SUMMUS SOLUTIONS N.V.

Consolidated Financial Statements
June 30, 2020 and 2019
(Expressed in Canadian Dollars)

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Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SUMMUS SOLUTIONS N.V.

Opinion

We have audited the consolidated financial statements of Summus Solutions N.V. (the "Company"), which comprise:

- the consolidated statements of financial position as at June 30, 2020 and 2019;
- the consolidated statements of operations and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' deficiency for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $500,099 during the year ended June 30, 2020. As of June 30, 2020, the Company had a working capital deficiency of $2,370,152 and an accumulated deficit of $20,262,107. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Herve Leong-Chung.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
October 15, 2020

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SUMMUS SOLUTIONS N.V.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at June 30,	Notes		**2020**		2019
ASSETS					
Current Assets					
Cash		**$**	**88,212**	$	376,238
Accounts receivable	14		**-**		257,498
Prepaid expenses and deposits			**-**		12,833
			88,212		646,569
Non-Current Assets					
Petroleum and natural gas interests	7, 14		**-**		79,509
		$	**88,212**	$	726,078
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts payable and accrued liabilities	8	**$**	**468,070**	$	1,187,222
Loans payable	9, 14		**1,990,294**		1,737,433
			2,458,364		2,924,655
Non-Current Liabilities					
Decommissioning obligation	10, 14		**-**		14,984
			-		14,984
			2,458,364		2,939,639
SHAREHOLDERS' DEFICIENCY					
Capital stock	11		**2,465,908**		2,260,710
Share subscriptions received	11		**-**		337,540
Share premium	11		**14,960,402**		14,640,600
Warrants	11		**273,421**		273,421
Reserves	11		**192,224**		192,224
Deficit			**(20,262,107)**		(19,918,056)
			(2,370,152)		(2,213,561)
		$	**88,212**	$	726,078

The accompanying notes are an integral part of these consolidated financial statements

Approved on behalf of the Board:

"Urs Meisterhans"
Director

"Jerome Huser"
Director

SUMMUS SOLUTIONS N.V.

Consolidated Statements of Operations and Comprehensive Loss
For the years ended June 30, 2020 and 2019

(Expressed in Canadian Dollars)

	Notes		**2020**		2019
					(Note 14)
General and administration expenses					
Administration		**$**	**109,200**	$	32,760
Filing and transfer fees			**32,654**		17,274
Finance charges	9		**96,855**		84,564
Foreign exchange			**(4,072)**		1,011
Gain on expense recovery			**-**		(10,398)
Management fees	13		**23,961**		26,058
Office and miscellaneous			**8,727**		3,537
Professional fees			**138,392**		21,291
			405,717		176,097
Other items					
Other income	16		**59,690**		-
Loss on cancellation of investments	6		**(153,050)**		-
Loss before discontinued operations			**(499,077)**		(176,097)
Loss attributed to discontinued operations	14		**(1,022)**		(125,339)
			(1,022)		(125,339)
Net and comprehensive loss for the year		**$**	**(500,099)**	**$**	(301,436)
Loss per share - basic and diluted			**(0.05)**		(0.11)
Weighted average number of common shares outstanding			**9,408,256**		2,848,147

The accompanying notes are an integral part of these consolidated financial statements

SUMMUS SOLUTIONS N.V.

Consolidated Statements of Changes in Shareholders' Deficiency
For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

	Capital Stock							
	Number of Shares	Amount	Share Premium	Share Subscriptions Received	Warrants	Reserves	Deficit	Total
Balance as at June 30, 2018	**2,848,147**	**$ 2,260,710**	**$ 14,640,600**	**$ -**	**$ 273,421**	**$ 192,224**	**$ (19,616,620)**	**$ (2,249,665)**
Proceeds from common shares to be issued	-	-	-	**337,540**	-	-	-	**337,540**
Net loss for the year	-	-	-	-	-	-	(301,436)	(301,436)
Balance as at June 30, 2019	**2,848,147**	**$ 2,260,710**	**$ 14,640,600**	**$ 337,540**	**$ 273,421**	**$ 192,224**	**$ (19,918,056)**	**$ (2,213,561)**

	Capital Stock							
	Number of Shares	Amount	Share Premium	Share Subscriptions Received	Warrants	Reserves	Deficit	Total
Balance as at June 30, 2019	**2,848,147**	**$ 2,260,710**	**$ 14,640,600**	**$ 337,540**	**$ 273,421**	**$ 192,224**	**$ (19,918,056)**	**$ (2,213,561)**
Shares issued during the year	7,000,000	205,198	319,802	(337,540)	-	-	-	187,460
Disposition of subsidiary (note 14)	-	-	-	-	-	-	156,048	156,048
Net loss for the year	-	-	-	-	-	-	(500,099)	(500,099)
Balance as at June 30, 2020	**9,848,147**	**$ 2,465,908**	**$ 14,960,402**	**$ -**	**$ 273,421**	**$ 192,224**	**$ (20,262,107)**	**$ (2,370,152)**

The accompanying notes are an integral part of these consolidated financial statements

SUMMUS SOLUTIONS N.V.

