$ (0.01)	(0.03)

See accompanying notes to the Interim Financial Statements

## Interim Statement of Changes in Equity (unaudited)

	Note	Outstanding Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Accumulated Deficit	Shareholders' Equity (Deficiency)
<b>Balance at December 31, 2019</b>		65,122,311	11,649,956	297,834	3,549,981	(14,013)	(22,508,308)	\$ (7,024,550)
Net loss for the period							(1,222,407)	(1,222,407)
Issue of share capital								-
Issue of share capital proceeds received in advance								-
Share capital costs								-
Warrants								-
Share-based compensation					13,490			13,490
Expired warrants								-
<b>Balance at March 31, 2020</b>		<b>65,122,311</b>	<b>11,649,956</b>	<b>297,834</b>	<b>3,563,471</b>	<b>(14,013)</b>	<b>(23,730,715)</b>	<b>(8,233,467)</b>
Net loss for the period							(10,503,150)	(10,503,150)
Issue of share capital								-
Issue of share capital proceeds received in advance								-
Share capital costs								-
Warrants				100,000				100,000
Share-based compensation					(2,466)			(2,466)
Expired warrants				(243,193)	243,193			-
<b>Balance at December 31, 2020</b>		<b>65,122,311</b>	<b>11,649,955</b>	<b>154,641</b>	<b>3,804,198</b>	<b>(14,013)</b>	<b>(34,233,865)</b>	<b>(18,639,083)</b>
Net loss for the period							(1,433,652)	(1,433,652)
Issue of share capital		46,179,866	840,586					840,586
Share issue costs								-
Issue of share capital proceeds received in advance								-
Warrants								-
Share-based compensation								-
Expired warrants								-
<b>Balance at September 30, 2021</b>		<b>111,302,177</b>	<b>\$ 12,490,541</b>	<b>\$ 154,641</b>	<b>\$ 3,804,198</b>	<b>\$ (14,013)</b>	<b>\$ (35,667,517)</b>	<b>\$ (19,232,149)</b>

See accompanying notes to the Interim Financial Statements

## Interim Statement of Cash Flows (unaudited)

	Note	Nine months ended September 30,	
		2021	2020
<b>Operating activities</b>			
Comprehensive Income (loss)		\$ (1,433,652)	\$ (1,778,546)
Adjustments for non-cash and other items:			
Depletion, depreciation, and impairment	7	203,492	1,086,088
Goodwill impairment		-	-
Share based compensation	11	-	13,490
Finance costs		150,211	145,660
Accretion on decommissioning provision	10	134,303	185,426
Gains		(729,108)	(75,000)
		(1,674,754)	(422,882)
Change in non-cash working capital balances:			
Change in trade and other receivables		(1,089,393)	(1,225,546)
Change in prepaids		15,721	-
Change in inventory		(78,119)	(40,112)
Change in trade and other payables		(1,092,674)	1,962,848
<b>Cash flow from (used in) operating activities</b>		<b>(3,919,219)</b>	<b>274,308</b>
<b>Investing activities</b>			
Assets held for sale		-	-
Property, plant and equipment expenditures	7	(58,264)	(15,265)
Acquisitions		-	-
Proceeds from disposition of property, plant and equipment		-	-
Change in non-cash working capital	7	(899,525)	-
<b>Cash flow from (used in) investing activities</b>		<b>(957,789)</b>	<b>(15,265)</b>
<b>Financing activities</b>			
(Repayments) draws on credit & debentures	10	4,181,940	(529,915)
Issue of share capital (net of share issue costs)	13	800,000	-
Issue of share capital received in advance		-	-
Interest expense		-	(145,659)
Change in non-cash working capital		(248,169)	-
<b>Cash flow from (used in) financing activities</b>		<b>4,733,771</b>	<b>(675,574)</b>
<b>Change in cash</b>		<b>(143,237)</b>	<b>(416,531)</b>
<b>Cash (indebtedness) balance, beginning of year</b>		<b>153,393</b>	<b>469,431</b>
<b>Cash (indebtedness) balance, end of year</b>		<b>10,156</b>	<b>52,900</b>
Cash interest paid		\$ 150,211	\$ 145,659

See accompanying notes to the Interim Financial Statements

# Notes to the Interim Financial Statements (unaudited)

September 30, 2021

## 1. General

Prospera Energy Inc. (the “Corporation” or “Prospera”) was incorporated under the Canada Business Corporations Act on April 14, 2003 as Georox Resources Inc. The Corporation changed its name to Prospera on June 28, 2018. The Corporation is listed on the TSX-Venture Exchange and its primary business is the acquisition of, exploration for, and the development of petroleum and natural gas properties in Canada.

