# Huntington Exploration Inc.
# Consolidated Financial Statements
# December 31, 2020

**Contents**

# Independent Auditors' Report

To: The Shareholders of **Huntington Exploration Inc.**

Opinion

We have audited the consolidated financial statements of Huntington Exploration Inc. and its subsidiaries (collectively, the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and 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 financial position of 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.

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 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 audit 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which indicates that at December 31, 2020 the Company had a deficit of $13,446,274. This condition, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in 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.

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

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Independent Auditors' Report (continued)

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.

Auditors' Responsibilities for the Audit of the Consolidated 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 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 financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 auditors' 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the 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 Roland A. Bishop, CPA, CA.

Kenway Mack Slusarchuk Stewart LLP

February 16, 2021 — Chartered Professional Accountants
Calgary, Alberta

## Huntington Exploration Inc.
## Consolidated Statements of Financial Position

| | Notes | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| **Assets** | | | |
| **Current** | | | |
| Cash | | **$ 1,144,150** | $ 427,345 |
| Accounts receivable | | **39,835** | 1,172 |
| Prepaid expenses | | **186,210** | 2 |
| | | **1,370,195** | 428,519 |
| **Restricted cash** | **6** | **45,806** | 45,376 |
| **Mineral exploration and evaluation assets** | **4** | **33,635** | - |
| **Property and equipment** | **5** | **132** | 221 |
| | | **$ 1,449,768** | $ 474,116 |
| **Liabilities** | | | |
| **Current** | | | |
| Accounts payable and accrued liabilities | | **$ 108,804** | $ 68,926 |
| Provision for abandonment | | **33,000** | 33,000 |
| | | **141,804** | 101,926 |
| **Decommissioning obligations** | **6** | **87,204** | 73,757 |
| | | **229,008** | 175,683 |
| **Equity** | | | |
| Share capital | **8** | **12,459,976** | 11,360,736 |
| Share based payment reserve | | **2,207,058** | 2,207,058 |
| Deficit | | **(13,446,274)** | (13,269,361) |
| | | **1,220,760** | 298,433 |
| | | **$ 1,449,768** | $ 474,116 |
| Going Concern | **2** | | |

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

Approved by the Board:

*"Signed Christopher Brown"*
Christopher Brown, Director

*"Signed Sameer Uplenchwar"*
Sameer Uplenchwar, Director

## Consolidated Statements of Operations and Comprehensive Loss

| For the year ended December 31, | Notes | 2020 | 2019 |
|---|---|---|---|
| **Revenues** | | | |
| Oil and natural gas | | $ **59,484** | $ 46,173 |
| Finance income | | **429** | 1,138 |
| Royalties | | **(9,926)** | (8,574) |
| | | **49,987** | 38,737 |
| **Expenses** | | | |
| Operating | | **55,127** | 58,073 |
| Administrative | | **113,237** | 176,808 |
| Property investigation and evaluation | | **45,000** | - |
| Finance charges: | | | |
| Accretion of decommissioning obligation | **6** | **13,447** | 2,566 |
| Depletion and depreciation | **5** | **89** | 147 |
| Abandonment recovery | | **-** | (16,500) |
| | | **226,900** | 221,094 |
| **Net and comprehensive loss for the year** | | $ **(176,913)** | $ (182,357) |
| **Loss per share** | | | |
| **- basic and diluted** ***(1)*** | | $ **(0.008)** | $ (0.013) |
| **Weighted average shares outstanding** | | | |
| **- basic and diluted** | | **22,080,938** | 13,707,650 |

*(1) The options and warrants have been excluded from the diluted loss per share computation as they are anti-dilutive.*

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

| | | Share Capital | | Share Based Payment Reserve | | Deficit | | Total Equity |
|---|---|---|---|---|---|---|---|---|
| Balance January 1, 2019 | $ | 10,870,380 | $ | 2,207,058 | $ | (13,087,004) | $ | (9,566) |
| Net and comprehensive loss for the year | | - | | - | | (182,357) | | (182,357) |
| Common shares issued (net of issue costs) | | 490,356 | | - | | - | | 490,356 |
| Balance December 31, 2019 | $ | 11,360,736 | $ | 2,207,058 | $ | (13,269,361) | $ | 298,433 |

| | | Share Capital | | Share Based Payment Reserve | | Deficit | | Total Equity |
|---|---|---|---|---|---|---|---|---|
| Balance January 1, 2020 | $ | 11,360,736 | $ | 2,207,058 | $ | (13,269,361) | $ | 298,433 |
| Net and comprehensive loss for the year | | - | | - | | (176,913) | | (176,913) |
| Shares issued for cash (net of issue costs) | | 1,099,240 | | - | | - | | 1,099,240 |
| Balance December 31, 2020 | $ | 12,459,976 | $ | 2,207,058 | $ | (13,446,274) | $ | 1,220,760 |

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

# Huntington Exploration Inc.
## Consolidated Statements of Cash Flows

| For the year ended December 31, | Notes | 2020 | 2019 |
|---|---|---|---|
| **Cash flows from (used in) operating activities** | | | |
| Net income (loss) for the year | | **$ (176,913)** | $ (182,357) |
| Items not involving cash: | | | |
| Depletion and depreciation – continuing operations | | **89** | 147 |
| Accretion of decommissioning obligations | | **13,447** | 2,566 |
| Abandonment recovery | | **-** | (16,500) |
| Change in estimate for abandonment | | **-** | 4,614 |
| Cash used in operating activities before changes in non-cash working capital | | **(163,377)** | (191,530) |
| Changes in non-cash working capital balances: | | | |
| Accounts receivable | | **(13,663)** | 5,474 |
| Prepaid expenses | | **(186,208)** | 5,046 |
| Accounts payable and accrued liabilities | | **(6,743)** | 15,331 |
| Cash flow used in operating activities | | **(369,991)** | (165,679) |
| **Cash flows from (used in) Financing activities** | | | |
| Issue of common shares (net of costs) | | **1,087,226** | 490,356 |
| **Cash flows from (used in) Investing activities** | | | |
| Restricted cash | | **(430)** | 15,362 |
| **Increase (decrease) in cash** | | **716,805** | 340,039 |
| Cash, beginning of year | | **427,345** | 87,306 |
| **Cash, end of year** | | **$ 1,144,150** | $ 427,345 |

| | | |
|---|---|---|
| **Supplemental information** | | |
| Interest paid | **$ -** | $ - |
| Taxes paid | **$ -** | $ - |
| Acquisition of mineral exploration asset included in accounts payable | **$ 33,635** | $ - |

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

## 1. Corporate Information

Huntington Exploration Inc. ("Huntington" or the "Company") was a public junior oil and gas company engaged in the evaluation, acquisition, exploration and development of natural gas and oil properties in Western Canada. Going forward the focus of the Company will be exploration work in the mineral sector. The Company's shares trade on the TSX Venture Exchange under the symbol HEI.