Consolidated Statements of Cash Flows
For the years ended June 30, 2020 and 2019

(Expressed in Canadian Dollars)

	Notes		2020		2019
					(Note 14)
Cash provided by (used in):					
OPERATING ACTIVITIES					
Net loss for the year from continuing operations		**$**	**(499,077)**	$	(176,097)
Adjustments for items not involving cash:					
Foreign exchange loss (gain)			**2,790**		-
Loss on cancellation of investment			**153,050**		-
Accrued interest			**96,855**		84,564
			(246,382)		(91,533)
Changes in non-cash working capital					
Accounts receivable			**-**		5,000
Accounts payable and accrued liabilities			**(47,627)**		154,402
Operating cash flows used in continuing operations			**(294,009)**		67,869
Operating cash flows used in discontinued operations	14		**57,581**		(60,043)
Cash provided by (used in) operating activities			**(236,428)**		7,826
INVESTING ACTIVITIES					
Advances to related parties			**11,799**		(56,725)
Purchase of investments			**(155,840)**		-
Net cash used in investing activities from discontinued operations	14		**(95,017)**		49,829
Cash used in investing activities			**(239,058)**		(6,896)
FINANCING ACTIVITIES					
Issuance of common shares			**187,460**		-
Proceeds from common shares to be issued			**-**		337,540
Cash provided by financing activities			**187,460**		337,540
Increase (decrease) in cash position			**(288,026)**		338,470
Cash, beginning of year			**376,238**		37,768
Cash, end of year		**$**	**88,212**	$	376,238

The accompanying notes are an integral part of these consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Summus Solutions N.V. (the “Company” or “Summus”) was incorporated under the Corporate Law of The Netherlands on June 1, 1993 under the name Luxmatic Technologies N.V. On November 5, 2002, the Company changed its name to Warrior Energy N.V. and, on November 16, 2012, the Company changed its name to Summus Solutions N.V. The Company’s principal business activity is the exploration, development and production of petroleum and natural gas reserves located in Alberta, Canada. During the year ended June 30, 2020, the Company disposed of its interests in its petroleum and natural gas operations (note 14) and is currently seeking new business opportunities.

The Company is a publicly listed company and its shares were listed on the TSX Venture Exchange (“TSX-V”). Effective March 26, 2020, the Company’s shares are now listed on the NEX Board under the symbol SS.H.

The principal mailing address of the Company is RPO Box 60610 Granville Park, Vancouver, British Columbia, Canada, V6H 4B9. The records of the Company are located at 1500 West 16 Avenue, Vancouver, British Columbia, Canada, V6K 2L6. The Company’s registered address is 885 West Georgia Street, Suite 800, Vancouver, British Columbia, Canada, V6C 3H1.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes 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 a net loss for the year ended June 30, 2020 of $500,099 (2019 - $301,436). As at June 30, 2020, the Company had a working capital deficiency of $2,370,152 (2019 - $2,278,086) and an accumulated deficit of $20,262,107 (2019 - $19,918,056), limited resources and no assurances that sufficient funding will be available to repay its loans payable and other liabilities.

The application of the going concern concept is dependent upon the Company’s ability to generate future profitable operations, receive continued financial support from its shareholders and, most importantly, obtaining a significant reduction of both principal and interest and deferral of payments to its loan and debt holders. These material uncertainties cast significant doubt about the Company’s ability to continue as a going concern. Management is actively renegotiating the terms of its loans payable and is seeking approval for a significant reduction of both principal and interest and deferral of payments of the net amount owing to its loan and debt holders. In addition, management has undertaken available cost-cutting measures. There can be no assurance that management’s plans will be successful. If management is unsuccessful with these actions, the Company will not be able to continue as a going concern.

These consolidated 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.

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures that includes implementation of travel bans, self-imposed quarantine periods and physical distancing. This created a dramatic slowdown in global economies and global energy consumption has been materially impacted resulting in lower oil and natural gas prices throughout the globe, including Canada.

