

Whitemud Resources Inc.
Condensed Interim Financial Statements
For the three and nine months ended September 30,
2019 and 2018

(Unaudited - Prepared by Management)

WHITEMUD RESOURCES INC.

September 30, 2019

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited interim condensed financial statements of the Company have been prepared by Management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

WHITEMUD RESOURCES INC.
Condensed Interim Statements of Financial Position
(Unaudited - Prepared by Management)

	September 30, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 132,425	\$ 52,266
Accounts receivable	7,155,563	7,948,190
Taxes recoverable	-	21,030
Inventory <i>[note 4]</i>	740,283	870,702
Prepaid expenses and deposits	80,608	22,896
	8,108,879	8,915,084
Property, plant and equipment <i>[note 6]</i>	1,417,129	1,455,496
	\$ 9,526,008	\$ 10,370,580
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities		
Accounts payable and accrued liabilities	\$ 987,898	\$ 3,633,434
Notes payable <i>[note 7]</i>	24,639,561	24,639,561
	25,627,459	28,272,995
Asset retirement obligation <i>[note 8]</i>	1,062,574	964,225
	26,690,033	29,237,220
Shareholders' Deficiency		
Share capital <i>[note 9]</i>	77,902,637	77,902,637
Contributed surplus	5,353,381	5,353,381
Deficit	(100,420,043)	(102,122,658)
	(17,164,025)	(18,866,640)
	\$ 9,526,008	\$ 10,370,580

Future operations and going concern *[note 1]*

On behalf of the Board of Directors:

Director

Director

WHITEMUD RESOURCES INC.
Condensed Interim Statements of Net Income (Loss) and Comprehensive Income (Loss)
For the three and nine months ended September 30
(Unaudited - Prepared by Management)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenue	\$ 1,044,407	\$ 777,875	\$ 3,134,793	\$ 2,246,826
Expenses				
Operating	235,045	66,855	640,423	696,464
General and administration	167,903	287,714	553,120	362,680
Finance charges <i>[note 11]</i>	4,585	5,545	15,044	16,688
Impairment <i>[note 6]</i>	-	2,500,000	-	2,500,000
Depreciation	43,332	228,288	122,684	684,862
	450,865	3,088,702	1,331,271	4,260,694
Income (loss) before interest and other income	593,542	(2,310,527)	1,803,522	(2,013,868)
Interest and other income (expense)	19,794	105,365	(100,907)	284,791
Net income (loss) and comprehensive loss	\$ 613,336	\$ (2,205,162)	1,702,615	\$ (1,729,077)
Net income (loss) per share, basic and diluted <i>[note 12]</i>	\$0.002	\$ (0.006)	\$0.005	\$ (0.005)

WHITEMUD RESOURCES INC.
Condensed Interim Statements of Changes in Shareholders' Equity (Deficiency)
For the three and nine months ended September 30, 2019
(Unaudited - Prepared by Management)

	Share Capital	Contributed Surplus	Deficit	Total
Balance January 1, 2019	\$ 77,902,637	\$ 5,353,381	\$ (102,122,658)	\$ (18,866,640)
Net income and comprehensive income	-	-	1,702,615	1,702,615
Balance September 30, 2019	\$ 77,902,637	\$ 5,353,381	\$ (100,420,043)	\$ (17,164,025)

	Share Capital	Contributed Surplus	Deficit	Total
Balance January 1, 2018	\$ 77,902,637	\$ 5,353,381	\$ (115,618,229)	\$ (32,362,211)
Net loss and comprehensive loss	-	-	(1,729,077)	(1,729,077)
Balance September 30, 2018	\$ 77,902,637	\$ 5,353,381	\$ (117,347,306)	\$ (34,091,228)

WHITEMUD RESOURCES INC.
Condensed Interim Statements of Cash Flows
For the three and nine months ended September 30
(Unaudited - Prepared by Management)

