STRIKEWELL ENERGY CORP.

Unaudited Condensed Interim Consolidated Financial Statements
For the Nine Months Ended September 30, 2019 and 2018
(Expressed in Canadian Dollars)

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3) released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed interim consolidated financial statements as at and for the nine months ended September 30, 2019 and 2018.

Strikewell Energy Corp.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - Prepared by Management)

(Expressed in Canadian dollars)

	Notes		**As at September 30, 2019**		As at December 31, 2018
ASSETS					
Current Assets					
Cash		**$**	**127,152**	$	173,276
Accounts receivable	5		**454,954**		288,184
			582,106		461,460
Non-Current Assets					
Petroleum and natural gas interests	7		**375,308**		435,308
		$	**957,414**	$	896,768
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts payable and accrued liabilities	8, 9, 10, 13	**$**	**3,563,696**	$	6,085,849
Loan payable	9		**-**		1,333,807
Notes payable	10		**-**		6,193,220
			3,563,696		13,612,876
Non-Current Liabilities					
Loans payable	9		**1,685,497**		772,028
Notes payable	10		**10,838,138**		-
Decommissioning obligations	11		**88,404**		88,404
			16,175,735		14,473,308
SHAREHOLDERS' DEFICIENCY					
Capital stock	12		**16,771,855**		16,771,855
Contributed surplus	9, 10		**3,982,412**		3,982,412
Deficit			**(35,972,588)**		(34,330,807)
			(15,218,321)		(13,576,540)
		$	**957,414**	$	896,768

Approved on behalf of the Board:

"David Hislop" **Director**

"Alistair Palmer" **Director**

The notes are an integral part of these condensed interim consolidated financial statements.

Strikewell Energy Corp.

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
For the period ended September 30, 2019 with comparative figures for 2018
(Unaudited - Prepared by Management)
(Expressed in Canadian dollars)

	Notes		**For the nine months ended September 30, 2019**	**For the three months ended September 30, 2019**		For the nine months ended September 30, 2018	For the three months ended September 30, 2018
Revenue							
Petroleum and natural gas		$	**465,001**	**137,429**	$	599,377	196,495
Royalties			**(96,292)**	**(25,862)**		(157,628)	(53,762)
			368,709	**111,567**		441,749	142,733
Direct expenses							
Production			**229,860**	**69,567**		239,003	76,402
Depletion and accretion			**60,000**	**20,000**		59,400	19,800
			289,860	**89,567**		298,403	96,202
Operating income (loss)			**78,849**	**22,000**		143,346	46,531
General and administrative expenses							
Administration fees	13c		**45,000**	**15,000**		45,000	15,000
Directors' and officers' fees	13a		**13,500**	**4,500**		13,500	4,500
Filing and transfer agent fees			**12,988**	**4,978**		13,241	5,614
Interest and accretion on long-term debt	9, 10		**1,638,979**	**512,152**		1,678,758	578,909
Office and miscellaneous			**3,394**	**313**		6,370	2,132
Professional fees			**6,769**	**3,609**		2,260	1,178
			1,720,630	**540,552**		1,759,129	607,333
Net loss and comprehensive loss for the period			**(1,641,781)**	**(518,552)**		(1,615,783)	(560,802)
Basic and diluted loss per share		$	**(0.19)**	**(0.06)**	$	(0.19)	(0.07)
Weighted average number of common shares outstanding			**8,626,862**	**8,626,862**		8,626,862	8,626,862

The notes are an integral part of these condensed interim consolidated financial statements.