2. BASIS OF PRESENTATION

(a) Statement of compliance

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

The accounting policies set out in Note 3 have been applied consistently to all periods presented by the Company and its subsidiaries.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the consolidated financial statements, and revenues and expenses during the reporting year.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described below:

Critical accounting judgments

(i) Impairment assessment

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment, if any.

2. BASIS OF PRESENTATION (continued)

(d) Use of estimates and judgments (continued)

Critical accounting judgments (continued)

(ii) Petroleum and natural gas reserves

The Company engages qualified, independent oil and gas reserves engineers to perform an estimation of the Company's petroleum and natural gas reserves at least annually. Reserves form the basis for the calculation of depletion charges and assessment of impairment of petroleum and natural gas interests. Reserves are estimated using the reserve definitions and guidelines prescribed by National Instrument 51-101 *Reserve Definitions* and the Canadian Oil and Gas Evaluation Handbook.

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

(iii) Going concern

The assessment of whether the concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures that includes implementation of travel bans, self-imposed quarantine periods and physical distancing. This created a dramatic slowdown in global economy and global energy consumption has been materially impacted resulting in lower oil and natural gas prices throughout globe, including Canada.

2. BASIS OF PRESENTATION (continued)

(d) Use of estimates and judgments (continued)

Critical accounting estimates (continued)

(iv) Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

(v) Decommissioning liabilities

The Company estimates obligations under environmental regulations in respect of decommissioning and site restoration. These obligations are determined based on the expected present value of expenses required in the process of plugging and abandoning wells, dismantling wellheads, production and transportation facilities, and restoration of producing areas in accordance with relevant legislation, discounted from the date when expenses are expected to be incurred. Most of the abandonment of future expenses, estimated logistics of performing abandonment work and the discount rate used to calculate the present value of future expenses would have a significant effect on the carrying amount of the decommissioning provision. See Note 10 for discussion of changes during the year.

(vi) Discount rate of loans and notes

The loans 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.

(vii) Discontinued operations

Management applies judgement in the determination of whether disposal groups or a cash generating unit represent a component of the entity, the results of which are recorded as discontinued operations in profit or loss.

While management believes these estimates and judgments are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

Estimates and underlying assumptions 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 years affected. There were no significant changes in estimates during the year ended June 30, 2020.

2. BASIS OF PRESENTATION (continued)

(e) Approval of the consolidated financial statements

The consolidated financial statements of Summus Solutions N.V. for the years ended June 30, 2020 and 2019 were reviewed, approved and authorized for issue by the Board of Directors on October 15, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the Company's significant accounting policies.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The accounts of the Company's wholly owned subsidiaries are included in the consolidated financial statements from the date that control commenced and are excluded from the date control ceases (Note 14).

(ii) Jointly controlled operations and jointly controlled assets

The Company's disposed petroleum and natural gas activities involved jointly controlled assets. The consolidated financial statements included the Company's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

(iii) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated upon preparation of the consolidated financial statements.

(b) Foreign currency translation

Foreign currency balances are translated to Canadian dollars as follows:

(i) Monetary assets and liabilities, at the rate of exchange in effect at the statement of financial position date;

(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and

(iii) Revenue and expenses (excluding amortization, which is translated at the same rate as the related asset), at the exchange rate at the time of the transaction.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign currency translation (continued)

Gains and losses arising from the translation of foreign currency are included in net loss for the year.

(c) Discontinued operations

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company, and which:

- Represent a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sell.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative consolidated statements of operations and comprehensive loss is restated as if the operation had been discontinued from the start of the comparative year presented.

(d) Financial instruments

Financial assets

(i) Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

(ii) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss. The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)

(ii) Classification of financial assets (continued)

Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in other comprehensive income in the reporting period in which it arises.

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)

(iii) Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

Financial liabilities

(i) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(ii) Classification of financial liabilities

The Company classifies financial liabilities at initial recognition as financial liabilities: measured at amortized cost or measured at fair value through profit or loss.

Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction costs directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)

(ii) Classification of financial liabilities (continued)

Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

(iii) Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

(d) Fair value hierarchy

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition

Revenue from the sale of oil and natural gas is recognized 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 oil enters the tanks and when natural gas enters the pipeline. Revenue is measured net of discounts, customs duties and royalties. With respect to the latter, the entity is acting as a collection agent on behalf of others. The costs associated with the delivery are recognized the same year in which the related revenue is earned and recorded.