	<u>Three Months Ended</u>		<u>Nine Months</u>	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Cash provided by (used) in:				
OPERATING ACTIVITIES:				
Net income (loss)	\$ 613,336	\$ (2,205,162)	\$ 1,702,615	\$ (1,729,077)
Items not involving cash:				
Depreciation [note 6]	43,332	228,288	122,684	684,862
Impairment	-	2,500,000	-	2,500,000
Accretion of asset retirement obligations[note 8]	4,248	5,297	14,032	15,810
	660,916	528,423	1,839,331	1,471,595
Change in non-cash working capital	(698,337)	(579,631)	(1,759,172)	(1,518,688)
	37,421	(51,208)	80,159	(47,093)
INVESTING ACTIVITIES:				
Purchase and sale of property, plant and equipment	-	-	-	-
	-	-	-	-
FINANCING ACTIVITIES:				
Increase in note payable	-	-	-	-
	-	-	-	-
Increase (decrease) in cash and cash equivalents	37,421	(51,208)	80,159	(47,093)
Cash and cash equivalents, beginning of period	169,846	70,233	52,266	66,118
Cash and cash equivalents/(bank indebtedness), end of period	\$ 132,425	\$ 19,025	\$ 132,425	\$ 19,025

1. NATURE OF THE ORGANIZATION AND FUTURE OPERATIONS

Whitemud Resources Inc. (the "Company") was originally incorporated as the General Partner of Whitemud Resources Limited Partnership (the "Partnership") on April 28, 2005 under the laws of the Province of Alberta, Canada. The Company was restructured through an amalgamation between the Company and the Partnership under the laws of the Province of Alberta on July 27, 2006. The Company is headquartered in Calgary, Alberta, Canada. The registered address of the Company is 3900 Bow Valley Square 2, Calgary, Alberta T2P 2V7.

The condensed interim financial statements of the Company were authorized for issuance by the Board of Directors on November 12, 2019.

Material Change

On October 10, 2019, the Company announced that the TSX Venture Exchange has provided acceptance for Whitemud's graduation from NEX to Tier 2 of the Exchange and reclassification as an Industrial Issuer. The graduation became effective at market open on Tuesday, October 15, 2019 when the Company's listing was transferred from NEX to TSX Venture.

The reclassification of the Company from a Mining Issuer to an Industrial Issuer was a result of the growth of the Company's liquefied petroleum gas business segment (the "LPG Business") through Whitemud's petroleum product marketing division, Midstream Energy Partners.

Going forward the Company will continue to operate the LPG Business, which consists of buying and selling propane and butane through physical deliveries and by inventory transfer by conducting buy/sell marketing transactions. In the future, the Company may also commence marketing activities in all types of commodities and engage in all activities ancillary thereto including, but not limited to, the storage, logistics and transportation of physical commodities.

With respect to Whitemud's existing kaolin and metakaolin business, the Company intends to maintain its kaolin mineral rights while reducing expenses at the Gollier Creek mine and plant.

Going Concern

These condensed interim financial statements were prepared by management in accordance with International Financial Reporting Standards applicable to a going concern entity which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The uncertainty in the use of the going concern assumption is impacted by the following factors.

As at September 30, 2019, the Company had a working capital deficiency of \$17,518,580 (December 31, 2018 – \$19,357,911). During the nine month period ended September 30, 2019, the Company had a net income and comprehensive income of \$1,702,615 (2018 – (\$1,729,077)) and operating cash flows of \$80,159 (2018 – (\$47,093)) with a resulting accumulated deficit at September 30, 2019 of \$100,420,043 (2018 - \$102,122,658). In order for the Company to continue operations for the longer term, including generating sufficient cash flows and ultimately attaining profitable operations, additional financing will be required. As a result of the economic uncertainties surrounding the oil and gas industry, an impairment of (2019 - \$nil) \$3,010,705 was recorded in the year ended December 31, 2018.