Strikewell Energy Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency
For the period ended September 30, 2019 and 2018

(Unaudited - Prepared by Management)

(Expressed in Canadian dollars)

	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Total
Balance as at January 1, 2018	8,626,862	$ 16,771,855	$ 3,965,570	$ (32,045,955)	$ (11,308,530)
Net loss for the period	-	-	-	(1,615,783)	(1,615,783)
Balance as at September 30, 2018	**8,626,862**	**$ 16,771,855**	**$ 3,965,570**	**$ (33,661,738)**	**$ (12,924,313)**

	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Total
Balance as at January 1, 2019	8,626,862	$ 16,771,855	$ 3,982,412	$ (34,330,807)	$ (13,576,540)
Net loss for the period	-	-	-	(1,641,781)	(1,641,781)
Balance as at September 30, 2019	**8,626,862**	**$ 16,771,855**	**$ 3,982,412**	**$ (35,972,588)**	**$ (15,218,321)**

The notes are an integral part of these condensed interim consolidated financial statements.

Strikewell Energy Corp.

Condensed Interim Consolidated Statements of Cash Flows

For the period ended September 30, 2019 and 2018

(Unaudited - Prepared by Management)

(Expressed in Canadian dollars)

	Notes		**For the nine months ended September 30, 2019**		For the nine months ended September 30, 2018
Operating activities					
Net loss for the period		**$**	**(1,641,781)**	$	(1,615,783)
Items not involving cash:					
Depletion and accretion	7		**60,000**		59,400
Accrued interest and accretion on loans and notes payable	9,10		**1,638,979**		1,678,758
			57,198		122,375
Changes in non-cash working capital:					
Accounts receivable			**(166,770)**		(142,352)
Accounts payable and accrued liabilities			**63,448**		42,161
Cash provided by (used) in operating activities			**(46,124)**		22,184
Inflow (outflow) of cash			**(46,124)**		22,184
Cash, beginning of period			**173,276**		101,870
Cash, end of period		**$**	**127,152**	$	124,054

The notes are an integral part of these condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Strikewell Energy Corp. (the “Company” or “Strikewell”) is an exploration and production company with petroleum and natural gas interests in Alberta, Canada.

Strikewell is a publicly listed company incorporated in Canada with limited liability under the legislation of the province of British Columbia. The Company’s shares are listed on the TSX Venture Exchange.

The records of the Company are located at 1500 West 16th Avenue, Vancouver, British Columbia, Canada V6J 2L6. The Company’s registered office address is 885 West Georgia Street, Suite 900, Vancouver, British Columbia, Canada, V6H 3H1.

These unaudited condensed interim consolidated financial statements (“interim financial statements”) have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has incurred a net loss of $1,641,781 (2018 - $1,615,783) and is currently unable to self-finance operations. As at September 30, 2019, the Company has a working capital deficiency of $2,981,590 (December 31, 2018 - $13,151,416) an accumulated deficit of $35,972,588 (December 31, 2018 - $34,330,807), limited resources, no significant source of operating cash flow and no assurances that sufficient funding will be available to conduct further exploration and development of its petroleum and natural gas interests. The Company will require additional equity and/or debt financing to meet its administrative overhead costs, to continue exploration work on its petroleum and natural gas interests and settle its current and long-term liabilities.

The application of the going concern concept is dependent upon the Company’s ability to generate future profitable operations, raise additional capital through debt and/or equity financing, and its debtors’ continued forbearance on the Company’s outstanding debt. Management is actively seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost-cutting measures. There can be no assurance that management’s plan will be successful.

These matters indicate material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. These interim financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PREPARATION

(a) Statement of compliance:

These interim financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued):

These interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. They do not include all the information required for full annual financial statements.

These interim financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value. In addition, these interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out in note 3 have been applied consistently to all periods presented by the Company and its subsidiary, except as discussed in note 3(k).

(b) Functional and presentation currency:

These interim financial statements are presented in Canadian dollars, which is the Company's and its subsidiary's functional currency.

(c) Use of estimates and judgments:

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

Following are the accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

Critical accounting judgments

Reserves

The estimate of petroleum and natural gas reserves is integral to the calculation of the amount of depletion charged to the consolidated statements of operations and comprehensive loss and is also a key determinant in assessing whether the carrying value of any of the Company's development and production assets have been impaired. Changes in reported reserves can impact asset carrying values and the decommissioning provision due to changes in expected future cash flows. The Company's reserves are evaluated and reported on by independent reserve engineers at least annually in accordance with Canadian Securities Administrators' National Instrument 51-101 *Standards of Disclosure of Oil and Gas Activities*. Reserve estimation is based on a variety of factors including engineering data, geological and geophysical data, projected future rates of production, commodity pricing and timing of future expenditures, all of which are subject to significant judgment and interpretation.