(f) Petroleum and natural gas interests

Items of property, plant and equipment included in petroleum and natural gas properties, which include petroleum and gas development assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development assets are grouped into cash-generating units (“CGUs”) for impairment testing. As at June 30, 2020, the Company had sold its one CGU consisting of its interest in the Garrington property located in Alberta.

Gains and losses on disposal of an item of petroleum and gas interests, are determined by comparing the proceeds from disposal with the carrying amount of petroleum and gas interests and are recognized net within “other income” or “other expenses” in profit or loss.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment 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, plant and equipment are recognized in net loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Petroleum and natural gas interests (continued)

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 proved and probable reserves. These estimates are reviewed by independent reserve engineers at least annually.

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

Reserves may only be considered proved if future economic feasibility is supported by either actual production or conclusive formation testing. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of non-financial assets

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 and sale of proved reserves.

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 net 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 or amortization, if no impairment loss had been recognized.

(h) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in net loss, except to the extent that if the income tax expense 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 financial position liability method. Under this method, deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to 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 at 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 taxable 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income taxes (continued)

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.

(i) 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 common shares outstanding during the year. Diluted earnings 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 periods. Diluted loss per share excludes the exercise of options and warrants and other convertible features to the extent they are anti-dilutive.

Shares held in escrow other than where their release is subject to the passage of time, are excluded from the computation of earnings (loss) per share until the conditions for their release are satisfied.

(j) 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 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 properties with a corresponding increase in option reserves. 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 share premium and the related share-based payment in option reserves is transferred to capital stock and share premium. For those options that expire or are forfeited after vesting, the recorded value is transferred to deficit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Decommissioning liabilities

The Company's former activities gave 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 liabilities are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the consolidated statement of financial position date. Subsequent to the initial measurement, the liability 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.

(l) 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 an expenditure will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the liability.

(m) Share issuances

The value of common shares issued above par value is charged or credited against share premium. Consideration received for the exercise of warrants is recorded in capital stock and share premium and the related residual value is transferred to warrants reserve. Finder's warrants issued by the Company are measured at fair value using the Black-Scholes option pricing model. The amount is recognized as a share issue cost with a corresponding increase in the warrants reserve account.

(n) New accounting pronouncements

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published, but are not yet effective, and have not been early-adopted by the Company. The Company does not expect these new pronouncements to have a significant impact on its consolidated financial statements.

4. FINANCIAL RISK MANAGEMENT

(a) Overview

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company's cash is held in bank accounts. Due to the short-term nature of these financial instruments, fluctuations in market interest rates do not have an impact on the fair value as at June 30, 2020 and 2019

The Company has one loan payable with an interest rate of 5% and another loan payable with an interest rate of 10%, until June 30, 2020. The interest rate increases to 25% per annum commencing July 1, 2020.

The Company is exposed to interest rate price risk on its loans payable with fixed interest rates, as the prevailing market interest rate may differ from the interest rate of the debt. However, fluctuations in market rates would have to be significant to have a material effect on the Company's operations; therefore, the Company's exposure to interest rate cash flow risk on loans payable is minimal.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk to the extent that expenditures incurred or funds received and balances maintained by the Company and its wholly owned subsidiaries are denominated in currencies other than the Canadian dollar (primarily US dollars). The Company operates in Canada with a portion of its expenses incurred in US dollars. The Company is not exposed to significant currency risk on its financial assets and liabilities.

(iii) Other price risk

Other price risk is the risk that the fair value 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 on its financial assets and liabilities.

(Expressed in Canadian Dollars)

4. 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 mitigated, as cash is held at major financial institutions with high credit ratings.

Accounts receivable primarily consisted of revenues from the sale of petroleum and natural gas from continuing customers. The Company mitigated exposure to credit risk in regards to the accounts receivable, as trade receivables were due from major oil and gas marketers. The Company regularly reviewed the collectability of the trade receivables to ensure there was no indication that these amounts were not fully recoverable. As at June 30, 2020, allowance for doubtful accounts is $nil (2019 - $nil).

Concentration of credit risk existed with the Company's accounts receivable. The Company's concentration of credit risk and maximum exposure thereto was as follows:

	June 30, 2020	June 30, 2019
Cash	$ 88,212	$ 376,238
Accounts receivable	$ -	$ 257,498

(d) Liquidity risk

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

On June 30, 2020, the Company had cash of $88,212 (2019 - $376,238) and accounts receivable of $nil (2019 - $257,498). On June 30, 2020, the Company had accounts payable and accrued liabilities of $468,070 (2019 - $1,187,222) with contractual maturities of 90 days or less, and loans payable of $1,826,323 (2019 - $1,737,433) and $163,971 (2019 - $nil), due July 1, 2020 and September 30, 2020, respectively. The Company will be reliant upon external sources of financing and/or an ability to renegotiate current debts outstanding to help meet its current obligations and manage its liquidity risk.