Huntington was incorporated under the *Business Corporations Act* (Alberta) as 676182 Alberta Ltd. under the laws of the Province of Alberta on November 28, 1995. On February 1, 1996 the Company changed its name to Goldust Mines Ltd. and subsequently, on July 18, 1997 changed its name to Huntington Exploration Inc. The head office of the Company is located at Eau Claire Place II, 440, Box 14, 521 – 3 Avenue SW, Calgary, Alberta, T2P 3T3 and the registered office is located at Suite 1000, 250 - 2 Street SW, Calgary, Alberta, T2P 0C1.

Huntington has a 100% interest in Huntington Capital Inc.

## 2. Basis of Presentation

**Statement of compliance**
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

These financial statements were approved and authorized for issuance by the Board of Directors on February 16, 2021.

**Going concern assumption**
The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations, generate sufficient funds therefrom, receive continued support from its creditors and continue to obtain capital from investors sufficient to meet its current and future obligations. The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19" was declared a global pandemic by the World Health Organization on March 11, 2020. Governments worldwide enacted emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown and oil prices have experienced significant volatility and weakness.

The Company had working capital of $1,228,391 (2019 –$326,593) at December 31, 2020. The Company had a deficit of $13,446,274 (2019 - $13,269,361). During the fiscal 2020 year the Company realized net comprehensive loss of $176,913 (2019 – $182,357) and realized negative cash flow from operating activities before changes in non-cash working capital of $163,377 (2019 - $191,530). During 2019 the operator of the jointly controlled assets invoked its rights under the agreement to receive the Company's share of revenue and apply it against outstanding amounts due for operating expenses. Management is evaluating strategic alternatives and continues to focus its efforts on raising additional capital through debt or equity financings. Although management's efforts to raise capital and monetize assets have been successful in the past, there is no certainty that they will be able to do so in the future.

Governments and central banks have reacted to the global pandemic with significant monetary and fiscal interventions designed to stabilize economic conditions. However, the duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the governments and central bank interventions.

The aforementioned circumstances may create significant doubt as to the ability of the Company to continue as a going concern and meet its obligations as they come due. These financial statements have been prepared using accounting principles that are applied to a going concern and do not reflect the adjustments that would be necessary to the presentation and carrying amounts of the assets and liabilities if the Company were not able to continue operations. These adjustments and reclassifications may be material.

## 2. Basis of Presentation - continued

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

**Basis of measurement**
These financial statements have been prepared on a historical cost basis except for certain financial instruments and share based payment transactions that are measured at fair value.

**Basis of consolidation**
The consolidated financial statements comprise the financial statements of Huntington Exploration Inc. (the parent Company) and its subsidiary, Huntington Capital Inc.

The subsidiary has been fully consolidated from the date of its incorporation. Intercorporate transactions have been eliminated.

**Use of estimates and judgments**
The preparation of financial statements requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the consolidated financial statements.

Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are as follows:

*Valuation of account receivable*
The valuation of accounts receivable is based on management's best estimate of the provision for expected credit losses.

*Decommissioning and Abandonment Provisions*
Decommissioning and abandonment provisions have been created based on the Company's knowledge as at December 31, 2020 and 2019. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standard and techniques will result in changes to provisions from period to period. Actual decommissioning costs will ultimately depend on future market prices for the decommissioning costs which will reflect the market conditions at the time of the decommissioning costs are actually incurred. The final cost of the currently recognized decommissioning provisions may be higher or lower than currently provided for.

*Income Taxes*
Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

**2. Basis of Presentation - continued**

*Impairment*
A CGU is defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The Company has concluded each CGU is the individual properties held. As of December 31, 2020, and 2019 the Company had one CGU being Warwick. The allocation of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures, and the way in which management monitors the operations. The recoverable amounts of CGUs and individual assets have been determined based on the higher of fair value less costs to sell or value-in-use calculations. The key assumptions the Company uses in estimating future cash flows for recoverable amounts are anticipated future commodity prices, expected production volumes and future operating and development costs. Changes to these assumptions will affect the recoverable amount of CGUs and individual assets and may then require a material adjustment to their related carrying value.

*Reserves*
The estimate of reserves is used in forecasting the recoverability and economic viability of the Company's oil and gas properties, and in the depletion and impairment calculations. The process of estimating reserves is complex and requires significant interpretation and judgment. It is affected by economic conditions, production, operating and development activities, and is performed using available geological, geophysical, engineering, and economic data. Reserves at December 31, 2018 were evaluated by the Company's independent reserve evaluators and updates to those reserves are estimated internally. As of December 31, 2020, the Company no longer carries any oil and gas assets that have been assigned economic reserves.

## 3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to the years presented in these financial statements, unless otherwise indicated.

**Jointly controlled operations and jointly controlled assets:**
The Company's oil and natural gas activities involve jointly controlled assets. Under the joint arrangement the Company has rights to the assets and obligations for the liabilities. Accordingly, the financial statements include the Company's share of these jointly controlled assets and related liability and a proportional share of the relevant revenue and related costs.

**Financial instruments:**
(i) Non-derivative financial instruments:
Non-derivative financial instruments comprise accounts receivables, cash, restricted cash, and, accounts payable and accrued liabilities. Non-derivative financial instruments are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial assets at fair value through profit and loss:
An instrument is classified at fair value through profit and loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in earnings when incurred. Financial instruments at fair value through profit and loss are measured at fair value, and changes therein are recognized in earnings.

**3. Summary of Significant Accounting Policies – continued**

Compound instruments:
Compound instruments are separated into their liability and equity components using the effective interest method. The liability component accretes up to the principal balance at maturity. The equity component will be reclassified to share capital on conversions. Any balance in equity that remains after the settlement of the liability is transferred to contributed surplus. The equity portion is recognized net of deferred income taxes.

