EUROGAS INTERNATIONAL INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Management's Report on Internal Control over Financial Reporting

The financial statements of Eurogas International Inc. (the "Corporation"), the accompanying notes thereto and other financial information contained in the Corporation's management's discussion and analysis are the responsibility of, and have been prepared by management. These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, include management's best estimates and judgments. Management has reviewed the financial information presented throughout the documents accompanying these financial statements and has ensured it is consistent with the financial statements.

Management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that financial information is timely and reliable. However, any system of internal control over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Audit Committee, which is comprised of a majority of independent directors, reviews the interim and annual financial statements and management's discussion and analysis of the Corporation and recommends them for approval by the Board of Directors. The Audit Committee reports its findings to the Board of Directors before the financial statements are approved by the Board.

PricewaterhouseCoopers LLP, an independent firm of Chartered Professional Accountants, was appointed by the shareholders of the Corporation at the last annual meeting to examine the financial statements and provide an independent professional opinion as to their compliance with International Financial Reporting Standards. The auditor has full and unrestricted access to the Audit Committee to discuss the audit and related matters.

(signed) Bruce Sherley
Acting Chief Executive Officer

(signed) Robert Sellars
Interim Chief Financial Officer

Toronto, Canada
March 11, 2021

Independent auditor's report

To the Shareholders of Eurogas International Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Eurogas International Inc. (the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's financial statements comprise:

- the statements of financial position as at December 31, 2020 and 2019;
- the statements of operations and comprehensive loss for the years then ended;
- the statements of changes in shareholder's deficiency for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – going concern

Without qualifying our opinion, we draw attention to note 2 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 auditor's report is Craig Moffat.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 11, 2021

EUROGAS INTERNATIONAL INC.
STATEMENTS OF FINANCIAL POSITION

(expressed in Canadian dollars)

	Note	As at December 31, 2020	As at December 31, 2019
ASSETS			
Current			
Cash		$ 2,291	$ 4,229
		$ 2,291	**$ 4,229**
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 906,139	$ 881,523
Amounts due to Dundee Corporation	5	6,429,937	6,080,628
Accrued dividends on Series A Preference Shares	7	15,955,536	14,669,536
Series A Preference Shares	7	32,150,000	32,150,000
		55,441,612	53,781,687
SHAREHOLDERS' DEFICIENCY			
Share capital	8	1	1
Contributed surplus	8	18,000	18,000
Deficit		(55,457,322)	(53,795,459)
		(55,439,321)	(53,777,458)
		$ 2,291	**$ 4,229**

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

Going Concern Assumption (note 2)

Commitments (note 12)

On behalf of the Board,

(signed) Garth A. C. MacRae
Director

(signed) Mark Rachovides
Director

EUROGAS INTERNATIONAL INC.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the years ended December 31, 2020 and 2019
(expressed in Canadian dollars)

	Note		2020		2019
ITEMS IN NET LOSS					
General and administrative expenses	9	$	(137,937)	$	(156,823)
Dividends on Series A Preference Shares	7		(1,286,000)		(1,286,000)
Other interest expense	5		(251,380)		(302,642)
Foreign exchange gain			13,454		35,562
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		**$**	**(1,661,863)**	**$**	**(1,709,903)**
NET LOSS PER COMMON SHARE					
Basic and diluted net loss per common share	10	$	(0.05)	$	(0.05)

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

EUROGAS INTERNATIONAL INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

For the years ended December 31, 2020 and 2019
(expressed in Canadian dollars)

	Share Capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2018	$ 1	$ 18,000	$ (52,085,556)	$ (52,067,555)
Transactions during the year ended December 31, 2019				
Net loss for the year	-	-	(1,709,903)	(1,709,903)
Balance, December 31, 2019	1	18,000	(53,795,459)	(53,777,458)
Transactions during the year ended December 31, 2020				
Net loss for the year	-	-	(1,661,863)	(1,661,863)
Balance, December 31, 2020	**$ 1**	**$ 18,000**	**$ (55,457,322)**	**$ (55,439,321)**

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

EUROGAS INTERNATIONAL INC.
STATEMENTS OF CASH FLOW

For the years ended December 31, 2020 and 2019
(expressed in Canadian dollars)