5. CAPITAL MANAGEMENT

The Company defines its capital structure as debt and shareholders' deficiency. Capital requirements are driven by the Company's general operating requirements. 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. Management will need to raise additional funds in order to continue as a going concern.

Although the Company has been successful at raising funds or renegotiating debt arrangements in the past, 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 is not subject to any externally imposed capital requirements and the Company did not change its approach to capital management during years ended June 30, 2020 and 2019.

6. INVESTMENTS

On August 2, 2019, the Company acquired a 1% interest in the Israel based US Ionoterra Group ("Ionoterra") for EUR100,000 ($155,840). The 1% interest in Ionoterra was acquired by way of an Assignment Agreement dated August 2, 2019 with an institutional investor in Ionoterra.

On October 7, 2019, the Company acquired an additional 9% interest in Ionoterra. The additional 9% interest in Ionoterra was acquired by way of another Assignment Agreement dated September 1, 2019 with an institutional investor in Ionoterra. The consideration was satisfied by way of a promissory note between the Company and the institutional investor in the amount of EUR900,000 ($1,312,470) dated September 1, 2019. The promissory note bore no interest and would have become due and payable on June 30, 2020. On March 16, 2020, the Assignment Agreement and promissory note were nullified and reversed.

Concurrently, the Company was informed that the Assignment Agreement for its 1% interest in Ionoterra was terminated. The Company received no compensation resulting from the termination and accordingly wrote off its investment in Ionoterra. The termination resulted in a loss on the cancellation of investments of $153,050 (2019 - $nil).

(Expressed in Canadian Dollars)

7. PETROLEUM AND NATURAL GAS INTERESTS

Cost	Well equipment	Acquisition and lease	Asset retirement	Total
Balance at June 30, 2018	$ 90,416	$ 180,660	$ 11,746	$ 282,822
Additions	-	6,896	(362)	6,534
Balance at June 30, 2019	90,416	187,556	11,384	289,356
Additions	-	896	-	896
Disposal of subsidiary	(90,416)	(188,452)	(11,384)	(290,252)
Balance at June 30, 2020	$ -	$ -	$ -	$ -

Depletion	Well equipment	Acquisition and lease	Asset retirement	Total
Balance at June 30, 2018	$ 16,524	$ 179,591	$ 2,317	$ 198,432
Additions	3,275	6,961	1,179	11,415
Balance at June 30, 2019	19,799	186,552	3,496	209,847
Additions	3,417	648	468	4,533
Disposal of subsidiary	(23,216)	(187,200)	(3,964)	(214,380)
Balance at June 30, 2020	$ -	$ -	$ -	$ -

Carrying amounts	Well equipment	Acquisition and lease	Asset retirement	Total
June 30, 2019	$ 70,617	$ 1,004	$ 7,888	$ 79,509
June 30, 2020	$ -	$ -	$ -	$ -

In March 2020, the Company closed the Debt Reduction and Share Property Transfer Agreement with ZNX Energy Ltd. ("ZNX") and Strikewell Energy Corp. ("Strikewell"). Pursuant to the agreement, the Company sold its subsidiary, ZNX to Strikewell which included the 10% interest in the Garrington property (note 14) located in Alberta, Canada.

During the year ended June 30, 2019, the Company owned a 10% interest in the Garrington property. There were no indicators of impairment identified and no impairment was recognized and encumbrances included a Government of Alberta Third Tier Crown royalty and gross overriding royalty of 7%.

(Expressed in Canadian Dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2020		June 30, 2019
Trade payables	$	443,070	$	1,105,929
Other payables		-		4,384
Accrued liabilities		25,000		76,909
	$	468,070	$	1,187,222

9. LOANS PAYABLE

Credit Facility Agreement

On July 26, 2011, the Company entered into a credit facility agreement (the “Facility”) with Canaccord Genuity Corp., in trust for John R. Hislop (the “Lender” or “Mr. Hislop”), for the amount of $2,000,000. This Facility matured on the later of ten business days after July 15, 2013 or the delivery of demand for repayment by the Lender. Advances under the Facility bore interest at Royal Bank of Canada prime rate plus 2% per annum compounded monthly.

As additional consideration to the Lender for establishing the Facility, the Company agreed to grant to the Lender, subject to TSX-V approval, an option to purchase certain of its properties for $3,000,000 (the “purchase option price”), less any gross revenues paid or allocated to the Company, until the closing date of the option. The principal balance of the loan of $2,000,000 could have been applied by the Lender against the purchase option price.

