HIGHWOOD
OIL COMPANY LTD.

HIGHWOOD OIL COMPANY LTD.
CONDENSED INTERIM FINANCIAL STATEMENTS
THREE MONTH ENDED MARCH 31, 2020

(unaudited)

Highwood Oil Company Ltd.
Condensed Interim Statement of Financial Position

(amounts in Canadian dollars) (unaudited)	Note	As at March 31 2020	As at December 31 2019
Assets			
Current assets			
Cash		$ **456,400**	$ -
Accounts receivable	4, 16(a)	**7,144,752**	9,010,132
Insurance proceeds receivable	4	**1,830,000**	2,730,000
Deposits and prepaid expenses	5	**3,566,515**	3,609,756
Reclamation deposits		**123,300**	123,300
Commodity contracts	16(b)	**3,559,000**	-
Total current assets		**16,679,967**	15,473,188
Reclamation deposits		**18,000**	18,000
Commodity contracts	16(b)	**897,000**	-
Exploration and evaluation assets	6	**7,363,608**	7,568,935
Property, plant and equipment	7	**81,707,803**	90,893,324
Right-of-use assets	8	**240,041**	233,728
Total assets		$ **106,906,419**	$ 114,187,175
Liabilities			
Current liabilities			
Bank overdraft		$ **-**	$ 183,148
Accounts payable and accrued liabilities		**20,613,460**	20,280,989
Bank debt	9	**37,000,000**	36,894,400
Commodity contracts	16(b)	**-**	3,015,000
Current portion of lease liabilities	8	**130,288**	104,702
Total current liabilities		**57,743,748**	60,478,239
Accounts payable and accrued liabilities		**1,145,000**	1,145,000
Commodity contracts	16(b)	**-**	427,000
Lease liabilities	8	**117,643**	136,224
Decommissioning liabilities	10	**31,291,999**	31,098,999
Deferred tax liability		**2,064,000**	2,905,000
Total liabilities		**92,362,390**	96,190,462
Shareholders' Equity			
Share capital	12	**16,309,535**	16,309,535
Contributed surplus	13	**1,362,072**	1,091,072
Retained earnings (deficit)		**(3,127,578)**	596,106
Total equity		**14,544,029**	17,996,713
Total liabilities and shareholders' equity		$ **106,906,419**	$ 114,187,175

Going concern (note 2(a))
Commitments and contingencies (note 15)
Subsequent events (note 5, 19)

See the accompanying Notes to the Condensed Interim Financial Statements

Approved by the Board:

"signed", Stephen J Holyoake, Director

"signed", Arif Shivji, Director

Highwood Oil Company Ltd.

Condensed Interim Statement of Loss and Comprehensive loss

(amounts in Canadian dollars) (unaudited)	Note		**Three Months Ended March 31, 2020**		Three Months Ended March 31, 2019
Revenue					
Oil sales	3	**$**	**6,545,440**	$	6,928,968
Royalties			**(728,359)**		(609,443)
Transportation pipeline revenues			**1,160,389**		1,233,712
Processing and other income	3		**521,525**		417,174
			7,498,995		7,970,411
Realized gain (loss) on commodity contracts	16(b)		**867,905**		(204,817)
Unrealized gain (loss) on commodity contracts	16(b)		**7,898,000**		(2,193,000)
Total revenue, net of royalties and commodity contracts			**16,264,900**		5,572,594
Expenses					
Operating and transportation			**5,313,839**		4,383,345
General and administrative			**1,408,825**		1,189,396
Depletion and depreciation	7, 8, 10		**2,483,754**		2,025,339
Impairment loss	6, 7		**11,124,000**		-
Bad debt expense			**-**		899
Stock-based compensation expense	13		**271,000**		139,000
Total expenses			**20,601,418**		7,737,979
Operating loss			**(4,336,518)**		(2,165,385)
Other income (expenses)					
Gain on disposal of assets	6		**586,148**		1,300,000
Listing expense and transaction costs			**(114,000)**		(1,437,982)
Finance income and expenses, net	11		**(700,314)**		(627,250)
Total other income (expenses)			**(228,166)**		(765,232)
Loss before taxes			**(4,564,684)**		(2,930,617)
Deferred tax recovery			**841,000**		423,000
Loss and comprehensive loss for the year		**$**	**(3,723,684)**	$	(2,507,617)
Loss per share					
Basic and Diluted	12(c)	**$**	**(0.62)**	$	(0.43)

See the accompanying Notes to the Condensed Interim Financial Statements

Highwood Oil Company Ltd.

Condensed Interim Statement of Changes in Shareholders' Equity

(amounts in Canadian dollars)
(unaudited)

	Note	Share capital	Contributed surplus	Retained earnings (deficit)	Total equity
Balance, January 1, 2019		$ 12,819,650	$ 151,072	$ 11,608,830	$ 24,579,552
Stock-based compensation	13	-	139,000	-	139,000
Shares issued		68,400	-	-	68,400
Reverse takeover transaction		1,698,111	150,000	-	1,848,111
Exercise of agent options		74,999	(35,000)	-	39,999
Loss and comprehensive loss for the period		-	-	(2,507,617)	(2,507,617)
Balance, March 31, 2019		$ 14,661,160	$ 405,072	$ 9,101,213	$ 24,167,445
Balance, January 1, 2020		**$ 16,309,535**	**$ 1,091,072**	**$ 596,106**	**$ 17,996,713**
Stock-based compensation	**13**	**-**	**271,000**	**-**	**271,000**
Loss and comprehensive loss for the year		**-**	**-**	**(3,723,684)**	**(3,723,684)**
Balance, March 31, 2020		**$ 16,309,535**	**$ 1,362,072**	**$ (3,127,578)**	**$ 14,544,029**

See the accompanying notes to the Condensed Interim Financial Statements

Highwood Oil Company Ltd.
Condensed Interim Statement of Cash Flows

(amounts in Canadian dollars)
(unaudited)