	Note	2020	2019
OPERATING ACTIVITIES			
Net loss for the year		$ (1,661,863)	$ (1,709,903)
Non-cash items in net loss:			
Non-cash changes in accrued dividends on Series A Preference Shares	7	1,286,000	1,286,000
		(375,863)	(423,903)
Changes in non-cash working capital:			
Accounts payable and accrued liabilities		24,616	(67,339)
CASH USED IN OPERATING ACTIVITIES		(351,247)	(491,242)
FINANCING ACTIVITIES			
Changes in amounts due to Dundee Corporation		349,309	484,779
CASH PROVIDED FROM FINANCING ACTIVITIES		349,309	484,779
NET DECREASE IN CASH DURING THE YEAR		(1,938)	(6,463)
CASH, BEGINNING OF YEAR		4,229	10,692
CASH, END OF YEAR		**$ 2,291**	**$ 4,229**

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

EUROGAS INTERNATIONAL INC.
NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(In Canadian dollars, unless otherwise specified)

1. NATURE OF OPERATIONS AND GOING CONCERN ASSUMPTION

Eurogas International Inc. ("Eurogas International" or the "Corporation") is incorporated under the *Companies Act (Barbados)* and is an independent oil and gas exploration company, targeting oil and natural gas reserves. The Corporation is domiciled in Barbados and its registered office is c/o George Walton Payne & Company, Suites 205-207 Dowell House, Roebuck & Palmetto Streets, City of Bridgetown, Barbados.

The common shares of the Corporation are listed on the Canadian Securities Exchange ("CSE") under the symbol "EI". At December 31, 2020, Dundee Corporation, the principal shareholder of the Corporation, held 54% of the issued and outstanding common shares of the Corporation.

The Corporation had entered into a joint operating arrangement with DNO Tunisia AS ("DNO Tunisia") and with Atlas Petroleum Exploration Worldwide Ltd. ("APEX"), pursuant to which the joint venturers agreed to undertake exploration, evaluation and extraction activities on the Sfax offshore permit (the "Sfax Permit"), located in Tunisia, and targeting oil and natural gas reserves. On July 30, 2018, Panoro Energy ASA ("Panoro"), an independent exploration and production company based in London, England and listed on the Oslo Stock Exchange, acquired 100% of DNO Tunisia, following which Panoro became the operator of the Sfax Permit. Following completion of the transaction, Panoro assumed responsibility for all drilling and other obligations associated with the Sfax Permit, including any monetary penalties arising due to non-fulfillment of work commitments agreed to under the terms of the Sfax Permit. The Corporation holds a 5.625% working interest in the Sfax Permit, subject to certain cumulative revenue thresholds and priority recovery of expenditures.

In August 2015, the operator received regulatory approval from the Tunisian authorities for a two-year extension of the first renewal period related to the Sfax Permit, extending the first renewal period and the associated exploration well drilling obligations to December 8, 2017, and on July 21, 2017, the operator received regulatory approval for an additional extension to December 8, 2018. On February 1, 2019, Panoro announced the renewal of the Sfax Permit for an additional three-year period, extending to December 8, 2021, subject to the precondition of fulfilling the outstanding drilling obligation.

Notwithstanding the above, cash flows from the Corporation's joint operating interest in the Sfax Permit remain uncertain and consequently, the Corporation continues to carry the Sfax Permit at $nil at December 31, 2020 (2019 – $nil).

The Corporation also holds a 45% joint venture interest in Innovative Production Services, Ltd. ("IPS"), whose sole business activity is the ownership and continuing maintenance of a mobile offshore production unit (the "MOPU"), which is currently located in Louisiana, United States of America, and certain ancillary equipment. The Corporation accounts for its joint venture interest in IPS using the equity method.

The MOPU was originally acquired by IPS in expectation of leasing the equipment to affiliated companies to facilitate their producing, processing and transporting of oil and natural gas. IPS has undertaken several initiatives to monetize the asset through lease or sale to third parties. These efforts have not yet been successful and the MOPU is currently inactive, and the Corporation determined that its carrying value was $nil since December 31, 2018. The Corporation is not aware of any commitments or liabilities relating to its ownership in IPS.