A debenture has been granted by the Company to the Lender creating a fixed and floating charge over all its real and personal assets.

On April 20, 2015, the Company closed the debt reduction and asset transfer agreement dated November 12, 2013 (the “Agreement”) with its wholly owned subsidiary, ZNX Energy, and Mr. Hislop. Pursuant to the Agreement, Mr. Hislop purchased an 80% working interest in the Garrington property, with one producing Pekisko oil well, the Garrington 06-06-035-02W5 (the “Asset”) for an aggregate purchase price of $1,000,000 (the “Purchase Price”). The Purchase Price was paid and satisfied at the closing of the transaction, by way of a reduction of the debt owing to Mr. Hislop pursuant to the Agreement. Upon completion of the transaction, the Company owned a 10% working interest in the Asset. The remaining principal balance of the debt owed to Mr. Hislop of $1,000,000 accrued interest at a rate of 5% per annum, and the amount was due October 20, 2016.

Effective July 1, 2018, the Company and Mr. Hislop entered into a new loan agreement to rectify the loan with Mr. Hislop pursuant to the Agreement, which had been in default since October 20, 2016. The new loan is in the amount of $1,652,869 which includes the original loan amount of $1,000,000 plus accrued interest to June 30, 2018. The new loan bears interest at a rate of 5% per annum, and was due on July 1, 2020. The loan is now in default and management is in the process of renegotiating the principal and interest owing and the term of repayment.

(Expressed in Canadian Dollars)

9. LOANS PAYABLE (continued)

The loan payable balance to Mr. Hislop is comprised of the following:

		June 30, 2020		June 30, 2019
Principal	$	1,652,869	$	1,652,869
Interest		173,454		84,564
	$	1,826,323	$	1,737,433

Interest expenses relating to the loan payable during the year ended June 30, 2020 amounted to $88,890 (2019 - $84,564).

Loan Payable

In March 2020, the Company closed the Debt Reduction and Share Property Transfer Agreement dated November 15, 2019 (the "**2019 Agreement**") with ZNX and Strikewell (Note 14). Upon the closing of the transaction, the Company owed Strikewell $156,006.

The loan balance accrues interest at a rate of 10% per annum, compounding monthly from January 1, 2020 to June 30, 2020. The interest rate will increase to 25% per annum, compounding monthly from July 1, 2020 until it is paid in its entirety. The net balance is due in full on September 30, 2020. The net balance and accrued interest owing can be paid to Strikewell at any time without penalty.

During the year ended June 30, 2020, the Company accrued interest of $7,965 and is included in loans payable. As of June 30, 2020, the balance owing to Strikewell is $163,971.

10. DECOMMISSIONING OBLIGATIONS

The Company's decommissioning obligations were based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon the wells and facilities, and the estimated timing of the costs to be incurred in future periods. At June 30, 2019, the Company estimated the total undiscounted amount of cash flows required to settle its decommissioning obligations was approximately $14,400 The majority of the costs would have been incurred after 2030. An inflation factor of 2.00%was applied to the estimated asset retirement cost. A risk-free rate of 1.73% was used to calculate the fair value of the decommissioning obligations. The change in timing of the estimated future obligations and a change in the risk-free rate and inflation factor resulted in an increase in the present value of the decommissioning obligations at June 30, 2019.

(Expressed in Canadian Dollars)

10. DECOMMISSIONING OBLIGATIONS (continued)

A reconciliation of the decommissioning obligations is provided below:

Decommissioning obligations		
Balance, June 30, 2018	$	15,346
Revisions		(362)
Balance, June 30, 2019		14,984
Disposition of subsidiary		(14,984)
Balance, June 30, 2020	$	-

11. CAPITAL STOCK

(a) Authorized: 12,500,000 common shares with a par value of €0.02 per share.

On July 25, 2019, the Company closed a non-brokered private placement financing. The financing consists of 7,000,000 common shares at a price of $0.075 per share, for gross proceeds of $525,000. The common shares issued were subject to a four-month hold period expiring on November 23, 2019 under the applicable securities laws imposed by the TSX Venture Exchange.

(b) Stock option plan

The Company has a fixed number stock option plan in place under which it is authorized to grant incentive stock options to officers, directors, employees and to persons in consideration for services. Stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance may not exceed 609,629 common shares. The maximum number of shares reserved for issuance to an individual, in any twelve-month period, other than a consultant, is not restricted as long as Tier 1 status is maintained, and disinterested shareholder approval obtained.