	Note	Three Months Ended March 31, 2020	Three Month Ended March 31, 2019
Cash provided by (used in):			
Operating activities			
Loss for the year		**$ (3,723,684)**	$ (2,507,617)
Items not involving cash:			
Unrealized (gain) loss on commodity contracts	16(b)	**(7,898,000)**	2,193,000
Depletion and depreciation expense	6, 7, 8	**2,483,754**	2,025,339
Impairment loss	6, 7	**11,124,000**	-
Finance expense	11	**245,664**	183,716
Deferred tax recovery		**(841,000)**	(423,000)
Stock-based compensation	13	**271,000**	139,000
Gain on disposal of assets	6	**(586,148)**	(1,300,000)
Listing expense		**-**	1,329,552
Cash abandonment expenditures	10	**-**	(154,388)
Change in non-cash working capital	14	**2,711,584**	4,245,754
Net cash from (used in) operating activities		**3,787,170**	5,731,356
Financing activities			
Proceeds on exercise of agent options		**-**	39,999
Proceeds on issuance of shares for cash		**-**	68,400
Payments of lease obligations	8	**(34,126)**	(30,189)
Finance fees paid	9	**-**	(112,000)
Net cash from financing activities		**(34,126)**	(33,790)
Investing activities			
Additions to property, plant and equipment	7	**(4,136,479)**	(2,412,586)
Additions to exploration and evaluation assets	6	**(54,673)**	(1,664,811)
Proceeds on dispositions of exploration and evaluation assets	6	**648,148**	1,500,000
Corporate acquisitions, net of cash received		**-**	557,378
Change in non-cash working capital	14	**429,508**	(981,227)
Net cash used in investing activities		**(3,113,496)**	(3,001,246)
Change in cash and cash equivalents		**$ 639,548**	$ 2,696,320
Bank overdraft, beginning of period		**(183,148)**	(1,872,893)
Cash, end of period		**$ 456,400**	$ 823,427
Cash and cash equivalents is comprised of:			
Cash		**$ 456,400**	$ 823,427

See the accompanying Notes to the Condensed Interim Financial Statements

1. REPORTING ENTITY

Highwood Oil Company Ltd. (the "Company") is a public oil and natural gas exploration, development and production Company incorporated in Alberta, Canada on August 24, 2012. The Company conducts its operations in the Western Canadian Sedimentary basin, primarily in the province of Alberta. The Company's principal place of business is located at Suite 900, 222 – 3rd Avenue SW, Calgary, Alberta, T2P 0B4.

The Company completed a transaction on January 23, 2019 that resulted in the Company becoming a publicly traded entity. The Company's common shares trade on the TSX Venture Exchange under the symbol "HOCL".

These Condensed Interim Financial Statements were approved and authorized for issuance by the Board of Directors on May 29, 2020.

2. BASIS OF PREPARATION

(a) Going concern

These financial statements have been prepared in accordance with International Financial Reporting Standards applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The oil and natural gas commodity price environment has been extremely volatile and suppressed by historical standards in the past few years and has been made significantly worse with the recent COVID-19 outbreak and the resulting global oversupply of oil. The Company has, to the best of its ability, managed through this low price environment by maintaining an active risk management and hedging program, targeting low risk capital projects and accretive, long life asset acquisitions. The recent downward shift on global oil and natural gas commodity pricing has resulted in the deterioration in the Company's projected cash flows over the next 12 months.

At March 31, 2020, the Company was in a negative working capital position, excluding bank debt, of $4,063,781 and the amounts outstanding on the bank facility (note 9) were $37.0 million. The maximum amount available on the facility is $38.0 million. The bank facility is subject to semi-annual reviews of the borrowing base, with the next review to be undergone prior to June 30, 2020. The lender has sole discretion on the determination of the borrowing base which is based predominantly on the Company's cash flows forecast from proved developed producing oil and natural gas reserves. The current state of the Western Canadian energy sector coupled with the suppressed global oil and natural gas commodity price environment has negatively impacted the availability for credit within the industry.

The bank facility has financial and hedging covenants as outlined in note 9. The Company was in violation of its financial covenants, but it has obtained a waiver from the bank. At planned production rates and forward prices for crude oil being traded in the futures market, management is forecasting a breach in covenants within the next 12 months. The Company forecasts that it can continue to meet its obligations including interest payments, general & administrative expenses and operating expenses within its internally generated cash flows and available borrowing capacity. However, there are no assurances that the lender will maintain the borrowing base at the current level, which may result in a borrowing base shortfall. If the Company cannot generate sufficient funds to meet the borrowing base shortfall it would constitute an event of default under the loan agreement and the bank could demand immediate repayment of the outstanding loan amount. The Company is evaluating and planning to act on several liquidity options to help ensure the short-term availability of funds in this tumultuous time (see note 19, subsequent events). During the quarter ended March 31, 2020 and subsequent to that date, the Company has shut-in certain producing properties that are uneconomic at current prices. The Company is also in discussions with its lender to amend go forward financial covenants as part of the Company's semi-annual renewal.

Due to the factors mentioned above, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not include necessary adjustments to reflect the recoverability and classification of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and such adjustments could be material.

(b) Statement of compliance

These condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standards (IAS) 34, "Interim Financial Reporting", using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Certain information and disclosures normally included in the annual financial statements prepared in accordance with IFRS have been condensed or omitted.

The condensed interim financial statements should be read in conjunction with the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2019 and the notes thereto.

The condensed interim financial statements have been prepared on a historical cost basis, except as detailed in the accounting policies disclosed in note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2019. All accounting policies and methods of computation followed in the preparation of these condensed interim consolidated financial statements are consistent with those of the previous financial year, except as described in note 2(d).

(c) Use of estimates and judgments

The timely preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions based on currently available information that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the statement of financial position and the reported amounts of income and expenses during the reporting period. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In March 2020, COVID-19 was declared a pandemic by the World Health Organization. Global commodity prices have faced significant downward pressure primarily due to the collapse in demand attributed to COVID-19 combined with a global price war. These events have resulted in volatile and challenging economic conditions. There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that the Company may experience. The potential risk and impact due to the events described above relating to the Company has been taken into consideration in management's estimates used for the period end. However, there could be further prospective material impacts in future periods.