Other:
Other non-derivative financial instruments, such as accounts receivable, and accounts payable and accrued liabilities, are measured at amortized cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments:
The Company may enter into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices. The Company has not entered into any commodity pricing contracts. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, and thus not applied hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, all financial derivative contracts are classified as fair value through profit and loss and are recorded on the statement of financial position at fair value. Transaction costs are recognized in earnings when incurred.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through earnings. Changes in the fair value of separable embedded derivatives are recognized immediately in earnings.

(iii) Share capital
Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

**Development and production costs**:
Items of property and equipment, which include oil and natural gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. The cost of development and production assets includes: transfers from exploration and evaluation assets, which generally include the cost to drill the well and the cost of the associated land upon determination of technical feasibility and commercial viability; the cost to complete and tie-in the wells; facility costs; the cost of recognizing provisions for future decommissioning; geological and geophysical costs; and directly attributable overhead costs.

When significant parts of an item of property and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components). Huntington will capitalize the cost of major plant turnarounds and overhauls and depreciates these costs over their estimated useful life of four years.

Gains and losses on disposal of an item of property and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in the statement of operations and comprehensive loss.

**Subsequent costs:**
Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as oil 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 earnings as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and

producing 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 and equipment are recognized in operating expenses as incurred.

**Depletion and depreciation:**
The net carrying value of development and production assets is depleted using the unit of production method by reference to the ratio of production in the period to the related proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production and the estimated salvage value of the assets at the end of their useful lives. Future development costs are estimated taking into account the level of development required to produce the reserves.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

**Mineral exploration and evaluation expenditures:**
Exploration and evaluation expenditures include the costs associated with the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Expenditures incurred before the Company has obtained the legal rights to explore an area are expensed in the period in which they are incurred. The costs associated with acquiring an exploration and evaluation asset are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option.

**Impairment**:
(i) Financial assets:

The Company has elected to apply the simplified approach to providing for expected credit losses and measures loss allowances for trade accounts receivable at an amount equal to lifetime expected credit losses at the date of initial recognition of the trade account receivable. In estimating the lifetime expected credit losses the Company considered historical default rates, current conditions and forecasts of future economic conditions.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the statement of operations and comprehensive income (loss).

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and other intangible assets that have indefinite lives or that are not yet available for use an impairment test is completed each year.

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 (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. The Company has grouped its development and production assets into one CGU being Warwick.

Fair value less cost to sell is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. The fair value less cost to sell of oil and gas assets is generally determined as the net present value of the estimated future cash flows expected to arise from the continued use of the CGU, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate which would be applied by such a market participant to arrive at a net present value of the CGU.

3. Summary of Significant Accounting Policies – continued

Value in use is determined as the net present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and can only take into account approved future development costs. Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecasts of commodity prices and expected production volumes. The latter takes into account assessments of field reservoir performance and includes expectations about proved and probable volumes, which are risk-weighted utilizing geological, production, recovery and economic projections.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to the CGU's that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

**Share based compensation:**
The Company has established a share based compensation plan (the "Plan") (refer to note 8(d) for further details of the Plan). The Company uses the fair value method for valuing share based compensation. Under this method, the compensation cost attributed to stock options granted are measured at the fair value at the grant date and expensed over the vesting period with a corresponding increase to a category within equity referred to as share based payment reserve. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of option or units that vest. Upon the settlement of the stock options the previously recognized value in share based payment reserve is recorded as an increase to share capital.

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

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

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

**3. Summary of Significant Accounting Policies – continued**

**Revenue:**
Revenue from the sale of petroleum and natural gas is measured based on the consideration specified in contracts with customers. The Company recognizes revenue when it transfers control of the product to the buyer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the custody transfer point agreed with the customer, often terminals, pipelines or other transportation methods. As a practical expedient the Company does not adjust the transaction price for the effects of a financing component when at contract inception the expected period between the transfer of goods to the customer and the expected payment will be one year or less.

Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

**Finance:**
Finance expense comprises interest expense on borrowings, accretion of the discount on decommissioning obligations and the issuance of penalty shares, if and when issued.

**Income tax:**
Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in the statement of operations and comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is 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 on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**Changes in accounting policy:**
The Company adopted the following new accounting pronouncement, in accordance with the transitional provisions of the standard. A brief description of the new accounting policy and its impact on the Company's financial statements are as follows:

IFRS 3 "Business Combinations" – amendments to the definition of a business. The objectives of the amendments to the definition of a business are to help distinguish a business combination from a purchase of a group of assets and to clarify the accounting for previously held interests in a business if control or joint control of the business is acquired. Emphasis is put on the outputs of a business being the provision of goods or services to customers or generating income whereas previously outputs had been viewed in terms of an ability to provide a return or benefits to investors or other owners. In an effort to simplify the assessment of whether an acquired set of activities and assets meets the revised definition, an optional concentration test is available. The amendments are effective for transactions after January 1, 2020.

## 3. Summary of Significant Accounting Policies – continued

There was no impact or adjustment to the current period's opening retained earnings on adoption.

**Future Changes in Accounting Policies:**
Huntington has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company is currently evaluating the impact of the adoption of these standards and amendments. The adoption of these standards and amendments are not expected to significantly impact the Company.

IAS1 "Presentation of financial statements" – amendments to the classification of liabilities as current. The objectives of the amendments is to provide clarification on the classification of liabilities and state explicitly than an company classifies a liability as current when it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

## 4. Mineral Exploration and Evaluation Assets

On December 1, 2020, the Company entered into two mineral property acquisition agreements with arm's length third parties with respect to the purchase of option rights to mineral exploration properties in the Birch-Uchi region in Ontario bridging Treaty 3 and Treaty 9 Territories (the "Birch-Uchi Property"). Under the terms of the agreements, the purchase price will be satisfied by aggregate cash payments of $30,000 and the issuance of 200,000 common shares at a deemed price of $0.165 per share within ten business days of acceptance of the agreements by the TSX-Venture Exchange. One of the vendors retains a 1.5% Net Smelter Return ("NSR") royalty, payable upon the commencement of commercial production from the Birch-Uchi Property. The Company has the right at any time to purchase one-half of the NSR royalty from the vendor for $500,000. The Company has the right to terminate the agreements in their entirety at any time prior to the transfer date.

The Company received TSX-Venture Exchange approval on January 18, 2021. The acquisition was completed February 8, 2021.