2. BASIS OF PREPARATION (continued)

(c) Use of estimates and judgments (continued):

Recoverability of long-lived asset values

At each reporting date, the Company assesses its petroleum and natural gas interests for possible impairment to determine if there is any indication that the carrying amounts of the assets may not be recoverable. An assessment is also made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. Determination as to whether and how much an asset is impaired, or no longer impaired, involves management estimates on highly uncertain matters such as future commodity prices, discount rates, production profiles, operating costs, future capital costs and reserves. Changes in circumstances may impact these estimates, which may impact the recoverable amount of assets. Any change in the impairment loss or reversal of impairment loss could have a material financial impact in future years, but future depletion expense would be impacted as a result.

Going concern

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

Asset acquisitions

Management has had to apply judgments with respect to whether the acquisition of the additional interests in the petroleum and natural gas interests is a business combination or an asset acquisition. Management applies a three-element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs of each acquisition in order to reach a conclusion.

In instances where the Company acquired additional working interest, the Company does not re-measure the previously held interest in the assets that it already controls.

Critical accounting estimates

Decommissioning obligations

Amounts recorded for decommissioning obligations require the use of management's best estimates of future decommissioning expenditures, expected timing of expenditures, future inflation rates and expected discount rates. The estimates are based on internal and third-party information and calculations are subject to change over time and may have a material impact on profit or loss or financial position. For more information on the Company's decommissioning obligations see note 11.

2. BASIS OF PREPARATION (continued)

(c) Use of estimates and judgments (continued):

Recoverability of accounts receivable

Accounts receivable are recorded at the estimated recoverable amount, which involves the estimate of uncollectable accounts.

Discount rate of loans and notes

The loans and notes payable are initially recognized at fair value, calculated as the net present value of the liability based upon the discount rate issued by comparable issuers and accounted for at amortized cost using the effective interest rate method.

Income taxes

Related assets and liabilities are recognized for the estimated tax consequences between amounts included in the consolidated financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, and accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time.

(d) Approval of the interim financial statements:

The interim financial statements of Strikewell for the nine months ended September 30, 2019 and 2018 were approved and authorized for issue by the Board of Directors on November 14, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation:

(i) Subsidiary

The interim financial statements include the accounts of the Company and its wholly owned subsidiary, Strikewell Capital Corp. (“Strikewell Capital”). A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investee. All intercompany transactions and balances have been eliminated upon consolidation.

(ii) Jointly controlled operations and jointly controlled assets

The Company’s petroleum and natural gas activities involve jointly controlled assets. The interim financial statements include the Company’s share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments:

(i) Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss. A financial asset is measured at amortized cost if it meets the conditions that i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows, ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and iii) is not designated as fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value therein, recognized in the statement of comprehensive loss.

Financial assets measured at fair value through other comprehensive income

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as “financial asset at fair value through other comprehensive income” in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to retained earnings (deficit) when the financial instrument is derecognized or its fair value substantially decreases.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- the asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued):

Derecognition

A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

(iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - Inputs for assets or liabilities that are not based on observable market data value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

(c) Revenue recognition:

Revenue from the sale of petroleum and natural gas is recorded when performance obligations are satisfied. Performance obligations are satisfied at the point in time when products are delivered based on volumes to customers at contractual delivery points, and prices have been agreed with the purchaser and collectability is reasonably assured. Delivery is generally at the time the petroleum enters the tanks and when the natural gas enters the pipeline. The costs associated with the delivery, including operating and maintenance costs, transportation and production-based royalty expenses, are recognized during the same year in which the related revenue is earned and recorded.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Petroleum and natural gas interests:

Petroleum and natural gas interests are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into cash-generating units ("CGUs") for impairment testing. As at September 30, 2019, the Company has one CGU, which consists of the Garrington property held by Strikewell Capital.