More specifically, the assumptions may change that are involved in the estimates of valuation of exploration and evaluation assets and property and equipment cash generating units, the timing of decommissioning obligations, the fair value of commodity contracts, the expected credit loss provisions related to accounts receivable as well as liquidity and going concern assessments.

A full list of significant estimates and judgments can be found in note 2(e) of the Company's annual financial statements for the year ended December 31, 2019. COVID-19 and current market conditions have increased the complexity of estimates and assumptions used to prepare the condensed interim financial statements.

(d) Changes in accounting policies

Business Combinations

On January 1, 2020, the Company adopted the amendment as issued on October 22, 2018 by the IASB related to IFRS 3, "*Business Combinations"* ("IRFS 3"), revising the definition of a business and providing for the addition of an optional 'concentration test' to determine if the acquisition is a business. To be considered a business under the amendments to IFRS 3, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The three elements of a business are defined as follows:

- Input – Any economic resource that creates outputs, or has the ability to contribute to the creation of outputs, when on or more processes are applied to it.
- Process – Any system, standard, protocol, convention or rule that, when applied to an input or inputs, creates outputs or has the ability to contribute to the creation of outputs.
- Output – The result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income or generate other income from ordinary activities.

The optional 'concentration test' permits a simplified assessment that results in as asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or group of similar identifiable assets. An entity may elect to apply, or not apply, the test. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the sets of activities and assets is determined to not be a business and no further assessment is needed. The amendment to IFRS 3 had no effect to the Company for the period ended March 31, 2020.

3. REVENUE

Oil sales:

The Company sells its production pursuant to variable-price contracts. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending the contract terms. Commodity prices are based on market indices that are determined on a monthly or daily basis. Revenue is recognized when a unit of production is delivered to the customer and control of the product transferred.

Revenues are typically collected on the 25th day of the month following production.

The following table summarizes the Company's product sales.

	Three Months Ended March 31,	
	2020	2019
Oil	**$ 6,545,440**	$ 6,928,968
Total	**$ 6,545,440**	$ 6,928,968

Processing and other income:

The following table summarizes the Company's processing and road use revenues.

	Three Months Ended March 31,	
	2020	2019
Processing	**$ 320,311**	$ 251,484
Road Use	**201,214**	165,690
Total	**$ 521,525**	$ 417,174

4. ACCOUNTS RECEIVABLE AND INSURANCE PROCEEDS RECEIVABLE

Accounts receivable is comprised of the following:

	March 31, 2020	December 31, 2019
Oil marketers	**$ 1,967,739**	$ 4,567,150
Joint interest partners	**3,525,157**	3,409,180
Commodity contract receivable	**591,477**	-
Road use receivable	**669,797**	672,123
Government sales tax	**238,365**	221,289
Insurance proceeds[1]	**1,830,000**	2,730,000
Other	**152,217**	140,390
Balance, end of period	**$ 8,974,752**	$ 11,740,132

[1] Insurance proceeds relates to an insurable event that occurred during the year ended December 31, 2018. The Company has accrued an amount in accounts payable and accrued liabilities totalling $33,250,000 (December 31, 2019 - $33,250,000) (including a long-term portion of $1,145,000, (December 31, 2019 - $1,145,000)), less amounts paid by March 31, 2020 for balances owed to third party vendors relating to this event (note 15).

5. DEPOSITS AND PREPAID EXPENSES

Deposits and prepaid expenses are comprised of the following:

	March 31, 2020	December 31, 2019
Deposits[1]	**$ 3,207,233**	$ 3,207,233
Prepaid expenses	**359,282**	402,523
Balance, end of period	**$ 3,566,515**	$ 3,609,756

[1]Balance includes $3,074,755 related to a deposit that was made on a purchase and sale agreement that was terminated by the Company during the year ended December 31, 2019. The Company terminated the purchase and sale agreement when the other partner did not consent to the transfer of the partnership units. The deposit is held in trust by a law firm. The Company has not received the funds as at March 31, 2020 and had commenced legal action to attempt to recover the funds. The counter party to the terminated transaction had filed a statement of defence and counterclaim seeking payment of the full deposit. Subsequent to March 31, 2020 the Company and the counter party settled the claims and the Company received $3,074,755.

Prepaid expenses include prepaid annual fees, which are based on the invoiced amount and amortized over the term of the related payment.

6. EXPLORATION AND EVALUATION ASSETS

Evaluation and evaluation assets is comprised of the following:

	March 31, 2020	December 31, 2019
Balance, beginning of period	**$ 7,568,935**	$ 8,130,352
Additions[1]	**54,673**	8,442,692
Change in decommissioning liabilities (note 10)	**-**	301,000
Dispositions	**(62,000)**	(400,000)
Land lease expiries	**-**	(418,629)
Impairment	**(198,000)**	-
Transfers to property, plant and equipment	**-**	(8,486,480)
Balance, end of period	**$ 7,363,608**	$ 7,568,935

[1] Including $150,000 acquisition deposit made in 2019 for the year ended December 31, 2019.

Exploration and evaluation assets include undeveloped lands, unproved properties and seismic costs where management has not fully evaluated for technical feasibility and commercial viability.

Impairment

The Company assesses many factors when determining if an impairment test should be performed. For the period ended March 31, 2020, the Company conducted an assessment of impairment indicators for the Company's CGUs. In performing the review, management determined that the continued depressed commodity pricing and the impact this has on the economic performance of the Company's CGUs justified calculation of the recoverable amounts of all CGUs. The recoverable amounts were estimated at fair value less costs to sell based on recent land sales in the areas surrounding the Company's lands.

During the period ended March 31, 2020, the Company determined that, Viking, one of its non-core CGU's would no longer be pursued and the Company intends to allow the leases to expire. The Company recognized an impairment loss relating to the non-core CGU of $198,000, representing the full carrying value of the non-core CGU, due to the carrying value exceeding its recoverable amount of $nil.