## 5. Property and Equipment

| | Petroleum Properties | Office Equipment | Total |
|---|---|---|---|
| Balance, December 31, 2018 | $ 1,168,896 | $ 7,599 | $ 1,176,495 |
| Disposition | - | - | - |
| Balance, December 31, 2019 | $ 1,168,896 | $ 7,599 | $ 1,176,495 |
| Disposition | - | - | - |
| Balance, December 31, 2020 | $ 1,168,896 | $ 7,599 | $ 1,176,495 |
| Accumulated depletion and depreciation: | | | |
| Balance, December 31, 2018 | $ 1,168,896 | $ 7,231 | $ 1,176,127 |
| Depletion and depreciation | - | 147 | 147 |
| Balance, December 31, 2019 | $ 1,168,896 | $ 7,378 | $ 1,176,274 |
| Depletion and depreciation | - | 89 | 89 |
| Balance, December 31, 2020 | $ 1,168,896 | $ 7,467 | $ 1,176,363 |
| Carrying amounts: | | | |
| December 31, 2019 | $ - | $ 221 | $ 221 |
| December 31, 2020 | $ - | $ 132 | $ 132 |

The depletion, depreciation and impairment of property and equipment, and any eventual reversal thereof, are recognized in earnings. At December 31, 2020, the Company included $Nil (2019 - $Nil)

## 5. Property and Equipment (continued)

of future development costs into the net carrying value of development or production assets subject to depletion. For impairment and impairment reversal tests performed, the recoverable amount of each CGU was estimated based on the higher of the value in use or the fair value less costs to sell. The Company performed tests as at December 31, 2020 and 2019.

## 6. Decommissioning Obligation

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the decommissioning of oil and natural gas properties.

| | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| Obligation, beginning of year | **$ 73,757** | $ 71,191 |
| Accretion expenses | **13,447** | 2,566 |
| Obligation, end of year | **$ 87,204** | $ 73,757 |

The undiscounted amount of cash flows, required over the estimated life of the underlying assets, to settle the obligation, adjusted for inflation, is estimated at $110,487. The obligation was calculated using a risk-free discount rate of 3.13 percent and an inflation rate of 2.5 percent. It is expected that the majority of costs are expected to occur between 2021 and 2029.

Pursuant to government regulations, the Company has on deposit cash of $45,806 (2019 - $45,376) restricted for the completion of future abandonments.

## 7. Income Taxes

(a) The provision for income taxes varies from the amount that would be computed by applying the expected tax rate to loss before income taxes. The principal reasons for differences between such expected income tax expense and the amount actually recorded are as follows:

| | **2020** | 2019 |
|---|---|---|
| Income (loss) before income taxes | **$ (176,913)** | $ (182,357) |
| Corporate income tax rate | **24.00%** | 26.50% |
| Computed expected tax expense (recovery) | **$ (42,459)** | $ (48,325) |
| Increase (decrease) in income taxes resulting from: | | |
| Increase in unrecognized losses | **41,860** | 48,150 |
| Non-deductible expenses | **599** | 175 |
| Other | **-** | - |
| Income tax expense | $ - | $ - |

(b) Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. The components of the Company's deferred income tax assets and liabilities are as follows:

| As at December 31, | **2020** | 2019 |
|---|---|---|
| Property and equipment | **$ 2,050,527** | $ 2,358,977 |
| Non-capital losses | **1,878,621** | 2,088,180 |
| Finance costs | **8,370** | 2,044 |
| Capital losses | **13,027** | 15,009 |
| | **3,950,545** | 4,464,210 |
| Deferred income tax assets not recognized | **(3,950,545)** | (4,464,210) |
| Deferred tax liability | **$ -** | $ - |

## 7. Income Taxes (continued)

The Company has non-capital losses of approximately $8,157,120 (2019 – $7,879,923), which are available to reduce taxable income in future years. If unutilized, these losses will expire as follows: 2029 - $79,376, 2030 - $121,116, 2031 - $612,783, 2032 $ 1,542,026, 2033 - $2,943,712, 2034 - $343,844, 2035 - $496,938, 2036 - $552,161, 2037 - $473,370, 2038 - $393,581, 2039 - $321,016 and 2040 - $277,197

(c) The following are the Company's estimated Federal tax pools at December 31

| | **2020** | 2019 |
|---|---|---|
| Undepreciated capital cost | **$ 12,816** | $ 16,988 |
| Canadian exploration expense | **4,066,678** | 4,066,678 |
| Canadian development expense | **18,724** | 26,748 |
| Canadian oil and gas property expense | **879,097** | 976,775 |
| | **$ 4,977,315** | $ 5,087,189 |

## 8. Share Capital

(a) Authorized
Unlimited number of:
Common shares without par value
Preferred shares, assumable in series

(b) Issued

| | **December 31, 2020** | | December 31, 2019 | |
|---|---|---|---|---|
| **Common shares** | **Shares** | **Amounts** | Shares (1) | Amounts |
| Opening balance | **19,899,431** | **$ 11,360,736** | 9,899,431 | $ 10,870,380 |
| Share issued for cash | **22,750,000** | **1,137,500** | 10,000,000 | 500,000 |
| Share issue costs | | **(38,260)** | | (9,644) |
| Balance end of year | **42,649,431** | **$ 12,459,976** | 19,899,431 | $ 11,360,736 |
| **Warrants** | | | | |
| Opening balance | **14,166,667** | **$ -** | 4,166,667 | $ - |
| Warrants expired | **(4,166,667)** | | | |
| Warrants issued | **22,750,000** | **-** | 10,000,000 | - |
| Balance end of year | **32,750,000** | **$ -** | 14,166,667 | $ - |
| | | **$ 12,459,976** | | $ 11,360,736 |

*(1) Pursuant to a special resolution passed by shareholders on December 31, 2018 the Company has consolidated its capital on a one-new-for-four-old basis. Effective at the opening, June 14, 2019, the shares commenced trading on the TSX Venture Exchange on the consolidated basis.*

On November 27, 2020 the Company completed the closing of a non-brokered private placement offering of units at a price of $0.05 per Unit, for gross proceeds of up to $1,137,500. Each Unit consisted of one common share and one transferable common share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of $0.05 per share for a period of two years from closing. Directors of the Company subscribed for, directly or indirectly, a total of 1,000,000 units under the private placement for proceeds of $50,000.

On August 15, 2019 the Company completed the closing of a non-brokered private placement offering of units at a price of $0.05 per Unit, for gross proceeds of up to $500,000. Each Unit consisted of one common share and one transferable common share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of $0.05 per share for a period of two years from closing. Directors of the Company subscribed for, directly or indirectly, a total of 3,500,000 units under the private placement for proceeds of $175,000.