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

These financial statements of the Corporation as at and for the year ended December 31, 2020, with comparative information as at and for the year ended December 31, 2019 ("2020 Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and with interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting. These financial statements were approved by the Board of Directors of the Corporation for issuance on March 11, 2021.

These financial statements have been prepared using accounting principles applicable to a going concern. The going concern basis assumes that the Corporation will continue its operations for the foreseeable future, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at December 31, 2020, the Corporation had negative working capital of $55,439,321 (2019 – $53,777,458) and during the year then ended, it incurred a net loss of $1,661,863 (2019 – $1,709,903).

The Corporation's ability to continue as a going concern is dependent upon the discovery of economically recoverable reserves, obtaining exploitation concessions for any such economically recoverable reserves, the ability to raise the necessary capital to finance development and settle current obligations of the Corporation, and working capital from future profitable production or proceeds from disposition of assets. There can be no assurance that the Corporation will be successful in achieving these initiatives. The Corporation periodically performs strategic reviews that may lead to a decision to undergo a corporate restructuring or an orderly liquidation. These material uncertainties may cast significant doubt upon the Corporation's ability to continue as a going concern and the ultimate appropriateness of using accounting principles applicable to a going concern.

These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Corporation be unable to continue as a going concern. If the Corporation is not able to continue as a going concern, the Corporation may be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements. These differences could be material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Corporation in the preparation of its financial statements are set out below.

Basis of Measurement
The financial statements have, in all material respects, been prepared under the historical cost convention.

Joint Venture Arrangements
A joint venture is a contractual arrangement pursuant to which the Corporation and other parties undertake an economic activity that is subject to joint control, whereby the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Joint arrangements are classified as joint ventures or joint operations, reflecting the Corporation's underlying contractual rights and obligations pursuant to the joint arrangement. Joint arrangements that are classified as joint operations are accounted for using the proportionate consolidation method whereby the Corporation recognizes its share of the assets, liabilities, revenues and expenses of the joint operations. The Corporation has determined that its investment in the Sfax Permit is a joint operation and, accordingly, it accounts for its investment using the proportionate consolidation method (see note 1).

Joint arrangements classified as joint ventures are accounted for using the equity method, whereby the Corporation recognizes its share of income or loss and other comprehensive income or loss of the joint arrangement in its own operations or

comprehensive income or loss, as applicable. The Corporation has determined that its investment in IPS meets the definition of a joint venture arrangement and consequently, it is accounting for its interest in IPS using the equity method (see note 1).

The Corporation assesses, at each reporting date, whether there is objective evidence that its interest in a joint venture arrangement is impaired. If impaired, the carrying value of the Corporation's share of the underlying assets of the joint venture arrangement is written down to its estimated recoverable amount, with any difference charged to the statement of operations and comprehensive income or loss.

Foreign Currency

Functional and Presentation Currency
These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

Transactions
Foreign currency transactions are translated into the Corporation's functional currency using exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in currencies other than the Corporation's functional currency at each period-end date, are recognized in the statement of operations and comprehensive income or loss.

Financial Instruments

Classification
The Corporation classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive (loss) income ("FVTOCI"), or at amortized cost. The Corporation determines the classification of financial assets at initial recognition based on the Corporation's business model for managing the financial assets and their contractual cash flow characteristics.

Initial Recognition and Measurement
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of operations. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of operations in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Corporation's own credit risk will be recognized in other comprehensive (loss) income. The Corporation recognizes marketable securities at FVTPL.

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income.

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost
The Corporation recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Corporation measures the loss allowance for the financial asset at:

(a) an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.
(b) an amount equal to 12-month expected credit losses if the credit risk on the financial asset has not increased significantly since initial recognition.

The Corporation applies the simplified method and measures a loss allowance equal to the lifetime expected credit losses for trade receivables.

The Corporation recognizes in the statements of operations, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized. The loss allowance was $nil as at December 31, 2020 (2019 – $nil).