The address of the Corporation’s registered office is Suite 700, 1300 – 8th Street SW, Calgary, Alberta, Canada, T2R 1B2.

## 2. Going Concern

These Interim Financial Statements have been prepared on a going concern basis, which implies the Corporation will continue to realize its assets and discharge its liabilities in the normal course of business. The Corporation has historically met its day-to-day working capital requirements and funded its capital and operating expenditures through funding received from the proceeds of share issuances and debt.

As of September 30, 2021, the Corporation has a working capital deficiency of \$4,957,837 (December 31, 2020 – \$8,634,415), and an accumulated deficit of \$35,667,517 (December 31, 2020 – \$34,233,865). There is a material risk that the Corporation will be unable to meet its financing obligations including payments of outstanding interest and principal balances on its credit facilities and as at September 30, 2021. Management continually monitors the Corporation’s financing requirements. Management is continuously engaged in discussions with existing shareholders and creditors on proposed transactions and agreements that would reduce anticipated cash outflows and provide the additional financing required to fund capital and operating expenditures, and to meet obligations as they fall due in the 12 months following September 30, 2021.

Management has applied significant judgment in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected oil sales volumes and pricing, scheduling of payments arising from various obligations as at September 30, 2021, the availability of additional financing, and the timing and extent of capital and operating expenditures. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Corporation’s ability to continue as a going concern.

The Interim Financial Statements have been prepared on a basis which asserts that the Corporation will continue to have the ability to realize its assets and discharge its liabilities and commitments in a planned manner with consideration to expected possible outcomes. Conversely, if the assumption made by management is not appropriate and the Corporation is unable to meet its obligations as they fall due, the preparation of these financial statements on a going concern basis may not be appropriate and adjustments to the carrying amounts of the Corporation’s assets, liabilities, revenues, expenses, and balance sheet adjustments may be necessary. Such adjustments could be material.

## Notes to the Interim Financial Statements (unaudited)

September 30, 2021

### 3. Basis of Preparation

The Corporation prepares its Interim Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These Interim Financial Statements have been prepared in accordance with IFRS applicable to the preparation of Interim Financial Statements, IAS 34 – Interim financial reporting ("IAS 34").

These Interim Financial Statements are presented in Canadian dollars (unless stated otherwise), which is also the Corporation's functional currency.

The Interim Financial Statements of the Corporation follow the same accounting policies and basis of presentation as described in note 4 of the 2020 audited financial statements. These Interim Financial Statements should be read in conjunction with the audited financial statements and notes there to for the year ended December 31, 2020.

### 4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Interim 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 differ 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. Additional information on these estimates and judgements are disclosed in note 3(d) of the 2020 audited financial statements.

### 5. Summary of Significant Accounting Policies

The Interim Financial Statements of the Corporation follow the same accounting policies and basis of presentation as described in note 4 of the 2020 audited financial statements.

### 6. Trade and Other Receivables

The Corporation's trade and other receivables are exposed to the risk of financial loss if the counterparty fails to meet its contractual obligations. The Corporation's trade and other receivables include amounts due from the sale of petroleum and natural gas. The Corporation's maximum exposure to credit risk at September 30, 2021 is in respect of \$4,056,842 (December 31, 2020 - \$2,967,449) of trade and other receivables.

The Corporation's trade and other receivables consist of:

	As at	
	September 30, 2021	December 31, 2020
Trade receivables	4,056,842	2,967,449

The Corporation's trade receivables relating to petroleum and natural gas sales are aged as follows:

	As at	
	September 30, 2021	December 31, 2020
0 to 60 days	622,248	383,795
61 to 90 days	645,671	226,686
Over 90 days	2,788,924	2,356,968
Total trade receivables	4,056,842	2,967,449

The majority of receivables over 90 days are held and offset by payables to working interest owners.