## 8. Share Capital (continued)

(c) Warrants

The following table summarizes the warrants outstanding and exercisable at December 31, 2020:

| Number of warrants | Exercise price | Expiry date |
|---|---|---|
| 10,000,000 | $0.05 | August 15, 2021 |
| 22,750,000 | $0.05 | November 27, 2022 |

(d) Options

The Company has a stock option plan that provides for the issuance to its directors, officers, employees and consultants options to purchase from treasury a number of common shares not exceeding 10% of the common shares that are outstanding from time to time which is the number of shares reserved for issuance under the plan. Options granted under the plan vest immediately. The options are non-transferable if not exercised. The exercise price is based on the Company's common shares prior to the day of the grant, which may be different from the closing price of such shares on the day of grant for options granted to date. To date the exercise price has not been materially different from the trading price of the shares on the grant date.

There were no stock options outstanding at December 31, 2020 or 2019.

## 9. Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel include the officers and vice-presidents. Executive officers are paid salaries or management fees and participate in the Company's stock option program. Key management personnel compensation is comprised of the following:

| | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| Consulting and management fees | **$ 24,000** | $ 42,440 |

## 10. Commitments and Contingencies

(a) From time to time, the Company may be involved in litigation or has claims sought against it in the normal course of business operations. Management of the Company is not currently aware of any claims or actions that would materially affect the Company's reported financial position or results from operations.

(b) Under the terms of certain agreements and the Company's by-laws the Company indemnifies individuals who have acted at the Company's request to be a director and/or officer of the Company, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service.

## 11. Financial Instruments

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to a variety of financial risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

(a) Commodity price risk
The Company is subject to commodity price risk for the sale of its production. The Company may enter into contracts for risk management purposes only, in order to protect a portion of its future cash flow from the volatility of petroleum commodity prices. To date the Company has not entered into any forward commodity contracts.

(b) Credit Risk
Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the date of the statement of financial position. The majority of the Company's current amounts receivable at the balance sheet date arise from subscriptions for common shares and GST receivable.

(c) Foreign Currency Exchange Risk
The Company does not sell or transact in any foreign currency, however, the US dollar influences the price of oil and natural gas sold in Canada. Price fluctuations, as a result can affect the fair value of the Company's future cash flows however, given it is an indirect influence, the impact of changing exchange rates cannot be accurately quantified. The Company's other financial assets and liabilities are not directly affected by a change in currency rates.

(d) Fair Value of Financial Instruments

The Company classifies the fair value of the financial instruments measured at fair value subsequent to initial recognition according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and restricted cash have been classified as Level 1.

(e) Liquidity Risk
Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset.

The Company has assessed its liquidity risk in Note 2.

## 11. Financial Instruments - continued

The Company's accounts payable and accrued liabilities as at December 31, 2020 and 2019 is comprised of the following:

| | | **December 31, 2020** | | December 31, 2019 |
|---|---|---|---|---|
| Trade accounts payable | **$** | **22,409** | $ | 4,160 |
| Accruals *(1)* | | **54,000** | | 25,500 |
| Joint venture | | **32,395** | | 39,266 |
| | **$** | **108,804** | $ | 68,926 |

*(1) Includes $24,000 (2019 - $25,500) with respect to professional fees and $30,000 (2019 - $NIL) with respect to other costs.*

The Company's trade accounts payable and accrued liabilities as at December 31, 2020 are aged as follows:

| Total | 0 to 30 Days | 31 to 60 Days | 61 to 90 Days | Greater than 90 days |
|---|---|---|---|---|
| $108,804 | $74,868 | $- | $- | $33,936 |

The Company's operating cash requirements are continuously monitored and adjusted as input variables change. These variables include but are not limited to, oil production from existing wells, results from new wells drilled, commodity prices, cost overruns on capital projects and regulations relating to prices, taxes, royalties, land tenure, allowable production and availability of markets. As these variables change, liquidity risks may necessitate the Company to conduct equity issues or obtain project debt financing.

## 12. Capital Risk Management

The Company manages its capital with the objective to continue as a going concern, create investor confidence and to strengthen its working capital position. The capital structure of the Company is primarily composed of equity. The Company's strategy is to currently access capital, primarily through equity issuances, in order to maintain a strong capital base for the objectives of maintaining financial flexibility and to sustain the future development of the business. The Company manages its capital structure and makes adjustments relative to changes in economic conditions and the Company's risk profile.

In order to maintain the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current working capital levels. Bank debt may be added in future periods. The Company is not currently subject to any externally imposed covenants.

The Company's capital includes the following:

| | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| Equity | **$ 1,220,760** | $ 298,433 |

## 13. Segmented Information

The Company operates in one reportable operating segment as described in note 1.

Box 14, 440, 521 – 3 Avenue SW, Calgary, Alberta

# Management's Discussion and Analysis

This management's discussion and analysis of the financial condition and results of operations ("MD&A") of Huntington Exploration Inc. ("Huntington" or "the Company") is dated February 16, 2021 and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2020. These consolidated financial statements, including the comparative figures, were prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise noted, all financial measures are expressed in Canadian dollars. This MD&A contains forward looking information based on the Company's current expectations and projections.

Additional information relating to the Company is available on SEDAR at www.sedar.com.

**Forward Looking Statements** - Certain statements contained within the Management's Discussion and Analysis, and in certain documents incorporated by reference into this document, constitute forward looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward looking statements. Forward looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking statements.

In particular, this MD&A contains the following forward-looking statements pertaining to, without limitation, the following: Huntington's production volumes and the timing of when additional production volumes will come on stream; Huntington's realized price of commodities in relation to reference prices; future commodity prices; the Company's future royalty rates and the realization of royalty incentives; Huntington's expectation of reducing operating costs on a per unit basis; the relationship of Huntington's interest expense and the Bank of Canada interest rates; increases in general and administrative expenses and recoveries; future development and exploration activities and the timing thereof; the future tax liability of the Company; the depletion, depreciation and accretion rate; the estimated future contractual obligations of the Company and the amount expected to be incurred under its farm-in commitments; the future liquidity and financial capacity of the Company; and its ability to fund its working capital and forecasted capital expenditures. In addition, statements relating to "reserves" or "resources" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future.