Gains and losses on disposal of petroleum and gas interests are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognized net within profit or loss.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of development and production assets are recognized as petroleum and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized petroleum and natural gas interests 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. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, development and production assets are recognized in profit or loss as incurred.

Depletion and depreciation

The net carrying value of development or production assets is depleted using the unit-of-production method by reference to the ratio of production in the year to the related proven reserves. These estimates are reviewed by independent reserve engineers at least annually.

Proven reserves are estimated using independent reserve engineer reports and represent the estimated quantities of petroleum, 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. There should be a minimum of 90% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and a maximum 10% statistical probability that it will be less. Such reserves may be considered commercially viable if management has the intention of developing and producing them and such intention is based upon:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Petroleum and natural gas interests (continued):

Reserves may only be considered proven if future economic feasibility is supported by either actual production or conclusive formation test. The area of reservoir considered proven includes (a) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, or both, and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of petroleum and natural gas controls the lower proved limit of the reservoir.

(e) Impairment:

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

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. All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

Non-financial assets

Petroleum and natural gas interests are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Impairment (continued):

An impairment loss would be recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

(f) Income taxes:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss, except to the extent that if the income tax expense is related to items recognized directly in equity, the income tax expense would also be 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, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the asset and liability 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 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 relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets 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 no longer probable that the related tax benefit will be realized.

(g) Earnings (loss) per share:

Basic earnings (loss) per share is calculated by dividing net income (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share is computed using the treasury stock method. In accordance with the treasury stock method, the weighted average number of common shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Share-based payments:

The Company may grant share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments to non-employees is recognized and measured at the date the goods or services are received based on the fair value of such goods or services. If it is determined that the fair value of goods and services received cannot be reliably measured the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as petroleum and natural gas interests with a corresponding increase in contributed surplus. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in capital stock and the related share-based payment in contributed surplus is transferred to capital stock. For those options that expire or are forfeited after vesting, the recorded value is transferred to deficit.

(i) Decommissioning obligations:

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of expenditures required to settle the present obligation at the consolidated statement of financial position date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs, whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

(j) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present obligation (legal or constructive) that can be estimated reliably, and it is probable that expenditure will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) New accounting pronouncements:

IFRS 15 *Revenue from Contracts with Customers*

This new standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 *Construction Contracts*, IAS 18 *Revenue*, and is effective reporting periods beginning on or after January 1, 2018.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- Revenue is recognized based on a five-step analysis of transactions to determine the nature of an entity's obligation to perform and whether, how much and when revenue is recognized as follows:
  1. Identify the contract with customer;
  2. Identify the performance obligations;
  3. Determine the transaction price;
  4. Allocate the transaction price to the performance obligations; and,
  5. Recognize revenue when (or as) the performance obligations are satisfied.
- New disclosure requirements on information about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Company has adopted IFRS 15 effective January 1, 2018, using the modified respective method. Under this method, prior period financial statements have not been restated.

Management has reviewed its revenue streams and major contracts with customers, using the IFRS 15 principles-based five step model. The adoption of IFRS 15 did not have a significant impact on the Company’s consolidated financial statements.

IFRS 9 *Financial Instruments*

The Company adopted IFRS 9 *Financial Instruments* (“IFRS 9”) effective January 1, 2018 which replaces the multiple classification and measurement models for financial assets under IAS 39 *Financial Instruments* (“IAS 39”) with a new model that has two measurement categories: amortized cost and fair value, either through profit/loss (“FVTPL”) or through other comprehensive income. This determination is made at initial recognition. For financial liabilities, the new standard retains most of the IAS 39 requirements.