The matters and conditions noted above indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Based on the Company's current projections, including budgeted loss and negative cash flows for fiscal 2019, future operations are dependent on the Company's ability to identify financing options, to generate improved market acceptance for the Company's product and the ongoing support of its creditors. Management is currently reviewing its options for additional financing. The creditors have not demanded repayment of the loan to date and have given assurance that they will not demand repayment of the loans before the maturity date. There may be significant challenges in obtaining long term financing in order to meet its obligations.

1. NATURE OF THE ORGANIZATION AND FUTURE OPERATIONS *(continued)*

The ability of the Company to continue as a going concern and realize the carrying value of its assets and discharge its liabilities when due, is dependent on the successful completion of the actions taken or planned by management. There is no certainty that these and other strategies will be sufficient to permit the Company to continue beyond the foreseeable future as such strategies are contingent upon new equity or debt funds from shareholders, investors and lenders, as well as improved market acceptance and revenues for the Company's product.

The financial statements do not reflect any adjustments relating to the recoverability and classification of recorded assets or liabilities that may be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used. Those adjustments would be material.

2. BASIS OF PREPARATION

The significant accounting policies of the Company are the same as those applied in the Company's annual audited financial statements for the years ended December 31, 2018 and 2017, except as described in note 3. These policies have been consistently applied to each of the reporting periods presented, unless otherwise indicated.

The unaudited condensed interim financial statements ("Statements") of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These Statements are unaudited and have been prepared in accordance with IAS 34 "Interim Financial Reporting".

These Statements do not include all of the information required for annual audited financial statements and should be read in conjunction with annual audited financial statements for the years ended December 31, 2018 and 2017.

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

The Company adopted new IFRSs and interpretations as of January 1, 2019, as noted below:

3. NEW STANDARDS EFFECTIVE JANUARY 1, 2019

IFRS 16, "Leases"

As required, the Company adopted IFRS 16 as of January 1, 2019. On January 13, 2016, the IASB published a new standard, IFRS 16, "Leases". The new standard brings most leases for lessees onto the balance sheet under a single model, eliminating the distinction between operating and finance leases. Under the standard, a lessee recognizes a right-of-use ("ROU") asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciates accordingly. The liability accrues interest.

The Company has elected to use the modified retrospective approach in its adoption of IFRS 16. The modified Retrospective method does not require restatement of prior period financial information as it may recognize the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Accordingly, comparative information in the Company's condensed balance sheets, condensed statement of operations, condensed statements of comprehensive income, condensed statements of changes in equity and condensed cash flow statements are not restated.

WHITEMUD RESOURCES INC.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended September 30, 2019

(Unaudited - Prepared by Management)

On adoption of IFRS 16, the Company will recognize lease liabilities at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2019. The adoption of the standard will have no impact on retained earnings, as at the time of adoption the Company held no leases under the scope of IFRS 16.

4. INVENTORY

The Company has inventory as follows:

	2019	2018
Metakaolin	\$ 429,880	\$ 558,558
Kaolinized mineral resource	-	-
Spare parts	297,360	297,360
Fuels, coal and miscellaneous	13,043	14,784
	\$ 740,283	\$ 870,702

Operating expenses includes \$128,678 (2018 - \$164,156) related to the cost of inventory from sales.

5. RECLAMATION BOND

In 2012, a \$50,000 letter of credit and corresponding \$50,000 deposit was replaced by a \$1 million letter of credit to the Saskatchewan Ministry of Environment as the first installment towards a reclamation bond for the plant and mine site. The letter of credit was issued by Petrogas Energy Corp.