With respect to the forward-looking statements contained in the MD&A, Huntington has made assumptions regarding: future commodity prices; the impact of royalty regimes and certain royalty incentives, the timing and the amount of capital expenditures; production of new and existing wells and the timing of new wells coming on-stream; future proved finding and development costs; future operating expenses including processing and gathering fees; the performance characteristics of oil and natural gas properties; the size of oil and natural gas reserves; the ability to raise capital and to continually add to reserves through exploration and development; the continued availability of capital, undeveloped land and skilled personnel; the ability to obtain equipment in a timely manner to carry out exploration and development activities; the ability to obtain financing on acceptable terms; the ability to add production and reserves through exploration and development activities; and the continuation of the current tax and regulation.

We believe the expectations reflected in those forward looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward looking statements included in, or incorporated by reference into, this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A or as of the date specified in the documents incorporated by reference into this Management's Discussion and Analysis, as the case may be. The actual results could differ materially from those anticipated in these forward looking statements as a result of the risk factors set forth below and elsewhere in this Management's Discussion and Analysis: volatility in market prices for oil and natural gas; counterparty credit risk; access to capital; changes or fluctuations in production levels; liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; geological, technical, drilling and processing problems; limitations on insurance; changes in environmental or legislation applicable to the

Company's operations, and ability to comply with current and future environmental and other laws; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; and the other factors discussed under "Risk Factors" in the following MD&A.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward looking statements contained in this MD&A and the documents incorporated by reference herein are expressly qualified by this cautionary statement. The forward-looking statements contained in this document speak only as of the date of this document and Huntington does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

The financial data presented herein has been prepared in accordance with IFRS. The Company has also used certain measures of financial reporting that are commonly used as benchmarks within the oil and natural gas production industry in the following MD&A discussion. The measures discussed are widely accepted measures of performance and value within the industry, and are used by investors and analysts to compare and evaluate oil and natural gas exploration and producing entities. The measure used is operating netback. Operating netback is a benchmark used in the crude oil and natural gas industry to measure the contribution of oil and natural gas sales subsequent to the deduction of royalties and operating costs. The measure is not defined under IFRS and should not be considered in isolation or as an alternative to conventional IFRS measure. The underlying calculation is not necessarily comparable to a similarly titled measure of another entity. When the measure is used, it is defined as "non IFRS" and should be given careful consideration by the reader.

Per barrel of oil equivalent ("boe") amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. BOE's may be misleading, particularly if used in isolation. The boe conversion ratio used is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

## Select Annual Information

| *($ thousands, except per share amounts)* | For the year ended December 31, 2020 | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|---|---|---|---|
| Petroleum and natural gas sales, net of royalties | 50 | 38 | 53 |
| Net income (loss) | (177) | (182) | (300) |
| Per share – basic and diluted | (0.000813) | (0.013) | (0.032) |
| Net capital expenditures | 34 | - | - |
| Working capital surplus (deficiency) | 1,228 | 327 | - |
| Total assets | 1,450 | 474 | 160 |
| Weighted average shares outstanding (000s) * | 22,081 | 13,708 | 9,899 |
| Current shares outstanding (000s) * | 42,649 | 19,899 | 9,899 |

*Comparative year information has been restated to reflect the one new-for-four-old share consolidation that received regulatory approval June 14, 2019.

## Huntington Exploration Inc. Transition to Mineral Exploration Company

Huntington announced January 15, 2021 proposed mineral exploration property acquisitions. The exploration area that comprises the Birch-Uchi Property is located midpoint between Red Lake and the Springpole Gold Project approximately 80 kilometers northeast of Red Lake within the same regional geological depositional environment. The Proposed Acquisition will consolidate positions held by the two arm's length third party vendors, which in total cover an area of 7,425 hectares. This region has drawn new attention driven by improved commodity pricing and following the completion of the Proposed Acquisition, Huntington would own a critical mass of contiguous exploration opportunities with an exploration workplan currently in development for 2021.

The Birch-Uchi Property is contiguous with Great Bear Resources' Red Lake North project and Prosper Gold Corp's Golden Sidewalk project, where recent channel sampling results returned up to 32.6 g/t Au over 2.0 m (Prosper Gold Corp news release dated November 16, 2020). Other notable new active projects in the region include Pacton Gold's Swain and ALX Resources' Vixen projects. It is located near the Jackson-Manion Mine, which historically produced 29,778 oz Au, as well as the Bathurst Mine which produced 307oz Au. The Birch-Uchi Property is underlain by mafic to felsic metavolcanics of the Birch-Uchi greenstone belt and more than 10 km of the Swain Lake deformation zone. There are a total of 29 historic mineral showings on the property with notable results including a drill intercept of 63.5 g/t over 0.7 m at Surprise Lake Northwest, 30.6 g/t Au over 1.3 m in a channel sample at the Heine showing and a grab sample of 15.8 g/t Au at the East Peanut Lake showing.

The acquisition was completed February 8, 2021.

## Lands and Rights Held As At December 31, 2020

A summary description of Huntington Exploration Inc.'s major producing and exploration properties is set out below. References to gross volumes refer to total production. References to net volumes refer to Huntington Exploration's working interest share before the deduction of royalties payable to others. These properties are all located in the Alberta, Canada.

Warwick Alberta

Huntington Exploration owns a 50% working interest in two wells located on one section of land. The Company share of production from these wells in 2020 was 30,663 mcf which the averaged over the year net to the company was 84 mcf/d.

### Production and Operating Costs

| | For the Three Months Ended December 31, | | For the Year Ended December 31, | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Total boe production | **1,259** | 1,214 | **5,011** | 6,023 |
| BOE/day | **14** | 13 | **14** | 16 |
| Working interest revenue ($) | **16,210** | 8,279 | **59,484** | 46,173 |
| Revenue / boe ($) | **12.87** | 6.82 | **11.64** | 7.66 |
| Royalties ($) | **(2,678)** | (2,211) | **(9,926)** | (8,574) |
| Production costs ($) | **14,381** | 12,171 | **55,128** | 58,073 |
| Production costs/boe ($) | **11.42** | 10.02 | **10.79** | 9.64 |
| Operating net back ($) | **(849)** | (6,103) | **(5,570)** | (20,474) |
| Operating net back/boe ($) | **(.67)** | (5.03) | **(1.09)** | (3.40) |

Production costs are in line with expectations.

## *Depletion and Depreciation Expense*

The depletion expense in 2020 and 2019 comparative periods is in line with expectations.