As a result of adopting IFRS 9, the Company’s cash classified at fair value through profit and loss (“FVTPL”) and accounts receivable classified as loans and receivables at December 31, 2017 have been reclassified to financial assets at FVTPL and amortized cost, respectively; however, there is no impact to the measurement of these financial assets. There were no changes to the classifications of the Company’s financial liabilities which continue to be measured at amortized cost. The classification and measurement guidance was adopted retrospectively without restatement of comparative information. After adoption of IFRS 9, the Company’s accounting policies are substantially the same as at December 31, 2017 and there was no impact to the Company’s consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) New accounting pronouncements (continued):

IFRS 16 *Leases*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. Applicable to the Company's annual period beginning on January 1, 2019.

The Company has adopted IFRS 16 on January 1, 2019. There was no significant impact on the consolidated financial statements.

4. FINANCIAL INSTRUMENTS

Fair value:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. All financial instruments measured at fair value are categorized into a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Classification:

The Company classifies its financial instruments as follows: cash is classified as a financial asset at FVTPL; accounts receivable, at amortized cost; accounts payable and accrued liabilities, loans payable and notes payables, at amortized cost.

5. FINANCIAL RISK MANAGEMENT

(a) Overview:

Due to the short-term nature of the Company's cash, accounts receivable, and accounts payable and accrued liabilities, their carrying values approximates fair value. The Company has exposure to the following risks from its use of financial instruments:

- Market risk;
- Credit risk; and
- Liquidity risk.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

The Company's cash is held in bank accounts and, due to the short-term nature fluctuations in market interest rates do not have a significant impact on the fair value as at September 30, 2019.

The Company's loans and notes payable are at fixed interest rates, and therefore, the Company is exposed to interest rate cash flow risk.

(i) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

(ii) Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

5. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk:

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash and accounts receivable. The credit risk associated with cash is minimized substantially by ensuring these financial assets are placed with a major financial institution with a high credit rating.

Accounts receivable primarily consists of revenues from the sale of petroleum and natural gas. To reduce credit risk, the Company regularly reviews the collectability of accounts receivable. The aging of the trade receivables as at September 30, 2019 and December 31, 2018 is as follows:

Due Date		September 30, 2019		December 31, 2018
0 – 60 days	$	376,913	$	83,943
61 days +		76,956		203,409
	$	453,869	$	287,352

Concentration of credit risk exists with the Company's accounts receivable, as the majority of the balance is due from one customer. The Company's concentration of credit risk and maximum exposure thereto is as follows:

		September 30, 2019		December 31, 2018
Trade receivables	$	453,869	$	287,352

(d) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in satisfying obligations as they become due. The Company assesses its liquidity risk by forecasting cash flows required by operations and anticipated financing activities.

The Company has a cash balance at September 30, 2019 of $127,152 (December 31, 2018 - $173,276) and accounts receivable of $454,954 (December 31, 2018 - $288,184). At September 30, 2019, the Company has accounts payable and accrued liabilities of $3,563,696 (December 31, 2018 - $6,085,849) and a working capital deficiency of $2,981,590 (December 31, 2018 - $13,151,416). Based on the current funds held, the Company will need to rely upon financing from shareholders and/or debt holders to obtain sufficient working capital. There is no assurance that such financing will be available on terms and conditions acceptable to the Company.

5. FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk (continued):

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at September 30, 2019:

Due Date	Accounts Payable and Accrued Liabilities	Loans Payable	Notes Payable	Total
		(note 9)	(note 10)	
0 – 30 days	$ 3,563,696	$ -	$ -	$ 3,563,696
31 days – 1 year	-	-	-	-
2 to 7 years	-	1,987,424	10,838,138	12,825,562
	$ 3,563,696	$ 1,987,424	$ 10,838,138	$ 16,389,258

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at December 31, 2018:

Due Date	Accounts Payable and Accrued Liabilities	Loans Payable	Notes Payable	Total
		(note 9)	(note 10)	
0 – 30 days	$ 6,085,849	$ 865,924	$ 6,193,220	$ 13,144,993
31 days – 1 year	-	-	-	-
2 to 7 years	-	1,121,500	-	1,121,500
	$ 6,085,849	$ 1,987,424	$ 6,193,220	$ 14,266,493

6. CAPITAL MANAGEMENT

The Company defines its capital as debt and shareholders' deficiency. Capital requirements are driven by the Company's exploration activities on its petroleum and natural gas interests. Management's objective is to ensure there are adequate capital resources to safeguard the Company's ability to continue as a going concern. Management reviews its capital management approach on an ongoing basis and believes its approach given the relative size of the Company is reasonable.