Clearwater royalty disposition

In August 2019, the Company, along with its 50% joint venture partner in the Clearwater area, disposed of a 4% royalty over certain jointly held Clearwater mineral rights, in the Craigend area, for gross proceeds of $1,296,296 ($648,148 being the Company's share). As a condition of the royalty divestiture, the Company and its joint venture partner were required drill a well in the Craigend formation prior to March 31, 2020.

Upon rig release of the applicable well, $1,296,296 ($648,148 Company's share), will paid to the Company. The applicable well was drilled in February 2020 and the funds were received in full by the Company.

During the three month period ended March 31, 2020, the Company recorded a gain on disposition of $586,148, being the difference between the proceeds of $648,148 earned through drilling activity and received in 2020 and the estimated cost of the divested royalty interests removed from exploration and evaluation assets of $62,000.

To determine the cost base of the Clearwater Craigend area mineral rights, the Company assessed the total fair value of the Clearwater mineral rights at the date of the acquisition and of the 4% non-deduct royalty based on anticipated future cash flows from the applicable wells to determine a pro-rata factor. The pro-rata factor was applied to the total cost base of the jointly held lands and drillings cost of the well to determine the disposed cost base.

7. PROPERTY, PLANT AND EQUIPMENT

Oil and natural gas properties	**March 31, 2020**	December 31, 2019
COSTS		
Balance, beginning of period	**$ 128,555,324**	$ 111,843,108
Change in decommissioning liabilities (note 10)	**58,000**	(787,738)
Additions	**4,136,479**	3,766,779
Acquisitions	**-**	5,246,695
Transfers from exploration and evaluation assets (note 6)	**-**	8,486,480
Balance, end of period	**$ 132,749,803**	$ 128,555,324
ACCUMULATED DEPLETION, DEPRECIATION AND IMPAIRMENT		
Balance, beginning of period	**$ (37,662,000)**	$ (29,132,000)
Depletion and depreciation	**(2,454,000)**	(8,530,000)
Impairment loss	**(10,926,000)**	-
Balance, end of period	**$ (51,042,000)**	$ (37,662,000)
Net book value, end of period	**$ 81,707,803**	$ 90,893,324

Depletion
Future development costs of $64,620,000 (March 31, 2019 - $62,214,000) associated with the development of the Company's proved plus probable reserves were included in the calculation of depletion for the period ended March 31, 2020.

Impairment
The Company assesses many factors when determining if an impairment test should be performed. For the period ended March 31, 2020, the Company conducted an assessment of impairment indicators for the Company's CGUs. In performing the review, management determined that the continued depressed commodity pricing and the impact this has on the economic performance of the Company's CGUs justified calculation of the recoverable amounts of all CGUs. The recoverable amounts were estimated at the value in use based on the net present value of the before tax future net cash flows from oil and natural gas proved and probable reserves using forecasted prices and costs estimated by external engineers at December 31, 2019 and internally updated by Company engineers at March 31, 2020. The future net cash flows were discounted at a before tax rate of 15% (December 31, 2019 – 15%).

During the period ended March 31, 2020, the Company determined that the following CGU's were impaired:

			Sensitivities			
CGU	**Recoverable amount**	**Impairment**	***Increase in rate[2]***	***Decrease in rate[2]***	***Increase in cash flows[3]***	***Decrease in cash flows[3]***
House Creek[1]	$ 6,934,250	$ 1,617,000	*$ 2,168,000*	*$ 904,000*	*$ 946,000*	*$ 1,866,000*
Panny[1]	15,174,296	3,642,000	*4,598,000*	*2,673,000*	*2,703,000*	*4,530,000*
North Senex[1]	2,076,050	438,000	*540,000*	*329,000*	*334,000*	*540,000*
South Senex[1]	2,234,524	3,125,000	*3,619,000*	*2,591,000*	*2,647,000*	*3,598,000*
Kidney[1]	-	1,772,000	*2,016,000*	*1,512,000*	*1,587,000*	*1,993,000*
Saskatchewan	3,861,695	332,000	*486,000*	*168,000*	*133,000*	*541,000*
		$ 10,926,000				

1 CGU's are part of the Red Earth area

2 What impairment would be based on a 1% change in the assumed discount rate over the life of the reserves independently

3 What impairment would be based on a 5% change in cash flows

The impairment expense for the three month period ended March 31, 2020 was primarily a result of lower forecasted benchmark commodity prices resulting in a downward revision to the Company's reserve base and lower future cash flows.

The forecasted commodity prices used in the impairment test at March 31, 2020 were as follows:

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
WTI Crude Oil (USD$/bbl)	30.00	41.00	47.50	52.50	57.50	58.95	60.13	61.33	62.56	63.81	+2%/yr
WCS Oil (CAD$/bbl)	20.34	34.25	43.54	50.68	57.72	59.93	61.51	63.11	64.75	66.41	+2%/yr

For purposes of the impairment test, the benchmark commodity prices forecast above are adjusted to reflect varied delivery points and quality differentials in the products delivered.

8. LEASES

Right-of-use assets

	Vehicles	**Office Premises[(1)]**	**Total**
At January 1, 2020	$ 33,224	$ 200,504	$ 233,728
Additions	38,067	-	38,067
Depreciation	(12,351)	(19,403)	(31,754)
At March 31, 2020	**$ 58,940**	**$ 181,101**	**$ 240,041**

[(1)] The office premise lease is a sub-lease from a Company with common shareholders and directors.

Lease liabilities

Lease liabilities were as follows:

	March 31, 2020	December 31, 2019
Balance, beginning of period	**$ 240,926**	$ 312,730
Accretion of lease obligations (note 11)	**3,064**	16,656
Additions	**38,067**	31,671
Payments of lease obligations	**(34,126)**	(120,131)
Balance, end of period	**$ 247,931**	$ 240,926
Current portion	**130,288**	104,702
Long term portion	**117,643**	136,224

Total expected payments, for the Company's facilities and equipment recorded as lease obligations are:

	Within 1 year	**After 1 year but not more than 5 years**	**Total**
Office space	$ 86,450	$ 115,266	$ 201,716
Vehicles and equipment	43,838	15,623	59,461
Total	130,288	130,889	261,177
Principal	$ 130,288	$ 117,643	$ 247,931

During the three month period ended March 31, 2020 the variable component of office rent expensed through general and administrative expense was $39,041 (three months ended March 31, 2019 - $29,179).