6. PROPERTY, PLANT AND EQUIPMENT

Cost	Land and buildings	Plant and equipment	Assets under capital lease	Leasehold improvements, computer equipment, office furniture	Vehicles	Total
Balance December 31, 2017	\$ 28,946,657	\$ 34,006,282	\$ 457,956	\$ 58,234	\$ 40,644	\$ 63,509,773
Additions	-	6,240	-	-	-	6,240
Balance December 31, 2018	\$ 28,946,657	\$ 34,012,522	\$ 457,956	\$ 58,234	\$ 40,644	\$ 63,516,013
Additions	-	84,317	-	-	-	84,317
Balance September 30, 2019	\$ 28,946,657	\$ 34,096,839	\$ 457,956	\$ 58,234	\$ 40,644	\$ 63,600,330
Depreciation and impairment losses						
Balance December 31, 2017	\$ 24,954,717	\$ 32,688,588	\$ 457,956	\$ 47,781	\$ 40,644	\$ 58,189,686
Depreciation	701,056	156,008	-	3,062	-	860,126
Impairment	2,010,705	1,000,000	-	-	-	3,010,705
Balance December 31, 2018	\$ 27,666,478	\$ 33,844,596	\$ 457,956	\$ 50,843	\$ 40,644	\$ 62,060,517
Depreciation	119,028	1,283	-	2,373	-	122,684
Balance September 30, 2019	\$ 27,785,506	\$ 33,845,879	\$ 457,956	\$ 53,216	\$ 40,644	\$ 62,183,201
Carrying Amounts						
At September 30, 2019	\$ 1,161,151	\$ 250,960	\$ -	\$ 5,018	\$ -	\$ 1,417,129
At December 31, 2018	\$ 1,280,179	\$ 167,926	\$ -	\$ 7,391	\$ -	\$ 1,455,496

6. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Included in land and buildings is land with a cost of \$486,657 (2018 - \$486,657). Additions to plant and equipment relate to non-cash adjustments to a change in the asset retirement obligation ("ARO") liability estimate described in note 8.

7. NOTES PAYABLE

The Company has the following notes payable:

	September 30, 2019	December 31, 2018
Kasten Resources ("Kasten") (a)	\$ 1,139,561	\$ 1,139,561
Petrogas Energy Corp. ("Petrogas") (b)	23,500,000	\$ 23,500,000
	\$ 24,639,561	\$ 24,639,561

(a) Kasten provided funding of \$1,139,561 during receivership. Accrued interest of \$nil (2018 - \$868,257) has been forgiven under an agreement with Kasten.

(b) Petrogas provided funding during receivership of \$15,984,062 and operational funding of \$7,515,938 (2018 - \$7,515,938) after receivership to recommence operations totaling \$23,500,000. Accrued interest of \$nil (2018 - \$15,215,805) has been forgiven under an agreement with Petrogas.

8. ASSET RETIREMENT OBLIGATION

The Company's asset retirement obligation results from ownership of a processing facility and mine property in southern Saskatchewan. The Company has completed construction of the plant and preparation of the mine and commissioned the facility. Internal assessments of costs to decommission the plant were conducted and revaluations of ARO due to inflation factors and discount rate changes as required by IFRS resulted in a change in estimate of \$84,317 (2018 - \$6,240) due to inflation factors and a decrease in the risk-free interest rate to 1.57% (2018 - 2.15%). The amounts are subject to measurement uncertainty with respect to estimated costs, the actual timing of reclamation, the inflation rate and the discount rates used.

	September 30, 2019	December 31, 2018
Balance beginning of period	\$ 964,225	936,565
Change in estimate	84,317	6,240
Accretion	14,032	21,420
Balance end of period	\$ 1,062,574	964,225

9. SHAREHOLDERS' EQUITY

Authorized

Unlimited number of Class A common shares without par value and voting
Unlimited number of Class B common shares without par value and non-voting
Unlimited number of preferred shares

Common Shares Issued

	Number of shares		Amount
Class A Common Shares, December 31, 2018 and September 30, 2019	34,026,300	\$	77,902,637

	Number of shares		Amount
Class B Non-voting Common Shares, December 31, 2018 and September 30, 2019	326,499,700	\$	-

10. CAPITAL MANAGEMENT

As part of the management of capital, the Company prepares annual operating and capital budgets and may from time to time issue new equity or debt in order to finance its capital expenditures. The Company has not declared or paid any dividends on its outstanding shares and any decision to pay dividends in the future would be based upon the financial condition of the Company. The Company may elect to alter its capital structure through the issuance of new shares, issuance of new debt, refinancing of existing debt or by acquiring or disposing of assets.