When an individual is a consultant or conducting investor relations activities, the maximum number of shares reserved for issuance in any twelve-month period is restricted to 2% of the total number of shares issued and outstanding.

The exercise price of any option granted is determined by the Board of Directors of the Company at the time of grant and may not be less than the discounted market price on the trading day immediately preceding the day on which the option is granted and publicly announced, and may not be less than $0.05 per share.

(Expressed in Canadian Dollars)

11. CAPITAL STOCK (continued)

(b) Stock option plan (continued)

Options have a maximum term of ten years and are cancelled not later than 30 days following termination, without just cause, of the optionee's employment, except in the case of retirement, death or disability, in which case they are cancelled one year after the event. Vesting of the options is determined at the time of granting of the options at the discretion of the Board of Directors.

There were no stock option transactions during the years ended June 30, 2020 and 2019, and no stock options remain outstanding as at June 30, 2020 and 2019.

12. SEGMENTED INFORMATION

The Company previously operated in one segment consisting of the acquisition and development of petroleum and natural gas interests in Canada. At June 30, 2020, management is seeking other business opportunities.

13. RELATED PARTY TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling the activities of the entity, and include directors and officers. The transactions made with related parties to the Company not otherwise disclosed consist of the following:

Key Management	**June 30, 2020**	**June 30, 2019**
Short-term compensation	$ 23,961	$ 26,058

Effective as of July 26, 2019, the Company pays €3,000 (approximately $4,792) per year for services provided as the Company's Chief Financial Officer and Secretary. The officer fees are effective August 1, 2019 and are payable at the end of the Company's fiscal year.

Effective as of July 1, 2016, the Company pays or accrues director fees of €4,000 (approximately $6,390) per year payable in advance at the beginning of the business year for three directors of Summus. During the year ended June 30, 2020, the Company paid directors' fees of $19,169 (2019 - $26,058).

There were no post-employment benefits, termination benefits or other long-term benefits paid to key management personnel for the years ended June 30, 2020 and 2019.

14. SALE OF SUBSIDIARY

On November 15, 2019, the Company and Strikewell entered into a debt reduction and share property transfer agreement (the "Agreement") with an effective date of October 31, 2019. Pursuant to the Agreement, Strikewell agreed to acquire 100% of the shares of ZNX, a wholly owned subsidiary of the Company, including all the ZNX net assets, subject to re-assignment or forgiveness of certain assets and liabilities of ZNX (the "closing adjustments"), for an aggregate purchase price of $195,000 (the "2020 Purchase Price"). The 2020 Purchase Price was paid and satisfied at the closing of the transaction, by way of a reduction of the debt owing to Strikewell by the Company pursuant to the closing adjustments. ZNX's significant asset was its 10% interest in the Garrington property (note 7). The closing date of the Agreement was March 23, 2020 following approvals from regulatory authorities.

The closing adjustments assigned net liabilities, owing by ZNX to Strikewell, to the Company which as of October 31, 2019 amounted to $351,006. In addition, a loan owing to ZNX by the Company of $166,765 was forgiven and a loan owing to ZNX by Warrior Oil of $23,302 was assigned to the Company. The net liability to Strikewell was offset by the 2020 Purchase Price for a net balance owing of $156,006. The net balance of the debt owing to Strikewell accrues interest at a rate of 10% per annum, compounding monthly from January 1, 2020 to June 30, 2020. The interest rate will increase to 25% per annum, compounding monthly from July 1, 2020 until it is paid in its entirety. The net balance is due in full on September 30, 2020. The net balance and accrued interest owing can be paid to Strikewell at any time without penalty. As of June 30, 2020, the balance owing to Strikewell is $163,971, which includes $7,965 in accrued interest.

During the year ended June 30, 2020, the Company recognized a loss on the sale of the subsidiary in the amount of $1,022 which is comprised of the following:

- $160,939 loss on assumption of net intercompany liabilities of ZNX;
- $164,140 gain on sale of subsidiary resulting from the sale proceeds of $195,000 less the remaining net assets of ZNX, after the closing adjustments, of $30,860; and
- $4,223 net loss from ZNX operations.

As the cash flows related to the operation of the ZNX is clearly distinguished operationally for financial reporting purposes from the rest of the entity, the disposition of ZNX meets the definition of discontinued operations and the financial performance of the subsidiary has been reclassified and presented separately from the continuing operations to net income from as discontinued operations as a single line in the consolidated statements of operations and comprehensive loss and cash flows.