9. BANK DEBT

The Company has a credit facility agreement for a maximum available draw of $38,000,000. The credit facility can be used for general corporate purposes including capital expenditures and advances may be made by way of direct advances, bankers acceptances, or standby letters of credit/guarantees. The credit facility bears interest at the Bank's prime rate or bankers acceptance discount rates plus an applicable margin of 100bps to 350bps on prime rate loans and 200bps to 450bps on stamping fees related to bankers acceptances, determined by reference to the Company's net debt to cash flow ratio (as defined in the credit facility agreement). Interest on the credit facility is due monthly. The credit facility is secured by a $100,000,000 debenture with a fixed and floating charge over all the assets of the Company. The loan facility will revolve until the first scheduled term out date which is May 31, 2020. The end of the revolving period (the "term out date") can be extended for 364 day periods with mutual agreement of the Company and the lender. Should the revolving period not be extended, the maturity date of the facility will be one year from the term out date, resulting in the earliest maturity date under the facility being May 30, 2021, subject to borrowing base reviews by the lender.

The borrowing base, currently set at $38,000,000, will be reviewed at least semi-annually by the lender, and more frequently under certain circumstances. The borrowing base can be determined, at the sole discretion of the lender, and any amount outstanding under the credit facility in excess of a newly established borrowing base must be repaid in full within 30 days. Given the downward revisions to expected cash flows from the Company's reserve base at March 31, 2020, the Company is anticipating a reduction in the conforming borrowing base as part of the upcoming bank review and has, therefore, classified the loan as current.

The Company is required to maintain a current ratio of not less than 1.0:1.0, and such ratio is to be tested at the end of each fiscal quarter. Current ratio is defined as the ratio of (i) current assets, excluding financial derivatives, plus any undrawn availability under the credit facility to (ii) current liabilities, excluding financial derivatives, any amounts drawn under the credit facility and any current liabilities related to lease contracts. For the three month period ended March 31, 2020, the Company received a waiver that modified the covenant such that the Company is required to maintain a current ratio of not less than 0.65:1.0 at March 31, 2020. At March 31, 2020, the Company's current ratio was 0.69:1.0 (December 31, 2019 – 0.8:1.0). For the three month period ended March 31, 2020, the net debt to cash flow covenant for the Company was waived. The Company is required to maintain a net debt to cash flow ratio no greater than 3.0:1.0 as at the last day of the fiscal quarter ended June 30, 2020 and each quarter thereafter. The Company believes it will be in violation of the net debt to cash flow ratio at June 30, 2020 and is currently discussing potential waivers or modifications of this covenant with its lender. For the purposes of the covenant, net debt is defined by the agreement as working capital deficit (excluding financial derivatives) plus bank debt and cash flow is defined effectively as cash flow from operating activities before changes in non-cash working capital for the most recent two quarters annualized and normalized for extraordinary and nonrecurring earnings, gains, and losses. The Company will also be required to meet certain reporting requirements on a quarterly and annual basis. The Company is also restricted from entering into notional commodity contracts exceeding forty-two months in term and cannot exceed 60% of gross production volumes (by commodity) for the three month trailing period, at the time the contracts are entered into. The Company is required to enter into notional commodity contracts for and in respect of not less than 50% of forecasted aggregate oil and liquids production volumes of the Company immediately following 12 months based on gross trailing quarter production adjusted for acquisition; and enter into notional commodity contracts for and in respect of not less than 25% of forecasted aggregate oil and liquids production volumes of the Company for month 13 to 24 of such 24 month period based on gross trailing quarter production for acquisitions. The Company's next review and borrowing base determination is scheduled on or before June 30, 2020 but may be set at an earlier or later date at the discretion of the bank.

10. DECOMMISSIONING LIABILITIES

The Company's decommissioning liabilities result from its ownership interest in oil and natural gas properties including well sites and facilities. The total decommissioning liability is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of the decommissioning liabilities to be $31,291,999 as at March 31, 2020 (December 31, 2019 - $31,098,999) based on an undiscounted total future liability of $37,521,000 (December 31, 2019 - $41,411,000) and discounted using a long-term risk-free rate of 1.32% (2019 – 1.76%) and an inflation rate of 0.89% (2019 – 1.35%). The expected timing of decommissioning expenditures extends to 2070.

The following table summarizes changes in the decommissioning liabilities:

	March 31, 2020	December 31, 2019
Balance, beginning of period	**$ 31,098,999**	$ 30,793,999
Change in discount rate	**2,544,000**	2,663,000
Change in cash flow	**(2,647,000)**	(4,169,228)
Abandonment expenditures	**-**	(167,772)
Liabilities assumed in corporate and asset acquisitions	**-**	370,000
Additions	**159,000**	1,019,000
Accretion expense (note 11)	**137,000**	590,000
Balance, end of period	**$ 31,291,999**	$ 31,098,999

The carrying value of certain oil and natural gas properties of the Company is $nil. Accordingly, the change in discount rate and cash flow estimates related to these properties was recorded as a reduction to depletion and depreciation expense for the three month period ended March 31, 2020 of $2,000 (three months ended March 31, 2019 – increase of $52,520).

11. FINANCE INCOME AND EXPENSES, NET

Finance income and expenses, net is comprised of:

	Three Months Ended March 31,	
	2020	2019
Interest on bank debt	**$ 177,591**	$ 203,719
Stamping fees on bank debt	**276,740**	239,815
Financing fees	**105,600**	12,000
Accretion of decommissioning liabilities (note 10)	**137,000**	166,000
Accretion of lease liabilities (note 8)	**3,064**	5,716
Other interest expense	**319**	-
Total	**$ 700,314**	$ 627,250

12. SHARE CAPITAL

a) Authorized

Unlimited number of voting common shares and unlimited number of preferred shares issuable in series.

b) Issued and outstanding common shares

	Number of Shares	Stated Value
Balance, December 31, 2019 and March 31, 2020	6,013,965	$16,309,535

c) Loss per share

	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
	Net loss	**Common shares**	**Loss per share**	Net Loss	Common shares	Loss per share
Loss - basic	**$ (3,723,684)**	**6,013,965**	**$ (0.62)**	$ (2,507,617)	5,890,457	$ (0.43)
Dilutive effect of options	-	-	-	-	-	-
Loss - diluted	**$ (3,723,684)**	**6,013,965**	**$ (0.62)**	$ (2,507,617)	5,890,457	$ (0.43)

For the three month period ended March 31, 2020 and 2019 all options and RSU's were excluded as they were anti dilutive.