## *Impairment Provisions*

For impairment tests performed, the recoverable amount of each CGU was estimated based on the higher of the value in use or the fair value less costs to sell. The Company performed impairment tests for the year ended December 31, 2020. The estimate of fair value less cost to sell was determined using proved plus probable forecasted before tax cash flows, discounted at 15%, with escalating prices and future development costs, as obtained from the Company's reserve reports at December 31, 2018. At December 31, 2020 the impairment losses recognized in prior years were assessed and it was determined that facts and circumstances did not indicate that the losses had decreased or no longer exist.

### *General and Administrative Expenses*

General and administrative costs decreased by $63,571 or 56% to $113,237 for the year ended December 31, 2020 from $176,809 for the year ended December 31, 2019. Staffing and consulting fees accounted for approximately NIL% (2019 - 7%) of the total general and administrative expenses, professional fees were 55% (2019 - 39%), regulatory reporting and shareholder and public relations were 1% (2019 - 1%), insurance costs were 6% (2019 - 8%), software costs were 14% (2019 – 7%) and all other costs were 24% ( 2019 - 38%) of general and administrative expenses.

### Finance Expense

The finance expense is comprised of the increase in the present value of the decommissioning obligation. The following is the summary of the finance expenses incurred:

| | 2020 | 2019 |
|---|---|---|
| Accretion of decommissioning obligation | $ 13,447 | $ 2,566 |

The accretion of the decommissioning obligation will fluctuate commensurate with the asset retirement obligation as new wells are drilled, acquired through acquisitions or property depositions and as changes to the estimates are made.

## Income Taxes

Presently the Company does not expect to pay current taxes into the foreseeable future based on existing tax pools, planned capital activities and current forecasts of taxable income. However, the current tax horizon will ultimately depend on several factors including commodity prices, future production, corporate expenses, and both the type and amount of capital expenditures incurred during the remainder of the year and in future reporting periods.

## Working Capital, Liquidity & Capital Resources

As at December 31, 2020, Huntington has a current working capital of $1,228,391.
During 2020, the Company expended $NIL (2019- $NIL) in capital expenditures for its developed and producing oil and gas activities. During 2020, the Company expended $30,635 (2019 - $NIL) in capital expenditures for its exploration and evaluation mining activities.

On November 27, 2020 the Company completed the closing of a non-brokered private placement offering of units at a price of $0.05 per Unit, for gross proceeds of up to $1,137,500. Each Unit consisted of one common share and one transferable common share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of $0.05 per share for a period of two years from closing. Directors of the Company subscribed for, directly or indirectly, a total of 1,000,000 units under the private placement for proceeds of $50,000.

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19” was declared a global pandemic by the World Health Organization on March 11, 2020. Governments worldwide enacted emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown and oil prices have experienced significant volatility and weakness.

Governments and central banks have reacted to the global pandemic with significant monetary and fiscal interventions designed to stabilize economic conditions. However, the duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the governments and central bank interventions.

## Outstanding Share Data

The Company has authorized an unlimited number of Common shares, Non-voting shares and first and second preferred shares, assumable in series. The Company currently has 42,649,431 common shares outstanding.

The following details the share capital structure as of the date of this MD&A.

| | Expiry Date | Exercise Price | Number | Total Number |
|---|---|---|---|---|
| Common shares | | | | 42,649,431 |
| Warrants | August 15, 2021 | $0.05 | 10,000,000 | |
| | November 27, 2022 | $0.05 | 22,750,000 | 32,750,000 |

## Financial Instruments

Crude oil and natural gas operations involve certain risks and uncertainties. These risks include, but are not limited to, commodity prices, foreign exchange rates, interest rates, credit, operational and safety.

Operational risks are managed through the Company's external insurance program designed to protect the Company from significant losses arising from risk exposures. Risks associated with commodity prices, interest and exchange rates are generally beyond the control of the Company; however, various hedging products may be considered to reduce the volatility in these areas.

Safety and environmental risks are addressed by compliance with government regulations as well as adoption and compliance of the Company's safety and environmental standards policy.

The Company is exposed to concentration of credit risk as substantially all of the Company's trade accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. During the year ended December 31, 2020, the Company sold approximately 100% of its oil and gas production to a single purchaser. At December 31, 2020, Nil% of the balance of accounts receivable is due from this purchaser and the majority of the Company's amounts receivable relates to subscriptions for common shares and GST receivable. The Company mitigates this risk by entering into transactions with long-standing counterparts and partners. If significant amounts of capital are to be spent on behalf of a joint venture partner, the partner is "cash called" in advance of the capital spending taking place.

Management assesses quarterly if there should be any impairment of the financial assets of the Company.

## Summary of Quarterly Results

| *($ thousands, except per share amounts)* | Three months ended December 31, 2020 | Three months ended September 30, 2020 | Three months ended June 30, 2020 | Three months ended March 31, 2020 |
|---|---|---|---|---|
| Revenue | 16 | 15 | 12 | 16 |
| Net income (loss) | (86) | (27) | (29) | (35) |
| Per share – basic and diluted | (0.004) | (0.001) | (0.001) | (0.002) |
| Total assets | 1,450 | 372 | 392 | 447 |

| *($ thousands, except per share amounts)* | Three months ended December 31, 2019 | Three months ended September 30, 2019 | Three months ended June 30, 2019 | Three months ended March 31, 2019 |
|---|---|---|---|---|
| Revenue | 12 | 7 | 8 | 19 |
| Net income (loss) | (14) | (84) | (18) | (66) |
| Per share – basic and diluted * | (0.001) | (0.008) | (0.002) | (0.002) |
| Total assets | 474 | 500 | 84 | 121 |

## Changes in accounting polices:

Effective January 1, 2020, the Company adopted amendments to IFRS 3 "Business Combinations". There were no material changes as a result of the adoption of these standards.

## New accounting standards and interpretations not yet adopted:

Huntington has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company is currently evaluating the impact of the adoption of these standards and amendments. The adoption of these standards and amendments are not expected to significantly impact the Company.

IAS1 “Presentation of financial statements” – amendments to the classification of liabilities as current. The objectives of the amendments to the provide clarification on the classification of liabilities and state explicitly than an company classifies a liability as current when it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective the Company’s annual reporting period beginning January 1, 2022.

## Risk Factors

There are a number of risk factors facing Companies that participate in the Canadian oil and gas industry. A summary of certain risk factors relating to our business are disclosed below. Huntington Exploration will no longer pursue opportunities in the oil and gas sector and will refocus on mining exploration opportunities.