Although the Company has been successful at raising funds in the past through obtaining debt financing from current shareholders, it is uncertain whether it can continue this financing methodology.

The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company's capital stock and debt are not subject to any externally imposed capital requirements and the Company did not change its approach to capital management during the nine months ended September 30, 2019 or the year ended December 31, 2018.

7. PETROLEUM AND NATURAL GAS INTERESTS

Cost	Well Equipment	Acquisition and Lease	Asset Retirement	Total
Balance at December 31, 2017	$ 90,000	$ 1,412,275	$ 88,745	$ 1,591,020
Additions	-	-	(411)	(411)
Balance at December 31, 2018	90,000	1,412,275	88,334	1,590,609
Additions	-	-	-	-
Balance at September 30, 2019	$ 90,000	$ 1,412,275	$ 88,334	$ 1,590,609

Accumulated Depletion, Depreciation and Impairment	Well Equipment	Acquisition and Lease	Asset Retirement	Total
Balance at December 31, 2017	$ 84,043	$ 959,483	$ 20,907	$ 1,064,433
Additions	5,142	80,680	5,046	90,868
Balance at December 31, 2018	89,185	1,040,163	25,953	1,155,301
Additions	815	54,705	4,480	60,000
Balance at September 30, 2019	$ 90,000	$ 1,094,868	$ 30,433	$ 1,215,301

Carrying amounts	Well Equipment	Acquisition and Lease	Asset Retirement	Total
December 31, 2018	$ 815	$ 372,112	$ 62,381	$ 435,308
September 30, 2019	$ -	$ 317,407	$ 57,901	$ 375,308

Strikewell Capital owns a 90% working interest in the Garrington Property.

During the year ended December 31, 2018, management performed assessments of potential impairment indicators and determined that no such indicators were present.

Contingencies:

Although the Company believes that it has title to its petroleum and natural gas interests, it cannot control or completely protect itself against the risk of title disputes or challenges.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		September 30, 2019		December 31, 2018
Trade payables	$	494,547	$	404,103
Interest payable (notes 9 and 10)		3,060,650		5,646,247
Due to related party (note 14)		7,999		7,999
Accrued liabilities		500		27,500
	$	3,563,696	$	6,085,849

9. LOANS PAYABLE

(a) Loan 1 – Loan payable to a significant shareholder of the Company:

		Total
Carrying amount, December 31, 2017	$	1,071,262
Accretion expense		262,545
Carrying amount, December 31, 2018		1,333,807
Revaluation of loan payable		(644,969)
Accretion expense		177,086
Carrying amount, September 30, 2019	$	865,924

This loan between the Company and Mr. John Hislop has a principal balance of $865,924, is secured by the assets of the Company and bore interest at 10% per annum payable semi-annually and matured on June 1, 2019. The effective interest rate was estimated to be 30% per annum and a gain of $971,118 was recorded in contributed surplus to reflect the benefit having been received by a related party. This promissory note was renewed on June 1, 2019 with an updated maturity date of June 1, 2026 and an increased interest rate from 10% to 15%. All other terms of the loan remained the same. Included in accounts payable and accrued liabilities is accrued interest of $1,114,011 as at September 30, 2019 (December 31, 2018 - $396,882).