13. SHARE-BASED PAYMENTS

Options

The Company adopted a stock option plan during the year ended December 31, 2019 for officers, directors, employees and consultants "the Option Plan". Under the Option Plan, the Board of Directors sets the exercise price, expiry date and vesting terms for each option grant provided that no options will be granted at a discount to market prices and no option will have a term exceeding ten years. The Option Plan limits the total number of Common Shares that may be issued on exercise of options outstanding at any time under the Option Plan to 10% of the number of Common Shares issued and outstanding (less the number of Common Shares reserved for issuance under any other share based compensation arrangement of the Company, including the Restricted Share Unit Plan).

A summary of the stock options issued and outstanding as at March 31, 2020 are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2019 and March 31, 2020	136,468	$ 10.43
Exercisable, March 31, 2020	48,235	7.55

The weighted average contractual term of all outstanding options at March 31, 2020 is 3.87 years.

During the three-month period ended March 31, 2020, the Company recorded stock-based compensation expense relating to options of $90,000 (three months ended March 31, 2019 - $51,000) with a corresponding increase to contributed surplus.

Restricted Share Units ("RSU's")

The Company adopted a RSU plan, during the year ended December 31, 2019, for officers, directors, employees and consultants " the RSU Plan". The RSU Plan is administered by the Board of Directors (or a committee thereof) which has the power, subject to the limits imposed by the RSU Plan, to: (i) award RSUs; (ii) determine the terms under which RSUs are granted; (iii) interpret the RSU Plan and adopt, amend and rescind such administrative guidelines and other rules and regulations relating to the RSU Plan; and (iv) make all other determinations and take all other actions in connection with the implementation and administration of the RSU Plan. The RSU Plan is a fixed plan which reserves for issuance a maximum of 240,000 Common Shares (being approximately 4% of the currently issued and outstanding Common Shares).

	Number of RSU's
Outstanding, December 31, 2019 and March 31, 2020	117,600
Exercisable, March 31, 2020	29,367

During the three month period ended March 31, 2020, the Company recorded stock-based compensation expense relating to RSU's of $181,000 (three months ended March 31, 2019 - $88,000) with a corresponding increase to contributed surplus.

14. SUPPLEMENTAL CASH FLOWS INFORMATION

Changes in non-cash working capital is comprised of:

	Three Months Ended March 31,	
Source/(use) of cash	**2020**	2019
Accounts receivable and insurance proceeds receivable	**$ 2,765,380**	$ 11,762,082
Deposits and prepaid expenses	**43,241**	(525,462)
Accounts payable and accrued liabilities	**332,471**	(7,972,093)
Changes in non-cash working capital	**$ 3,141,092**	$ 3,264,527
The above figure relates to:		
Operating activities	**$ 2,711,584**	$ 4,245,754
Investing activities	**429,508**	(981,227)
Changes in non-cash working capital	**$ 3,141,092**	$ 3,264,527
Interest paid	**$ 454,331**	$ 443,533
Taxes paid (recovered)	**$ -**	$ -

15. COMMITMENTS AND CONTINGENCIES

(a) Commitments

At March 31, 2020, the Company had the following commitments in addition to the leases described in note 12:

(i) Physical delivery electricity services contract:

	Average monthly contracted kW	Term	Fixed Price
Electricity	399 kW	January 1, 2020 to December 31, 2020	5.046¢/kWh

(b) Contingencies

By nature of its oil and gas operations in Northern Alberta, the Company is subject to numerous safety and environmental regulations, with which non-compliance may result in adverse financial impact. The Company mitigates these risks through the adherence to formal safety and environmental policies, as well as adequate insurance coverage. The Company is currently remediating three environmental pipeline releases at Red Earth, Alberta, all relating to the same segment of pipeline. While the Company believes it has recorded its best estimate of the impact of this contingency in these financial statements, the ultimate outcome is uncertain. The event is insurable and the Company has made payments on the majority of remediation work in 2018 and 2019. There will be ongoing monitoring costs which the Company anticipates paying over the next several years subject to the overview and approval of the provincial regulatory bodies. The Company anticipates the majority of the estimated $33,250,000 pipeline release related costs will be paid out from anticipated insurance proceeds of $32,730,000 which $30,900,000 was received as at March 31, 2020 and remainder of the proceeds are expected to be received prior to December 31, 2020. In relation to the pipeline release the Company has cumulatively recorded $32,730,000 of accounts receivable for the anticipated insurance proceeds, $33,250,000 of accounts payable and accrued liabilities in relation to the estimated costs of the remediation work and $520,000 in operating costs during 2018 and $nil for 2019 and 2020 for the remediation work the Company will be responsible for as part of the self-insured portion of the insurance coverage and expenses not covered by insurance. At March 31, 2020, $1,830,000 and $2,115,715 were included in insurance proceeds receivable and accounts payable and accrued liabilities, respectively related to this insurable event.

16. FINANCIAL RISK MANAGEMENT

The Board of Directors has the overall responsibility for the establishment and oversight and execution of the Company's risk management framework. The Board of Directors has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company employs risk management strategies and policies to ensure that any exposures to risk are in compliance with the Company's business objectives. While the Board of Directors has the overall responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor those risks.