Impairment of Non-financial Assets

The Corporation has historically capitalized costs associated with exploration and evaluation activities, except for costs incurred before the Corporation obtained the legal right to explore an area, in which case costs were expensed as incurred. Capitalized costs included expenditures for an area or project for which technical feasibility and commercial viability had not yet been determined and may have included lease acquisitions, geological and geophysical expenditures, carrying costs of non-productive properties, equipment costs, that portion of general and administrative expenses directly attributable to exploration and evaluation activities and costs associated with decommissioning liabilities.

The Corporation evaluates the carrying value of its exploration and evaluation properties and other non-financial assets when events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount of an asset is the greater of an asset's fair value less cost of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows ("cash generating units" or "CGUs"). If their carrying value is assessed not to be recoverable, an impairment loss is recognized. The Corporation evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased in magnitude. If such indication exists, the Corporation updates its estimate of the recoverable amount of the asset. If the recoverable amount of an asset increases because of changes in the estimates used to determine the asset's recoverable amount when impairment was originally recognized, the impairment is reversed and the carrying amount of the asset is increased to its updated recoverable amount. Such reversal is recognized in the statement of operations and comprehensive income or loss. The reversal of an impairment may not result in the carrying value of an asset exceeding the carrying amount of that asset that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Stock Based Compensation

The Corporation issues stock based compensation awards to directors, employees and consultants. These arrangements may include stock options and other stock based awards such as deferred share units.

The Corporation uses a fair value based method to account for stock based compensation. The fair value of stock based compensation, as at the date of grant, is measured using an option-pricing model and is recognized over the applicable vesting period as compensation expense, based on the number of stock based awards expected to vest, generally with a corresponding increase to reserves in shareholders' equity (deficiency). When stock based compensation arrangements are exercised, the proceeds received, together with any amount recognized in reserves, are included in share capital. The number of stock based awards expected to vest is reviewed at least annually, with any impact to underlying stock based compensation expense being recognized immediately.

Income Taxes

The Corporation follows the balance sheet liability method to provide for income taxes on all transactions recorded in the financial statements. The balance sheet liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred income tax assets and liabilities are determined for each temporary difference and for unused tax losses and unused tax credits, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the statement of operations and comprehensive income or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized only to the extent that it is probable that the assets can be recovered.

Per Share Information

Basic income or loss per common share is computed by dividing the net income or loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted per common share amounts, if applicable, are calculated to reflect the dilutive effect of exercising outstanding stock based awards by applying the treasury stock method.

Accounting Standards, Interpretations and Amendments to Existing Standards not yet Effective

There were no changes to existing IFRS accounting standards and interpretations that are expected to have a material effect on the Corporation's 2020 Financial Statements.

4. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements in accordance with IFRS requires the Corporation to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the reported amounts of assets, liabilities, and amounts in net operating income or loss, and the related disclosure of contingent assets and liabilities included in the Corporation's financial statements. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amounts of items in net operating income or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The following discusses the most significant accounting judgments, estimates and assumptions that the Corporation has made in the preparation of its financial statements.

Impairment of Joint Ventures Accounted for using the Equity Method

The Corporation assesses, at each reporting date, whether there is objective evidence that a joint venture accounted for using the equity method is impaired. A joint venture accounted for using the equity method is impaired if there is objective evidence of impairment as a result of one or more events that have occurred that may impact the estimated future cash flows expected from the joint venture. Objective evidence that a joint venture accounted for using the equity method is impaired may include: a change in the financial health or outlook for the business of the joint venture or its underlying assets; indication that the joint venture is in default of obligations or will enter bankruptcy; or a restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise. The assessment of impairment of a joint venture accounted for on an equity basis requires significant judgment, where management evaluates, among other factors, the duration and extent to which the recoverable value of underlying assets of the joint venture is less than its carrying value, the impact of capital market activities on the business of the joint venture, and the financial health of the joint venture. Different assumptions could result in significant changes to the carrying value of a joint venture accounted for using the equity method, and the associated amounts of equity earnings or losses from such investments.

Income Tax Accounting

The determination of the Corporation's income and other tax liabilities requires the interpretation of complex laws and regulations, often involving multiple jurisdictions. Deferred income tax assets are only recognized to the extent that the Corporation believes it is probable that the assets can be recovered. Judgment is required in determining whether deferred income tax assets should be recognized on the statement of financial position.