**Exploration, Development and Production Risks**

Huntington Exploration will no longer pursue exploration opportunities in the oil and gas sector and will work towards the abandonment and reduced liability of its existing oil and gas asset base.

As Huntington pursues its goals to abandon its existing oil and gas operations, there could be ongoing delays due to obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. Existing operations will continue with diligent well supervision and effective maintenance operations but risk associated with production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, oil and gas operations are subject to the risks of development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition. Huntington attempts to minimize development and production risks by utilizing a technical team with extensive experience to assure the highest probability of success in its development efforts. Our collaboration with the company that operates the existing well provides the best assurance of competency, risk management and development success. There are no future plans for development on any of Huntington Explorations oil and gas properties.

**Prices, Markets and Marketing of Crude Oil and Natural Gas**

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of Huntington. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices, leading to a reduction in the volume of Huntington's oil and gas reserves. Huntington might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in Huntington's future net production revenue.

In addition to establishing markets for its oil and natural gas, Huntington must also successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by Huntington will be affected by numerous factors beyond its control. Huntington will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil produced by Huntington. The ability of Huntington to market its natural gas may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. Huntington will also likely be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

**Mining Exploration and Development**

Exploration for and development of gold properties involves significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish mineral reserves by drilling, constructing mining and processing facilities at a site, developing metallurgical processes and extracting gold from ore. We cannot ensure that our current exploration and development programs will result in profitable commercial mining operations.

The economic feasibility of the mine is based upon many factors, including the accuracy of mineral resource and mineral reserve estimates; metallurgical recoveries; capital and operating costs; government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting and environmental management and protection; and gold prices, which are highly volatile. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits and availability of adequate financing.

**Metal Prices**

The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of metals produced even if commercial quantities of precious and/or base metals are discovered. Factors beyond the control of the Company may affect the marketability of metals discovered. Pricing is affected by numerous factors beyond the Company's control, such as international economic and political trends, global or regional consumption and demand patterns, increased production and smelter availability. There is no assurance that the price of metals recovered from any mineral deposit will be such that they can be mined at a profit.

**Mining Title Risks**

The Company has taken steps to verify title to mining interests in which it has or is in the process of earning an interest in, including review of condition of title reports, vesting deeds, mining claim location notices and filings, and property tax and other public records and is not presently aware of any title defects. The procedures the Company has undertaken and may undertake in the future to verify title provide no assurance that the underlying properties are not subject to prior agreements or transfers of which the Company is unaware.

**Substantial Capital Requirements; Liquidity**

Huntington's cash flow from its production and sales of petroleum and natural gas will not be sufficient to fund its ongoing activities. From time to time, Huntington may require additional financing in order to carry out its mining exploration strategy. Failure to obtain such financing on a timely basis could cause Huntington to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If Huntington's funds from operations are not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to Huntington.

**Access to Capital**

Access to capital has become limited during these times of economic uncertainty. To the extent the external sources of capital become limited or unavailable. Huntington's ability to make the necessary capital investments to maintain or expand mining exploration opportunities may be impaired.

**Credit Exposure**

Recent economic conditions have increased the risk that certain counterparties for the Company's oil and gas sales and our joint venture partners may fail to pay. We mitigate these increased risks through a review process of the credit worthiness of our counterparties.

Huntington's policy to mitigate credit risk associated with product sales is to maintain marketing relationships with a large, established and reputable purchaser that is considered creditworthy. Huntington has not experienced any collection issues with its petroleum and natural gas marketer. Joint venture receivables are typically collected within two to three months of the joint venture bill being issued to the partner. Huntington attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital and operating expenditures prior to expenditure and in certain circumstances may require cash deposits in advance of incurring financial obligations on behalf of joint venture partners.

Joint venture receivables are from partners in the petroleum and natural gas industry who are subject to the risks and conditions of the industry. Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting receivables. Huntington does not typically obtain collateral from petroleum and natural gas marketers or joint venture partners; however the Company does have the ability to withhold production from joint venture partners in the event of non-payment or may be able to register security on the assets of joint venture partners.

**Health, Safety and Environment**

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge.

There are potential risks to the environment inherent in the business activities of the Company. Huntington has developed and implemented policies and procedures to mitigate health, safety and environment (HS&E) risks. Huntington mitigates HS&E risks by maintaining its wells and complying with all regulations. Regular field inspections are also carried out to ensure that all field personnel and third party contractors comply with all company and regulatory guidelines. An action plan has been developed to ensure inactive wells are suspended properly and abandoned in a timely fashion. The above noted policies and procedures are designed to protect and maintain the environment and to ensure that the employees, contractors, subcontractors and the public at large are kept safe at all times.

**Mining Exploration Environmental Regulations**
Huntington will abide by all environmental regulations required to conduct mineral exploration in Canada. This includes appropriate consultation with Indigenous people when entering new treaty regions of Canada. It is important to Huntington that all aspects of environmental stewardship are maintained and that all laws and regulations relating to mining exploration activities are respected. A breach of environmental legislation or regulation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact statements and/or studies. Environmental legislation is evolving in a direction of stricter standards and enforcement and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility from companies, directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. There can be no assurance that all necessary permits and government approvals, which the Company may require for its exploration activities and operations will be obtainable on reasonable terms or on a timely basis or that such laws and regulations would not have an adverse effect on any mining project which the Company may undertake. The Company fully intends to comply with all environmental regulations.

**Insurance**
Huntington's involvement in the development of oil and gas properties may result in Huntington becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although Huntington has insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, Huntington may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to Huntington. The occurrence of a significant event that Huntington is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on Huntington's financial position, results of operations or prospects.

**Competition**
Huntington actively competes for new mining exploration opportunities with a substantial number of other mining companies, many of which have significantly greater financial and personnel resources than Huntington. Huntington's competitors include major mining exploration and development companies.

**Social License to Operate**
Heightened public monitoring and regulation of both oil and gas as well as mining companies, especially where their activities carry the potential for having negative impacts on communities and the environment, involves varying degrees of risk to the Company’s reputation, relations with landowners and regulators, and in extreme cases even the ability to operate. Huntington maintains an active website that complies with Exchange requirements for timely disclosure and is the primary means of communicating to the general public when required. While media attention and public perception remaining largely beyond the control of Huntington’s executive, employees, contractors and directors, the Company makes every effort in its corporate and field operations to engage all stakeholders in a respectful and transparent manner.