The capital structure, as disclosed on the condensed interim statement of financial position, consists of notes payable and shareholders' deficiency.

	September 30, 2019		December 31, 2018
Notes payable	24,639,561		24,639,561
Shareholders' deficiency	\$ (17,518,580)	\$	(18,866,640)

Since August 2011, all operational funding has been provided by Petrogas as disclosed in Note 7 through notes payable.

In 2018, the lenders agreed to a forgiveness of interest in the amount of \$16,084,062, to make the notes payable non-interest bearing and to extend the maturity date of the loan to December 31, 2019. The creditors have agreed that they will not demand repayment of the loan before the maturity date.

11. FINANCE CHARGES

Financing charges are comprised of:

	2019	2018
Debt service	\$ 1,012	\$ 878
Accretion of asset retirement obligation <i>[note 8]</i>	14,032	15,810
	\$ 15,044	\$ 16,688

12. EARNINGS PER SHARE

Earnings per share is calculated using the weighted average number of shares outstanding. The weighted average number of shares outstanding for the period ended September 30, 2019 is 360,526,000 (2018 - 360,526,000).

13. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities is \$nil (2018 – \$nil) payable to Petrogas, a company related by common management, and \$46,571 (2018 - \$123,569) payable to Express Tankers Inc., a company related to the Company through its relationship with Petrogas. Included in accounts receivable is \$4,683,158 (2018 - \$4,682,935) due from Petrogas and \$1,671,328 (2018 - \$1,721,684) due from Petrogas Inc.

The Company has charged Petrogas \$50,000 per month for nine months for services rendered. Petrogas has charged the Company \$6,500 per month for accounting, office and administrative services.

The remuneration of directors and executive officers during the period is as follows:

		2019		2018
Salaries and other short term benefits:	\$	28,900	\$	7,300

14. OPERATING SEGMENTS

For management purposes, the Company is organized into divisions based on their products and services provided. Management monitors the operating results of each division separately for the purpose of making decisions about resource allocation and performance assessment.

The Company has two reportable operating segments as follows:

1. Metakaolin - mining, processing and marketing kaolin and metakaolin
2. Commodities - managing and marketing commodities

Nine months ended September 30, 2019	Metakaolin	Commodities	Total
Revenue	\$ 139,347	\$ 2,995,446	\$ 3,134,793
Operating costs	(640,423)	-	(640,423)
Depreciation and impairment	(122,684)	-	(122,684)
General and administrative	(201,263)	(351,857)	(553,120)
Finance charges	(15,044)	-	(15,044)
Other income (expense)	10,479	(111,386)	(100,907)
Net income (loss) and comprehensive income (loss)	\$ (829,588)	\$ 2,532,203	\$ 1,702,615
Current assets	\$ 995,956	\$ 7,112,923	\$ 8,108,879
Total assets	\$ 2,413,085	\$ 7,112,923	\$ 9,526,008
Current liabilities	\$ 24,692,332	\$ 935,127	\$ 25,627,459
Total liabilities	\$ 25,754,906	\$ 935,127	\$ 26,690,033

Nine months ended September 30, 2018	Metakaolin	Commodities	Total
Revenue	\$ 173,613	\$ 2,073,213	\$ 2,246,826
Operating costs	(696,464)	-	(696,464)
Depreciation and impairment	(3,184,862)	-	(3,184,862)
General and administrative	(117,135)	(245,545)	(362,680)
Finance charges	(16,688)	-	(16,688)
Other income	1,618	283,173	284,791
Net income (loss) and comprehensive income (loss)	\$ (3,839,918)	\$ 2,110,841	\$ (1,729,077)
Current assets	\$ 1,397,023	\$ 12,211,573	\$ 13,608,596
Total assets	\$ 3,501,070	\$ 12,211,573	\$ 15,712,643
Current liabilities	\$ 40,887,124	\$ 7,995,611	\$ 48,882,735
Total liabilities	\$ 41,808,320	\$ 7,995,611	\$ 49,803,931