## Notes to the Interim Financial Statements (unaudited)

September 30, 2021

### 7. Property and Equipment

	Petroleum and natural gas assets	Administrative assets	Total
<i>Cost:</i>			
<b>Balance at December 31, 2019</b>	<b>23,495,162</b>	<b>16,061</b>	<b>23,511,223</b>
Additions to property and equipment	23,934	-	23,934
Acquisitions	-	-	-
Dispositions	-	-	-
Additions/revisions to future estimated decommissioning provision	(218,095)	-	(218,095)
<b>Balance at December 31, 2020</b>	<b>23,301,001</b>	<b>16,061</b>	<b>23,317,062</b>
Additions to property and equipment	58,264	-	58,264
Acquisitions	899,525	-	899,525
Additions/revisions to future estimated decommissioning provision	1,249,937	-	1,249,937
<b>Balance as at September 30, 2021</b>	<b>25,508,727</b>	<b>16,061</b>	<b>25,524,788</b>
<i>Accumulated depletion, depreciation and impairments:</i>			
<b>Balance at December 31, 2019</b>	<b>11,131,679</b>	<b>16,061</b>	<b>11,147,740</b>
Depletion and depreciation charge	1,216,198	-	1,216,198
Impairment charge	9,019,769	-	9,019,769
Dispositions	-	-	-
<b>Balance at December 31, 2020</b>	<b>21,367,646</b>	<b>16,061</b>	<b>21,383,707</b>
Depletion and depreciation charge	203,492	-	203,492
Impairment charge	-	-	-
Dispositions	-	-	-
<b>Balance as at September 30, 2021</b>	<b>21,571,138</b>	<b>16,061</b>	<b>21,587,199</b>
<i>Net carrying value</i>			
<b>At December 31, 2020</b>	<b>1,933,355</b>	<b>-</b>	<b>1,933,355</b>
<b>At September 30, 2021</b>	<b>3,937,589</b>	<b>-</b>	<b>3,937,589</b>

#### *Future development costs*

The September 30, 2021 depletion expense calculation included \$1,247,000 (December 31, 2020 – \$6,763,000) for estimated future development costs associated with the Corporation's proved and probable reserves.

## Notes to the Interim Financial Statements (unaudited)

September 30, 2021

### 8. Business Combinations

On July 1, 2021, the Corporation completed an acquisition of an additional net working interest from a joint venture partner in the Southwest Saskatchewan Cuthbert (6%), Hearts Hills (5%) and Luseland (5%) properties. The purchase price was satisfied by a reduction of the vendors arrears for operational costs of \$899,525. The acquisition was accounted for as a business combination using the acquisition method of accounting as follows:

Fair value of net assets acquired:	
Petroleum and natural gas assets	2,149,462
Provision for decommissioning	1,249,937
<b>Total net assets acquired</b>	<b>899,525</b>
Consideration:	
Forgiveness of working interest holder's charges in arrears	899,525
<b>Total purchase price</b>	<b>899,525</b>

The estimated fair value of the petroleum and natural gas assets acquired (P&E) were made by management based on available information at the time of the closing of the acquisition.

### 9. Trade and Other Payables

The Corporation's trade and other payables consist of:

	As at	
	September 30, 2021	December 31, 2020
Trade payables	9,348,258	10,460,143
Accrued liabilities and other payables	164,755	145,546
Goods and Services Tax payable	-	-
<b>Total</b>	<b>9,513,014</b>	<b>10,605,689</b>

Trade payables are non-interest bearing and are normally settled on 30 to 120-day terms. A total of \$1,570,318 of these payables have been deferred as certain vendors have agreed to monthly payment schedules over the next 12-24 months.

## Notes to the Interim Financial Statements (unaudited)

September 30, 2021

### 10. Credit Facilities & Debentures

The following table presents the continuity of the Corporation's credit facilities and Debentures:

	Debt	Derivative Liability	Total
Balance at December 31, 2019	2,412,424	-	2,412,424
Amounts drawn	-	-	-
Cash repayments	(762,076)	-	(762,076)
Disposition proceeds	-	-	-
Debt forgiveness	(75,000)	-	(75,000)
Expiry of share purchase warrants	-	-	-
<b>Balance at December 31, 2020</b>	<b>1,575,349</b>	<b>-</b>	<b>1,575,349</b>
Amount drawn on Debentures	<b>5,028,181</b>	<b>-</b>	<b>5,028,181</b>
Accrued interest on Debentures	<b>146,458</b>	<b>-</b>	<b>146,458</b>
Issuance cost on Debentures	<b>(285,000)</b>	<b>-</b>	<b>(285,000)</b>
Cash repayments on Credit Facility	<b>(846,241)</b>	<b>-</b>	<b>(846,241)</b>
Debt forgiveness on Credit Facility	<b>(729,108)</b>	<b>-</b>	<b>(729,108)</b>
<b>Balance as at September 30, 2021</b>	<b>4,889,639</b>	<b>-</b>	<b>4,889,639</b>

#### Credit Facilities

As at September 30, 2021 \$nil (December 31, 2020 - \$1,575,349) was outstanding in relation to credit facility A and \$nil (December 31, 2019 - \$nil) was outstanding in relation to Credit Facility B.

#### Debentures

As at September 30, 2021 \$4,889,639 (December 31, 2020 - \$nil) was outstanding in relation to 2021 8% convertible debentures. Interest is calculated and paid quarterly and may be paid in either cash or shares at the then market price, at the Corporation's discretion.

### 11. Provision for Decommissioning

	As at	
	September 30, 2021	December 31, 2020
Balance - January 1,	11,938,023	12,139,284
Acquisitions	1,249,937	-
Dispositions	-	-
Additions and revisions to estimates	-	(218,093)
Accretion	134,303	16,832
Balance – end of period	13,322,263	11,938,023

The Corporation's provision for decommissioning is based on the following estimates and assumptions:

	September 30, 2021	December 31, 2020
Inflation adjusted undiscounted future cash flows	16,115,049	14,549,131
Annual inflation rate	1.5%	2.0%
Settlement of liability occurring in approximately	1 – 15 years	1 – 15 years
Risk free discount rate	1.55%	1.55%

## Notes to the Interim Financial Statements (unaudited)

September 30, 2021

### 12. Share-Based Payment Plans

The Corporation's stock option plan provides for the granting of options to directors, officers, employees and consultants. Under the terms of the option plan, options issued will not exceed 10 percent of the issued and outstanding shares from time to time. The aggregate number of common shares reserved for issuance to any one director, officer or employee in any 12-month period shall not exceed 5% of the Corporation's issued and outstanding common shares at the date of grant, and the aggregate number of common shares reserved for issuance pursuant to options granted to any one consultant in any 12-month period may not exceed 2% of the Corporation's issued and outstanding common shares at the date of the grant. Stock options are non-assignable, non-transferrable and non-tradable and shall be exercisable for a term not to exceed five years from the date of the grant. The exercise price of stock options shall be fixed by the Corporation's Board of Directors on the basis of the market price of the Corporation's shares on the grant date.

The following table provides a continuity of the share options outstanding at the beginning and end of the following periods:

	Nine Months Ended September 30, 2021	
	Weighted Average Exercise Price	No. of Options
Balance, December 31, 2018	\$ 0.07	2,350,000
Granted	0.05	2,050,000
Expired	0.10	(350,000)
Balance, December 31, 2019	\$ 0.06	4,050,000
Granted	0.05	2,900,000
Expired	0.05	(1,733,333)
Forfeited	0.05	(1,166,667)
<b>Balance, December 31, 2020 and September 30, 2021</b>	<b>\$ 0.06</b>	<b>4,550,000</b>

The range of exercise prices of the outstanding options and exercisable options as at September 30, 2021 were as follows:

Expiry date	Number of Stock Options Outstanding	Number of Stock Options Exercisable	Exercise Price	Weighted-Average Contractual Life Remaining (Years)
October 6, 2021	600,000	600,000	\$ 0.09	0.27
October 7, 2024	333,333	333,333	\$ 0.05	3.27
December 5, 2024	716,667	716,667	\$ 0.05	3.44
December 31, 2025	2,100,000	2,100,000	\$ 0.05	4.51
June 30, 2025	800,000	800,000	\$ 0.05	4.00
	<b>4,550,000</b>	<b>4,550,000</b>		<b>3.10</b>

## Notes to the Interim Financial Statements (unaudited)

September 30, 2021

### 13. Issued Capital

Prospera is authorized to issue an unlimited number of Common Shares. The following provides a continuity of outstanding share capital:

	Common Shares	Amount
Shares as at December 31, 2019	65,122,311	11,649,956
Issue of share capital	-	-
Issue of share capital proceeds received in advance	-	-
Share issue costs	-	-
Issue of share purchase warrants	-	-
<b>Shares as at December 31, 2020</b>	<b>65,122,311</b>	<b>11,649,956</b>
Issue of share capital	46,179,866	840,586
Issue of share capital proceeds received in advance	-	-
Share issue costs	-	-
Issue of share purchase warrants	-	-
<b>Shares as at September 30, 2021</b>	<b>111,302,177</b>	<b>\$ 12,490,542</b>

#### Share Purchase Warrants

A continuity of the Corporation's share purchase warrants outstanding is as follows:

Nine Months Ended				
	Weighted Average Exercise Price	No. of Warrants	Amount	
Balance, December 31, 2019	\$ 0.14	13,245,000	\$	297,834
Issued	0.05	5,000,000		100,000
Expired	0.10	(11,375,000)		(96,163)
Balance, December 31, 2020	\$ 0.07	6,870,000	\$	301,671
Issued	0.05	8,000,000		400,000
Expired	-	-		-
<b>Balance, September 30, 2021</b>	<b>\$ 0.06</b>	<b>14,870,000</b>	<b>\$</b>	<b>701,671</b>

## Notes to the Interim Financial Statements (unaudited)

September 30, 2021

### 14. Earnings (Loss) per Share

The following table reflects the earnings/loss and share data used in the basic and diluted earnings per share calculations:

	Three months-ended September 30		Nine months-ended September 30	
	2021	2020	2021	2020
Net earnings (loss) used in the calculation of total basic and diluted earnings per share	<b>(1,270,030)</b>	(210,991)	<b>(1,433,652)</b>	(1,778,546)
Weighted average number of shares for the purposes of basic earnings per share	<b>111,302,177</b>	65,122,311	<b>111,302,177</b>	65,122,311
Effect of dilution	<b>NIL</b>	NIL	<b>NIL</b>	NIL
Weighted average number of shares	<b>111,302,177</b>	65,122,311	<b>111,302,177</b>	65,122,311
Earnings (loss) per share – Basic	<b>(0.01)</b>	(0.00)	<b>(0.01)</b>	(0.03)
Earnings (loss) per share – Diluted	<b>(0.01)</b>	(0.00)	<b>(0.01)</b>	(0.03)

### 15. Related Party Transactions

During the nine months ended September 30, 2021, management, consulting and engineering fees of \$nil were included in general and administrative expenses, were charged by a former officer of the Corporation (December 31, 2020 – \$48,000). Included in trade and other payables at September 30, 2021 is \$nil (December 31, 2020 – \$12,000) owing to this officer.

The above transactions with related parties are in the normal course of business. The receivables and payables are unsecured in nature and bear no interest.

### 16. Personnel Expenses

The Corporation's statement of loss and comprehensive loss is prepared primarily by nature of expense, with the exception of \$110,000 consulting fees for management personnel which are included in general and administrative expenses for the period ended September 30, 2021.

Key management personnel include executive officers and non-executive directors. Executive officers are paid a salary and participate in the Corporation's stock option program. The executive officers include the Chief Executive Officer and Chief Financial Officer. Non-executive directors also participate in the Corporation's stock option program. Key management compensation is comprised of the following:

	Nine months-ended September 30	
	2021	2020
Salaries and benefits	<b>25,000</b>	<b>144,000</b>
Consulting fees	<b>110,000</b>	-
Share-based payments	-	<b>13,490</b>
Deferred share units	-	-
	<b>135,000</b>	<b>157,490</b>

## Notes to the Interim Financial Statements (unaudited)

September 30, 2021

### 17. Financial Risk Management and Capital Management

The Corporation's activities expose it to a variety of financial risks arising from its financial assets and liabilities. The Corporation manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Corporation are:

#### Credit Risk

The Corporation is exposed to credit risk in relation to its cash and trade and other receivables. Cash is held with highly rated Canadian banks. Therefore, the Corporation does not believe these financial instruments are subject to material credit risk. The Corporation's trade and other receivables include amounts due from the sale of petroleum and natural gas (Note 17). The Corporation's production is sold to a variety of purchasers under normal industry sale and payment terms. Accounts receivable are from customers and joint operating partners in the Canadian petroleum and natural gas industry and are subject to normal industry specific credit risk.