(Expressed in Canadian Dollars)

14. SALE OF SUBSIDIARY (continued)

The results of ZNX up until the effective date of disposition are presented as discontinued operations as follows:

	For the year ended June 30, 2020	For the year ended June 30, 2019
Revenue		
Oil and gas sales	$ 24,018	$ 86,299
Royalties	(10,189)	(10,890)
	13,829	75,409
Direct operating expenses		
Production	3,944	71,444
Depletion and accretion	4,533	11,415
	8,477	82,859
General and administrative expenses		
Administration	-	76,440
Insurance	5,133	15,207
Management fees	400	1,200
Office and miscellaneous	1,316	5,321
Professional fees	2,726	19,721
	9,575	117,889
Net loss	**$ (4,223)**	**$ (125,339)**
Loss on assumption of net intercompany liabilities	**(160,939)**	**-**
Gain on sale of subsidiary	**164,140**	**-**
Loss on discontinued operations	**$ (1,022)**	**$ (125,339)**

(Expressed in Canadian Dollars)

14. SALE OF SUBSIDIARY (continued)

Cash flows from discontinued operations are as follows:

	For the year ended June 30, 2020	For the year ended June 30, 2019
OPERATING ACTIVITIES		
Net loss for the year	$ (1,022)	$ (125,339)
Adjustments for items not involving cash		
Loss on assumption of net intercompany liabilities	160,939	-
Gain on sale of subsidiary	(164,140)	-
Depletion and accretion	4,533	11,415
	310	(113,924)
Changes in non-cash working capital		
Accounts receivable	(30,837)	(34,066)
Prepaid expenses and deposits	5,133	(192)
Accounts payable and accrued liabilities	82,975	88,139
Cash provided by (used in) operating activities	57,581	(60,043)
INVESTING ACTIVITIES		
Cash sold on disposition of subsidiary	(82,322)	-
Intercompany amounts received (advanced)	(11,799)	56,725
Petroleum and natural gas interest additions	(896)	(6,896)
Cash provided by (used in) investing activities	(95,017)	49,829

15. INCOME TAXES

Income tax expense differs from the amount that would result from applying Canadian corporate tax rates to loss before income taxes. These differences result from the following items:

	June 30, 2020	June 30, 2019
Loss before income taxes	$ (500,099)	$ (301,436)
Statutory income tax rate	27.00%	27.00%
Expected income tax benefit	(135,027)	(81,388)
Differences between Canadian and foreign tax rates	10,002	3,494
Items not deductible for tax purposes	-	(2,600)
Effect of change in tax rates	-	(8,567)
Impact of foreign exchange on tax assets and liabilities	-	(860)
Unused tax losses and tax offsets not recognized	124,770	7,556
Origination and reversal of temporary differences	255	82,365
Income tax recovery	$ -	$ -

(Expressed in Canadian Dollars)

15. INCOME TAXES (continued)

The reconciliation of net deferred tax liabilities is as follows:

		June 30, 2020		June 30, 2019
Deferred income tax assets				
Loss carry-forward	$	-	$	4,741
Deferred income tax liability				
Petroleum and natural gas interests		-		(4,741)
Net	$	-	$	-

The Company has accumulated non-capital losses for income tax purposes available to offset future revenues of the US operations. The benefits of the deferred income tax assets associated with the non-capital losses are considered not probable of being realized. Significant unrecognized tax benefits and unused tax losses for which no deferred tax asset is recognized as of June 30, 2020 and 2019 are as follows:

		June 30, 2020		June 30, 2019
Non-capital loss carry-forwards – United States	$	2,980,000	$	2,979,000
Non-capital loss carry-forwards – Canada		-		1,286,000
Unpaid management fees and loan interest		1,342,000		1,207,000
Asset retirement obligation		-		15,000
Total	$	4,322,000	$	5,487,000

The Company's wholly owned subsidiary, which is resident in the US, is subject to taxation and has accumulated non-capital losses for income tax purposes available to offset future revenues, which are available until 2038. The realization of benefits of the deferred income tax assets associated with the non-capital losses arising in the US are considered to be not probable. As a result, management has not recognized these deferred income tax assets.

16. OTHER INCOME

During the year ended June 30, 2012, the Company had written down certain investments held with M.M. Warburg Bank (Switzerland) Limited ("Warburg") after a number of recovery and settlement claims against Warburg had been undertaken without any success. During the year ended June 30, 2020, the Company sold their claim against Warburg to an unrelated party, TALOS INVEST AG, for cash consideration of EUR 39,000 ($59,690). The consideration received is recorded as other income.