15. FINANCIAL INSTRUMENTS

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

15. FINANCIAL INSTRUMENTS *(continued)*

Fair Values

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and notes payable. The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and notes payable approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

Risk Management

The Company's risk management program focuses on minimizing the potential adverse effects on the Company's financial performance. The Company manages risks and risk exposure through a combination of a system of internal and disclosure controls, as well as insurance and sound business practices.

Risk management is primarily the responsibility of the Company's corporate finance function. Any significant risks are monitored and when appropriate, actions will be taken according to the Company's policies established related to that purpose. In addition, as required, the risks are reviewed with the Company's Board of Directors.

Interest Rate Risk

The Company defines interest rate risk as the financial risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company currently maintains cash balances and notes payable. The Company's current policy is to invest any excess cash not required for operations in guaranteed investment certificates with short-term maturities. The Company's sensitivity to interest rate risk on its guaranteed investment certificates is immaterial as the funds available for investment are minimal due to the funds being needed to fund ongoing operations. Any change in interest rates would not result in any material change in expected interest income.

Credit Risk

Credit risk is defined as the financial risk associated with non-performance of contractual obligations by counterparties. Credit risk arises from cash held with the Company's bank along with credit exposure to customers and other outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The Company's objective for managing the counterparty credit risk is to prevent losses on its financial assets. The Company is not yet in full commercial production, but upon full commercial production will assess the credit quality of its counterparties, taking into consideration their financial position, past payment histories and other factors. Management will regularly monitor counterparty credit limits and perform credit reviews. The Company's current sensitivity to credit risk is managed by dealing with reputable customers. Prior to significant commercial sales, relatively minimal supplies are required, with the Company's counterparty credit risk limited to government agencies and select companies that do not present any material concerns.

The Company's financial assets consist of cash and cash equivalents of \$132,425 and accounts receivable of \$7,155,563. An amount of \$1,998 of the accounts receivable is over 90 days past due. There is a receivable due from Petrogas Inc. in the amount of \$1,671,328, and from Petrogas in the amount of \$4,683,158 for commodity sales made by the Company. The expected credit losses as at September 30, 2019 is \$nil (2018 - \$nil). Approximately 100% (2018 - 100%) of the Company's sales are with four customers.

15. FINANCIAL INSTRUMENTS *(continued)*

Foreign Currency Exchange Risk

The Company currently operates in Canada and deals periodically with suppliers and customers in the United States. The functional currency of the Company and reporting currency is the Canadian dollar. Current dealings with suppliers in the United States are very minimal in comparison to dealings with Canadian suppliers. The Company has not entered into any derivative agreements to mitigate this risk.

As at September 30, 2019, the Company had \$1,262,046 (2018 – \$1,328,464) in US\$ receivables and \$427,280 (2018 – \$2,436,545) in US\$ payables. A 1% change in the exchange rate at September 30, 2019 of the US dollar is estimated to have approximately an \$8,400 effect on the net income and comprehensive income for the period.

Liquidity Risk

The Company defines liquidity risk as the financial risk that the Company will encounter difficulties meeting its obligations associated with financial liabilities. The Company's objective for managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The matters and conditions noted in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

At September 30, 2019, the Company had a working capital deficiency of \$17,518,580 (2018 – \$19,357,911). The Company's accounts payable and accrued liabilities are \$987,898 (2018 – \$3,633,434), of which, \$14,840 (2018 - \$8,724) was 90 days overdue.

The Company has notes payable in the amount of \$24,639,561 as described in Note 7. The Company has not made the required principal and interest payments under the loan agreement. The lenders have agreed to forgive interest in the amount of \$16,084,062, make the notes payable non-interest bearing and extend the maturity date of the loan to December 31, 2019.