9. LOANS PAYABLE (continued)

(b) Loan 2 – Loan payable to a company controlled by a significant shareholder of the Company

		Total
Carrying amount, December 31, 2017	$	46,323
Revaluation of loan payable		(4,833)
Accretion expense		739
Carrying amount, December 31, 2018		42,229
Accretion expense		491
Carrying amount, September 30, 2019	$	42,720

On February 1, 2013, the Company entered into a promissory note with Caravel Management Corp. ("Caravel") for an amount up to $200,000, which bears interest calculated quarterly at a rate of 15% per annum and matured on January 31, 2018. This promissory note was renewed on January 31, 2018 with an updated maturity date of January 31, 2025. Interest and principal are payable on maturity. All other terms of the loan remained the same. On January 31, 2018, the loan was revalued to account for current comparable market interest rates, and as a result, the effective interest rate was determined to be 18% per annum and a gain of $4,833 was deemed to have been received upon the extension of the due date of the loan. This gain was recorded in contributed surplus to reflect the benefit of having been received from a related party.

As of September 30, 2019, the Company owes Caravel the principal sum of $46,500. Included in accounts payable and accrued liabilities is accrued interest of $46,093 as at September 30, 2019 (December 31, 2018 - $40,862).

(c) Loan 3 – Loan payable to a significant shareholder of the Company:

		Total
Carrying amount, December 31, 2017	$	636,025
Accretion expense		45,632
Carrying amount, December 31, 2018		681,657
Accretion expense		44,015
Carrying amount, September 30, 2019	$	725,672

On July 1, 2015, the Company entered into a promissory note with Mr. John Hislop for $1,000,000, which bears interest calculated quarterly at a rate of 15% per annum payable on maturity date of June 30, 2022. The loan was revalued to account for current comparable market interest rates. As a result, the effective interest rate was estimated to be 30% per annum and a gain of $434,002 was recorded in contributed surplus to reflect the benefit having been received by a related party. As of September 30, 2019, the Company owes Mr. John Hislop the principal sum of $1,000,000. Included in accounts payable and accrued liabilities is accrued interest of $638,116 as at September 30, 2019 (December 31, 2018 - $525,616).

9. LOANS PAYABLE (continued)

(d) Loan 4 – Loan payable to a significant shareholder of the Company:

		Total
Carrying amount, December 31, 2017	$	45,027
Accretion expense		3,116
Carrying amount, December 31, 2018		48,143
Accretion expense		3,038
Carrying amount, September 30, 2019	$	51,181

On August 25, 2015, the Company entered into a promissory note with Mr. John Hislop for $75,000, which bears interest calculated quarterly at a rate of 15% per annum payable on maturity date of August 25, 2022. The loan was revalued to account for current comparable market interest rates. As a result, the effective interest rate was estimated to be 30% per annum and a gain of $34,442 was recorded in contributed surplus to reflect the benefit having been received by a shareholder. As of September 30, 2019, the Company owes Mr. John Hislop the principal sum of $75,000. Included in accounts payable and accrued liabilities is accrued interest of $46,480 as at September 30, 2019 (December 31, 2018 - $37,973).

10. NOTES PAYABLE

		Vendor Note		Second Note		Total
Face value of notes payable	$	4,018,636	$	2,174,584	$	6,193,220
Carrying amount, December 31, 2017	$	3,513,897	$	1,901,456	$	5,415,353
Accretion expense		504,739		273,128		777,867
Carrying amount, December 31, 2018	$	4,018,636	$	1,901,456	$	6,169,220

		Vendor Note		Second Note		Total
Face value of renewed notes payable January 1, 2019	$	7,032,615	$	3,802,522	$	10,838,138
Balance, January 1, 2019	$	7,032,615	$	3,802,522	$	10,838,138
Interest expense		789,002		426,948		1,215,950
Balance, September 30, 2019	$	7,821,617	$	4,232,471	$	12,054,088

Notes payable consists of two notes arising from the purchase consideration for the acquisition of Strikewell Capital and the restructuring of certain accounts payable and loans payable of the Company. The notes were issued January 1, 2006.

The principal owing under the Vendor Note and the Second Note were due for repayment January 1, 2014 and bore interest at 2% for years one and two, 3% for years three and four, 4% for year five and 15% for years six through eight, compounded and payable semi-annually.