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

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

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. There were no changes to the Company's risk management policies or processes since the year ended December 31, 2019.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The maximum exposure to credit risk at year end is as follows:

	March 31, 2020	December 31, 2019
Cash	**$ 456,400**	$ -
Accounts receivable and insurance proceeds receivable	**8,974,752**	11,740,132
Commodity contracts	**4,456,000**	-
Deposits	**3,207,233**	3,207,233
Reclamation deposits	**141,300**	141,300
Total	**$ 17,235,685**	$ 15,088,665

Cash and cash equivalents:

Cash and cash equivalents consist of amounts on deposit with Canadian chartered banks and undeposited funds. The Company manages credit exposure of cash and cash equivalents, if any, by selecting financial institutions with high credit ratings.

Accounts receivable:

Substantially all of the Company's oil and natural gas production is marketed under standard industry terms. Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with credit worthy purchasers. Joint interest receivables are typically collected within one to three months of the joint interest bill being issued to the partner. However, the receivables are from participants in the oil and natural gas sector and collection of the outstanding balances can be impacted by industry factors such as commodity price fluctuations, limited capital availability and unsuccessful drilling programs.

The Company manages credit exposure of insurance proceeds receivable by maintaining insurance coverage with reputable brokers with high credit ratings.

The Company's accounts receivable are aged as follows:

	March 31, 2020	December 31, 2019
Current (less than 90 days)	**$ 7,654,251**	$ 10,545,662
Past due (more than 90 days)	**1,320,501**	1,194,470
Total	**$ 8,974,752**	$ 11,740,132

As at March 31, 2020, management believes all receivables net of provision for expected credit losses will be collected.

Deposits

The Company has a balance of $6,149,509, which is held a trust account by a law firm, related to a deposit that was made on a purchase and sale agreement that was terminated by the Company. The Company had recorded an impairment of $3,074,754 in 2019 due to the uncertainty of the outcome of the lawsuit, leaving a net balance recorded in deposits and prepaid expenses of $3,074,755. The Company received $3,074,755 related to this deposit subsequent to March 31, 2020 (see further discussion in note 5).

Reclamation deposits and other deposits:

Reclamation deposits consist of amounts on deposit with the Provinces of Alberta, Saskatchewan and British Columbia. The Company believes the credit risk associated with these deposits and other deposits is minimal.

Commodity contracts:

The Company manages the credit risk exposure related to commodity contracts, if in an asset position, by selecting investment grade counterparties and by not entering into contracts for trading or speculative purposes. At March 31, 2020, the counterparty was the Company's lending institution, which is a financial institution with a strong credit rating.

(b) Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates, will affect the Company's cash flow, income or the value of its financial instruments. The objective of the Company's market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the Company's return. There have been no changes to the Company's policies for managing foreign currency risk, interest rate risk and commodity price risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company does not sell or transact in any foreign currency. The Company's financial instruments are only indirectly exposed to currency risk as the underlying commodity prices in Canada for oil and natural gas are impacted by changes in exchange rates between the Canadian and United States dollar.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is subject to interest rate risk related to its exposure to interest rate fluctuations on its credit facility, which bears a floating rate of interest. At December 31, 2020 the total amount drawn on the credit facility under a bankers' acceptance ("BA") was $37,000,000 which is at a fixed rate basis, therefore not subject to interest rate risk until renewal of the BA's. A 1% interest rate increase or decrease on the full $37,000,000 outstanding would decrease or increase net income by approximately $68,000 for the quarter ended March 31, 2020.

Commodity price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar but also North American and global economic events that dictate the levels of supply and demand. The nature of the Company's operations results in exposure to fluctuations in commodity prices. The Company's production is sold using "spot" pricing with prices fixed at the time of transfer of custody or on the basis of a monthly average market price. The Company currently has the following commodity contracts outstanding at March 31, 2020.

CAD Swaps:

Product	Notional Volume	Term	Fixed Price (CAD/bbl)	Index
Crude Oil	50bbls/day	January 1, 2020 to June 30, 2020	$ 77.16	WTI - NYMEX
Crude Oil	50bbls/day	January 1, 2020 to December 31, 2020	$ 70.05	WTI - NYMEX
Crude Oil	50bbls/day	January 1, 2020 to December 31, 2020	$ 71.53	WTI - NYMEX
Crude Oil	250bbls/day	January 1, 2020 to December 31, 2020	$ 65.00	WTI - NYMEX
Crude Oil	100bbls/day	January 1, 2020 to December 31, 2020	$ 66.00	WTI - NYMEX
Crude Oil	250bbls/day	January 1, 2021 to December 31, 2021	$ 65.40	WTI - NYMEX

Differential:

Product	Notional Volume	Term	Fixed Price Differential (CAD/bbl)	Index
Crude Oil	200bbls/day	April 1, 2020 to December 31, 2020	$ (21.20)	WCS vs. WTI - NYMEX
Crude Oil	100bbls/day	April 1, 2020 to December 31, 2020	$ (21.40)	WCS vs. WTI - NYMEX

The commodity contracts had a total fair value at March 31, 2020 of an asset of $4,456,000 (December 31, 2019 – liability of $3,442,000). The corresponding unrealized gain for the three-month period ended March 31, 2020 was $7,898,000 (three months ended March 31, 2019 – unrealized loss of $2,193,000) and is included in the statement of Loss and Comprehensive Loss. Total realized gains for the three month period ended March 31, 2020 were $867,905 (three month period ended March 31, 2019 – loss of $204,817) and are also included in the statement of Loss and Comprehensive Loss.

For the three-month period ended March 31, 2020, a $0.10/bbl increase/decrease in oil prices would have a negative/positive impact on net income of approximately $30,000.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities as they become due. The decrease in commodity prices as a result of the COVID-19 impact reducing demand and the oversupply of oil caused by the Saudi-Russia price war will negatively impact the Company's financial performance and position, which increases the liquidity risk of the Company. The Company's financial liabilities consist of bank overdraft, accounts payable and accrued liabilities and bank debt, all of which are due within a year and lease liabilities which are due as disclosed in note 8. The Company also maintains and monitors a certain level of cash flow which is used to partially finance all operating and capital expenditures. The Company also attempts to match its payment cycle with collection of oil and natural gas sales on the 25th of each month.