#### Liquidity Risk

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its financial liabilities when they become due. Management mitigates liquidity risk by maintaining banking and other borrowing facilities, continuously monitoring forecast and actual cash flows and actively seeking equity financing to assist with projected cash outflows. As at September 30, 2021, the Corporation has a working capital deficiency of \$4,957,837 and an accumulated deficit of \$35,667,517. The Corporation's ability to continue as a going concern (Note 2) is continuously dependent on accessing additional financing and achieving profitable operations.

The Corporation's financial liabilities as at September 30, 2021 total \$14,402,653 comprised of \$9,513,014 of trade and other payables and \$4,889,639 of debentures, all of which are classified as current and long-term liabilities respectively.

#### Market Risk

##### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate with changes in market interest rates. The Corporation is not exposed to interest rate fluctuations at September 30, 2021 as there are no investments of excess cash in short-term money market investments and credit facilities are at fixed rates of interest.

##### Foreign currency risk

Management believes the foreign currency risk arising from currency exchange rate fluctuations related to financial instruments held in foreign currencies is negligible as the Corporation held no foreign denominated financial instruments as at September 30, 2021.

##### Commodity price risk

The nature of the Corporation's operations results in exposure to commodity price fluctuations. The Corporation closely monitors commodity prices to determine the appropriate course of action to be taken. The Corporation does not hedge commodity price risk and has no physical forward price or financial derivatives sales contracts as at September 30, 2021.

#### Capital Management

The Corporation's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility, to sustain the development of the Corporation's current capital projects and for future development of the Corporation. The Corporation monitors its working capital and expected capital spending and raises additional equity by the issue of share capital to manage its development plans. The Corporation has no externally imposed capital requirements apart from the banking covenants on the Corporation's credit facilities (Note 10).

## Notes to the Interim Financial Statements (unaudited)

September 30, 2021

The Corporation continues to assess additional petroleum and natural gas projects and plans to raise additional debt or equity amounts as needed to fund acquisitions and to maintain sufficient working capital to meet administrative expenditures. The Corporation considers its capital structure to be working capital and shareholders deficiency. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable. There were no changes in the Corporation's approach to capital management during the nine months ended September 30, 2021. The Corporation's working capital deficiency at September 30, 2021 was \$4,957,837 (December 31, 2020 – \$8,634,415). The Corporation's shareholders' deficiency at September 30, 2021 was \$35,667,517 (December 31, 2020 – \$34,233,865).

### 18. Petroleum and Natural Gas Sales

The following table represents the Corporation's petroleum and natural gas sales disaggregated by commodity:

	Nine months-ended	
	September 30	
	2021	2020
Petroleum and natural gas sales:		
Natural gas	-	-
Oil	<b>2,093,686</b>	2,765,229
Total petroleum and natural gas sales	<b>2,093,686</b>	2,765,229

The Corporation sells its petroleum and natural production pursuant to variable-price contracts which generally have a term of one year or less. The transaction price for variable priced contracts is based on the commodity index price and may include adjustments for quality, location or other factors depending on the contract terms. The Corporation delivers variable or fixed volumes of crude oil and variable volumes of natural gas to the respective counterparty throughout the contract period. Sales revenue is recognized when production is delivered to the contract counterparty. The transaction price that is used in determining the amount of sales revenue to recognize is subject to variability due to fluctuations in commodity prices over the contract period. Volumes delivered to the contract counterparty are limited to the Corporation's ability to transfer production. Sales revenue is recognized at a point in time when a customer obtains legal title to the product, which is when volumes are physically transferred to the contract counterparty. The amount of sales revenue recognized is based on the transaction price. Transaction price variability, discussed above, is recognized in the same period as the Corporation is not constrained in meeting its performance obligations.

During the three and nine months ended period, all of the Corporation's petroleum and natural gas sales were generated in Saskatchewan and Alberta and the production was sold primarily to four major customers. The Corporation's petroleum sales result from variable price contracts whereby the transaction price is predominantly based on the WTI index price in the transaction month with variable adjustments for quality, location and or other factors. The transaction price for all-natural gas sales is based on the AECO benchmark price. Sales revenues are typically collected on the 25th day of the month following production.