Impairment of Non-Financial Assets, including Exploration and Evaluation Properties

The Corporation is required to review the carrying value of its exploration and evaluation properties for potential impairment. Impairment is indicated if the carrying value of the Corporation's exploration and evaluation properties is not recoverable. If impairment is indicated, the amount by which the carrying value of exploration and evaluation properties exceeds their recoverable amount is charged to the statement of operations and comprehensive income or loss. Evaluating for recoverability during the exploration and evaluation phase requires judgment in determining whether it is likely that future economic benefits from future exploitation, sale or otherwise are likely. Evaluations may be more complex where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of geological, geophysical and seismic data, the Corporation's financial ability to continue exploration and evaluation activities, contractual issues with its partners in joint operations, the impact of government legislation and political stability in the region in which it operates, and the impact of current and expected future oil prices to potential reserves.

5. AMOUNTS DUE TO DUNDEE CORPORATION

The Corporation has established a $5,000,000 revolving demand credit facility with Dundee Corporation. Borrowings under the revolving demand credit facility bear interest at a rate per annum equal to the prime lending rate for loans as set out by a Canadian Schedule I Chartered Bank, plus 1.25%. As lender to the Corporation, Dundee Corporation may, at its discretion and subject to the necessary regulatory approvals, require the Corporation to convert all of the amounts outstanding pursuant to the revolving demand credit facility, including interest thereon, into common shares of the Corporation, at a conversion price that is based on the fair value of the common shares, defined as the closing price of the common shares of the Corporation at the time of such conversion, subject to a minimum conversion price of $0.05 per common share. At December 31, 2020, the Corporation had drawn $6,429,937 (2019 – $6,080,628) against the revolving demand credit facility. Interest expense incurred on the revolving demand credit facility during 2020 was $250,993 (2019 – $302,101). Although the Corporation has exceeded amounts available pursuant to this demand credit facility, Dundee Corporation has not demanded payment.

6. INCOME TAXES

The Corporation's activities are subject to income taxation in Barbados at a rate of 2.5%. After consideration of estimated future taxable income and potential tax planning strategies, the Corporation has determined that the benefit of loss carry forwards should not be recognized. Accordingly, the Corporation has not recorded an income tax recovery amount or a deferred income tax asset in respect of its operating losses.

At December 31, 2020, the Corporation had operating loss carry forwards of $5,924,091 (2019 – $7,367,599). A summary of the operating loss carry forwards by year of expiry is as follows:

Year of Expiry:		
2021	$	2,180,404
2022		999,833
2023		893,728
2024		476,743
2025		399,630
Thereafter		973,753
	$	**5,924,091**

7. PREFERENCE SHARES

The Corporation is authorized to issue an unlimited number of preference shares without nominal or par value. The preference shares may be issued in one or more series.

Series A Preference Shares

At December 31, 2020 and 2019, the Corporation had issued 32,150,000 Series A Preference Shares with a face value of $32,150,000. The Series A Preference Shares were issued to Dundee Energy Limited ("Dundee Energy"), a former subsidiary of Dundee Corporation. The Series A Preference Shares rank in priority to the common shares of the Corporation as to the payment of dividends and the distribution of assets on dissolution, liquidation or winding-up of the Corporation and entitle Dundee Energy to a fixed preferential cumulative dividend at the rate of 4% per annum. Dundee Energy may reinvest any such dividends received into common shares of the Corporation, subject to obtaining the necessary approvals. The Series A Preference Shares may be retracted at the option of Dundee Energy or redeemed at the option of the Corporation at any time at a price equal to their face value of $1 per Series A Preference Share.

Because of Dundee Energy's entitlement to demand retraction of the Series A Preference Shares at any time, the Corporation has classified the Series A Preference Shares as a financial liability and the associated dividends as financing costs.

The Series A Preference Shares are non-voting except in the event the Corporation fails to pay the cumulative 4% dividend for eight quarters. Thereafter, but only so long as any dividends on the Series A Preference Shares remain in arrears, Dundee Energy shall be entitled, voting exclusively and separately and as a series, to elect a majority of the members of the Board of Directors of the Corporation.