At March 31, 2020, the Company had negative working capital of $4,063,781, excluding bank debt (note 9). In addition, the Company is required to make certain minimum payments under other commitments (note 15). The Company expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flows and through deleveraging transactions. The Company also has a credit facility (note 9) to facilitate the management of liquidity risk. At March 31, 2020, approximately $1,000,000 was available under the credit facility. Given the downward revisions to expected cash flows from the Company's reserve base at March 31, 2020, the Company is anticipating a reduction in the conforming borrowing base as part of the upcoming bank review and has, therefore, classified the loan as current.

The Company may need to conduct equity issues or issue debt if liquidity risk increases in a given period. Liquidity risk may increase as a result of a change in the amounts settled monthly from the commodity contract (note 16(b)), along with potential revisions to the Company's borrowing base (note 9). The Company believes it has sufficient funds to meet foreseeable obligations by actively monitoring its credit facilities through use of the revolving debt, coordinating payment and revenue cycles each month, and an active commodity hedge program to mitigate commodity price risk and secure cash flows.

17. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities; and
- To maximize shareholder return through enhancing share value.

The Company considers its capital employed to be bank debt and shareholders' equity:

	March 31, 2020	December 31, 2019
Bank debt	**$ 37,000,000**	$ 36,894,400
Shareholder's equity	**14,544,029**	17,996,713

The Company monitors capital based adjusted working capital, defined as current assets less current liabilities (excluding bank debt and commodity contracts).

Adjusted working capital

	March 31, 2020	December 31, 2019
Adjusted current assets	**$ 13,120,967**	$ 15,473,188
Adjusted current liabilities	**(20,743,748)**	(20,568,839)
Adjusted working capital surplus (deficiency)	**$ (7,622,781)**	$ (5,095,651)

The Company makes adjustments to capital employed by monitoring economic conditions and investment opportunities. The Corporation generally relies on credit facilities and cash flows from operations in excess of dividends to fund capital requirements. To maintain or modify its capital structure, the Company may issue new common or preferred shares, issue new subordinated debt, renegotiate existing debt terms, or repay existing debt. The Company is not currently subject to any externally imposed capital requirements, other than covenants on its bank debt (note 9).

The Company also monitors capital structure based on net debt to cash flow. The definition of net debt to cash flow for capital management purposes is the same measure used in the calculation of the Company's financial covenants on its credit facility (note 9). The Company's strategy is to monitor the ratio and the ratio can, and will, fluctuate based on the timing of commodity prices and the mix of exploratory and development drilling.

18. RELATED PARTY TRANSACTIONS

(a) Transactions

Except as discussed elsewhere, the Company had the following transactions with related parties:

- During the three month period ended March 31, 2020, the Company incurred charges of $86,113 (three month period ended March 31, 2019 – $13,106) from a company with common officers and directors for management fees, office space, subscriptions and supplies of which $55,924 (three month period ended March 31, 2019 – $17,083) was recorded as an increase (three month period ended March 31, 2019 – decrease) in general and administrative expense and $30,189 (three month period ended March 31, 2019 – $30,189) was recorded as a reduction to lease liabilities. In addition the Company was charged $93,474 (three month period ended March 31, 2019 - $19,601) for net non-operated gas sales, butane purchases and gas processing fees which is included in operating and transportation expense. During the three-month period ended March 31, 2020, the Company was also charged $572,980 (three-month period ended March 31, 2019 - $646,673) for propane purchases and distribution from this company which is included in operating and transportation expenses on the statement of Loss and Comprehensive Loss. As at March 31, 2020, $3,559 (December 31, 2019 - $3,559) is included within accounts receivable and $1,433,628 (December 31, 2019 - $1,000,274) is included within accounts payable with respect to these charges.

19. SUBSEQUENT EVENTS

(a) During the three month period ended March 31, 2020, the Company entered into a purchase and sale agreement with a private company (the "Purchaser") to dispose of a majority of the Company's Red Earth asset, for total consideration consisting of cash of $8.0 million and equity consideration of 10% of the Purchaser's outstanding common shares. Under the terms of the agreement, the Company is entitled to reserve against the Red Earth assets an overriding royalty of 5%. The purchase price for these assets is subject to customary closing adjustments between the effective date of the sale of February 17, 2020 and the closing date. The sale is conditional pending Alberta Energy Regulator approval and other industry standard closing conditions. Conditional on the closing of the transaction, the Company's credit facility will be amended. The Company's amended credit limit, as agreed to by the bank, will be reduced to $30,000,000.

Subsequent to March 31, 2020, the Alberta Energy Regulator provided their conditional approval of the license transfers associated with the Red Earth Divestiture on April 24, 2020. On May 1, 2020 the Alberta Energy Regulator rejected the license transfers associated with the Red Earth Divestiture. The Company is working through the impact of this decision, but at this point, there is no certainty that this sale transaction will close.

(b) The global impact of COVID-19 as well as the recent declines in commodity prices have resulted in significant declines in global stock markets and has forecasted a great deal of uncertainty as to the health of the global economy over the next several months. As a result, oil and gas companies are subject to liquidity risks in maintaining their revenues and earnings as well as ongoing and future development and operating expenditure requirements. The impact of the decrease in WTI and WCS pricing has resulted in the Company shutting in the production of certain wells as it is uneconomical at current oil prices. This production will remain shut in until oil prices improve. These factors are likely to have a negative impact on the Company's ability to raise equity, if required, in the near future or on terms favorable to the Company. We continue to work on revisions to our company's forecasts and development plans in light of the current conditions and will use these updated assumptions / forecasts in our impairment indicator analysis and for impairment tests, if such tests are required in future periods. Impairment indicators for our property, plant and equipment could exist in future periods, if current conditions persist. The potential financial impact that COVID-19 will cause cannot be reasonably estimated at this time and further impairment provisions may be necessary.

(c) Subsequent to March 31, 2020, the Company incorporated a wholly owned subsidiary, Cataract Creek Environmental Ltd. ("Cataract Creek"). Cataract Creek will focus on abandonment and environmental remediation.