On January 1, 2014, the promissory notes were renewed and were due for repayment December 31, 2018 and bore interest at 15% per annum.

10. NOTES PAYABLE (continued)

On January 1, 2014, the effective interest rate of the loan was estimated to be 30% per annum based on current comparable market interest rates. A gain of $1,536,299 and $831,329 was recorded in contributed surplus to reflect the benefits having been received by related parties.

On January 1, 2019, the Company entered into a new Promissory Note in the amount of $7,032,615 at an interest rate of 15% per annum for a period of 7 years, expiring on December 31, 2025. This Promissory Note replaces the Vendor Note of $4,018,636 plus accrued interest which expired on December 31, 2018.

On January 1, 2019, the Company entered into a new Promissory Note in the amount of $3,805,522 at an interest rate of 15% per annum for a period of 7 years, expiring on December 31, 2025. This Promissory Note replaces the Second Note of $2,174,584 plus accrued interest which expired on December 31, 2018.

All assets of the Company have been pledged as security for the notes payable. The Vendor Note is due to a significant shareholder of the Company, Mr. John Hislop. The Second Note is due to Caravel.

Included in accounts payable and accrued liabilities is accrued interest of $1,215,950 as at September 30, 2019 (December 31, 2018 - $4,644,916).

11. DECOMMISSIONING OBLIGATIONS

A reconciliation of the decommissioning obligations is provided below:

Balance, December 31, 2017	$	88,554
Accretion		261
Change in estimate		(411)
Balance, December 31, 2018		88,404
Accretion		-
Change in estimate		-
Balance, September 30, 2019	$	88,404

During the year ended December 31, 2018, the Company revised its estimates to abandon and reclaim its petroleum and natural gas properties. The revisions were made in accordance with the Alberta Energy Regulator’s guidance for abandonment and reclamation costs updated during those years. The majority of the costs will be incurred after 2034. An inflation factor of 2.00% has been applied to the estimated decommissioning cost. A risk-free rate of 2.33% was used to calculate the fair value of the decommissioning obligations. The assumptions have remained relatively unchanged since the year ended December 31, 2018 and thus no change to the obligation has been recorded at September 30, 2019.

12. CAPITAL STOCK

(a) Authorized:

Unlimited number of common shares without par value.
Unlimited number of Class A preferred shares without par value.

(b) Issued:

The Class A preferred shares are issuable in series; each series to have rights and restrictions as determined by the Board of Directors. The issuance of preferred shares of any series is subject to regulatory approval. There are no preferred shares outstanding.

No common shares were issued during the nine months ended September 30, 2019 or the year ended December 31, 2018.

(c) Stock options:

During 2007, the Company adopted a new incentive stock option plan under which the Company may issue up to a maximum of 10% of the issued shares of the Company as stock options to acquire common shares in the capital of the Company as an incentive to officers, directors, employees and consultants. There were no stock options issued or outstanding during the nine months ended September 30, 2019 or the year ended December 31, 2018.

13. RELATED PARTY TRANSACTIONS

As at September 30, 2019 the transactions made with related parties to the Company not otherwise disclosed in these interim financial statements consist of the following:

(a) Directors' fees of $13,500 (2018 - $13,500) were paid to key management personnel. Key management comprises of officers and directors of the Company. Key management personnel were not paid any share-based payments, post-employment benefits, termination benefits or other long-term benefits during the nine months ended September 30, 2019 and 2018.

(b) Included in accounts payable is $7,999 (2017 - $7,999) in trade payables due to a significant shareholder of the Company.

(c) Administration fees of $45,000 (2018 - $45,000) were paid or payable to Caravel. Included in accounts payable and accrued liabilities is $259,627 (2018 - $259,627) in trade payables due to Caravel.

The amounts due to related parties included in accounts payable and accrued liabilities are non-interest-bearing, unsecured and due on demand.

14. SEGMENT DISCLOSURES

The Company operates in one reportable operating segment, being the exploration and development of petroleum and natural gas interests. The Company's assets and activities are located in Canada.