During the year ended December 31, 2020, the Corporation recognized an expense of $1,286,000 (2019 – $1,286,000), representing the dividends accrued on the Series A Preference Shares. At December 31, 2020, cumulative dividends outstanding were $15,955,536 (2019 – $14,669,536).

On March 27, 2019, Dundee Energy and certain of its subsidiaries filed an assignment for the benefit of creditors under the *Bankruptcy and Insolvency Act*. Once the assignment was filed, all of Dundee Energy's property, including the Series A Preference Shares, vested in the trustee by operation of law, making the trustee the beneficial owner of Dundee Energy's property. The trustee is tasked with realizing on the value of Dundee Energy's property in order to distribute proceeds to Dundee Energy's creditors. The trustee has the ability to abandon property and may elect not to take possession of property that has no realizable value. Since Dundee Energy attributed no value to the Series A Preference Shares, the Corporation's management does not anticipate the trustee will exercise its right to redeem the Series A Preference Shares, demand payment of the associated cumulative dividends outstanding, or exercise its entitlement to elect a majority of the members of the Board of Directors of the Corporation. At December 31, 2020 and 2019, the Corporation has classified these obligations as current obligations. At December 31, 2020, the trustee did not exercise any of its above-mentioned entitlements.

8. SHARE CAPITAL

	Number of Shares	Share Capital	Contributed Surplus
Outstanding, December 31, 2020 and December 31, 2019	31,105,526	$ 1	$ 18,000

Common Shares Issued and Outstanding

The Corporation is authorized to issue an unlimited number of common shares. The Corporation had 31,105,526 common shares issued and outstanding at December 31, 2020 and 2019.

Stock Based Compensation

The Corporation has established certain stock based compensation arrangements, including a share option plan and a deferred share unit plan. The aggregate number of common shares that may be issued from treasury under these arrangements may not exceed 3,114,363 and during any 12-month period, the number of shares issuable to any one person under these arrangements may not exceed 5% of the total number of common shares outstanding. At December 31, 2020, the Corporation had not issued any shares from treasury pursuant to these arrangements.

Share Option Plan

The Corporation has adopted a share option plan pursuant to which directors, officers, employees and consultants may be granted options to purchase common shares of the Corporation. The exercise price of each option shall be established at the grant date by the directors of the Corporation and in all cases shall not be less than the closing price of the common shares on the CSE on the trading day immediately preceding the grant date. At December 31, 2020 and 2019, there were no options outstanding.

Deferred Share Unit Plan ("DSUP")

The Corporation has established a DSUP pursuant to which directors, officers, employees and consultants of the Corporation may be granted deferred share units. The Compensation Committee of the Board of Directors administers the DSUP, which is intended to provide participants with long-term incentive tied to the long-term performance of the Corporation's common shares. Discretionary awards under the DSUP will be based on certain criteria, including services performed or to be performed. There are currently no units granted to eligible participants under the DSUP.

9. GENERAL AND ADMINISTRATIVE EXPENSES BY NATURE

For the years ended December 31,		2020		2019
Salary and salary-related	$	54,000	$	54,000
Corporate and professional fees		83,332		99,317
General office		605		3,506
	$	**137,937**	**$**	**156,823**

10. NET LOSS PER COMMON SHARE

For the years ended December 31,		2020		2019
Net loss from operations attributable to shareholders	$	(1,661,863)	$	(1,709,903)
Weighted average number of common shares outstanding		31,105,526		31,105,526
Basic and diluted net loss per common share	$	(0.05)	$	(0.05)

11. RELATED PARTY TRANSACTIONS

The Corporation has entered into a services arrangement with Dundee Resources Limited, a wholly-owned subsidiary of Dundee Corporation. The services arrangement with Dundee Resources Limited provides the Corporation with administrative support services. During the year ended December 31, 2020, the Corporation incurred costs of $3,350 (2019 – $17,404), in respect of these arrangements.

Key Management Compensation

Compensation and other fees paid to members of the Board of Directors of the Corporation during each of the years ended December 31, 2020 and 2019 were $54,000.

12. COMMITMENTS

In prior years, the Corporation and APEX had entered into a farm-out option agreement with Delta Hydrocarbons B.V. ("Delta") pertaining to the Sfax Permit and the related Ras El Besh development concession. Delta subsequently expressed a desire to exit from the farm-out option agreement and under a settlement arrangement, Delta forfeited its option in exchange for a portion of certain payments, if and when received by the Corporation and APEX, to a maximum of US$20 million. Payment obligations to Delta pursuant to the settlement arrangement may include a share of the proceeds from the cost oil or cost gas portion of any future production revenues realized by the Corporation and APEX from the Sfax Permit.

13. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The carrying value of cash, accounts payable and accrued liabilities, and amounts due to Dundee Corporation approximate their fair value. The Corporation has not disclosed the fair value of the Series A Preference Shares outstanding and the accrued dividends thereon, as they cannot be reliably measured, as the obligations are due to a related party.

At December 31, 2020 and 2019, there were no other financial instruments on the statements of financial position of the Corporation carried at fair value.

Risk Management

The Corporation is exposed to financial risks due to the nature of its business and the financial assets and liabilities that it holds. The Corporation's overall risk management strategy seeks to minimize potential adverse effects on the Corporation's financial performance.

Market Risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, the Corporation segregates market risk into three categories: fair value risk, interest rate risk and currency risk.

Fair Value Risk

Fair value risk is the potential for loss from an adverse movement, excluding movements relating to changes in interest rates and foreign exchange currency rates, because of changes in market prices. The Corporation does not have any significant exposure to fair value risk.

Interest Rate Risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk, primarily relating to its revolving demand credit facility with Dundee Corporation (note 5). An absolute 50 basis point change in market interest rates would result in a change of approximately $30,954 to the net loss incurred by the Corporation during the year ended December 31, 2020 (2019 – $29,807).

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation periodically has accounts payable denominated in foreign currencies, primarily in US dollars. The Corporation may also have, from time to time, cash balances that are denominated in foreign currencies to facilitate foreign currency transactions. At December 31, 2020, the Corporation had nominal US dollar denominated cash balances. A 3% change in the foreign exchange translation rate of Canadian to US dollars would result in a change to the Corporation's net loss of approximately $20,785 (2019 – $21,284).

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash held with banks. The Corporation's maximum exposure to credit risk is equal to the carrying value of these financial instruments.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they become due. The Corporation manages its liquidity risk by forecasting cash flows to be used in operations and anticipating any investing and financing activities.

The following table summarizes the maturity profile of the Corporation's financial liabilities as at December 31, 2020.

	Carrying Amount	Contractual Term to Maturity
Accounts payable and accrued liabilities	$ 906,139	Typically due within 20 to 90 days
Amounts due to Dundee Corporation	6,429,937	Payable on demand
Accrued dividends on Series A Preference Shares	15,955,536	Payable on declaration by the Board of Directors
Series A Preference Shares	32,150,000	Retractable at the option of the holder or the Corporation
Total	**$ 55,441,612**	

The Corporation has Series A Preference Shares that are redeemable at the Corporation's option and retractable at the option of the holder. In addition, the holder of the Series A Preference Shares is entitled to receive, as and when declared by the Board of Directors, a fixed cumulative cash dividend equal to 4% of the redemption price of the Series A Preference Shares. The terms of the Series A Preference Shares and specifically the right of retraction by the holder thereof, expose the Corporation to significant liquidity risk.

At December 31, 2020, the Corporation had cash of $2,291. This amount is insufficient to meet its current obligations and commitments as they become due (notes 2 and 12).

14. CAPITAL MANAGEMENT

The Corporation defines the capital that it manages as its working capital. The Corporation's objectives when managing capital are to ensure that it will have sufficient financial capacity to fund its current obligations and pursue exploration and evaluation opportunities as they arise. The Corporation regularly monitors its available capital, and as necessary, adjusts to changing economic circumstances and the risk characteristics of the underlying assets. In order to maintain or adjust capital requirements, the Corporation may consider the issuance of new shares, the entry into joint arrangements or farm-out agreements, or it may engage in debt financing. There can be no assurance that the Corporation will be successful in raising sufficient capital to fund ongoing operations.