B-32 EXPLORATION

DOMINATING DUVERNAY OIL

March 9, 2021

Dear Fellow Shareholders,

To put it mildly, 2020 was an extremely difficult year for the Canadian energy business with the unprecedented dual shock of the COVID-19 crisis and the oil price war. For our business, the anxiety it created was off the charts as we watched oil prices plunge below zero and then slowly rebound. The industry reaction was swift with production being shut in and a huge wave of layoffs that exacerbated an already tragic situation with the shutting down of our economy.

Fast forward a year later and it feels like we are sitting on top of the mountain with a wind at our back and miles of visibility. WTI oil price is back over $60 US per barrel and capital is flowing back to the sector faster than anticipated. The economic and human carnage over the past year is undeniable but it has left energy industry survivors stronger than we have been in many years.

For B-32 Exploration, we focused our efforts on digesting all the great drilling results Murphy Oil was reporting from their Duvernay oil drilling and educating the financial community on our opportunity. As we emerge into this new world, we sit in an enviable position with over 200 sections of land in close proximity to Murphy's world class development. Over the coming months we plan to commence talking to the investment community about getting the development of our project financed. We are optimistic, but realize it is still early days and will take some time. We are early in this cycle and capital remains focused on free cash flow which is growing by the day as oil price rises. In the next phase of the cycle capital will move into grassroots projects like B-32 Exploration to capture higher returns and increased drilling inventory. We are extremely well positioned for this, and it will just require some patience.

During 2020, we managed our costs closely and limited our expenditures to:

- Total capital expenditures of $360k consisting of lease rentals, land acquisitions, technical studies and geoscience work
- A net loss from operations of $714k, or $68k after adding back non-cash share based compensation of $646k

Excluding the expense for share based compensation, the net loss of $68k consisted primarily of general overhead and consulting expenditures relating to technical advancements and positioning for our upcoming marketing efforts.

The share based compensation expense of $646k pertains to the accounting impact of an industry standard 10% option pool that was issued to key management and directors allowing them to buy shares in the future at $3/share subject to standard vesting provisions.

B-32 ended the year with $708k of cash, or $668k net of the $40k interest free Canadian Emergency Business Account ("CEBA") loan that was obtained during the year. Subsequent to year end, B-32 expanded its CEBA loan to a principal amount of $60k, of which $20k is forgivable if repaid prior to December 31, 2022. It is B-32's intention to repay the loan prior to December 31, 2022.

B-32's cash position is sufficient to fund its ongoing land retention costs, continued technical evaluation, and corporate overhead as it moves through its upcoming marketing phase.

Enclosed are our December 31, 2020 financial statements. A brief update on B-32's operations, strategy and industry conditions will be provided at our upcoming AGM. Also please see our website at www.b32exploration.ca for our latest corporate presentation.

Stay safe, and on behalf of B-32 Exploration, we again are pleased to take this opportunity to thank you for your continued support as we advance our world class light oil resource.

Sincerely yours,

Signed "Larry Evans"
Larry Evans
Executive Chairman

Signed "Brad Culver"
Brad Culver
President

B-32 EXPLORATION

DOMINATING DUVERNAY OIL

2020 YEAR END

FINANCIAL STATEMENTS

DECEMBER 31, 2020

STATEMENTS OF FINANCIAL POSITION

(unaudited) ($)	Notes	**December 31, 2020**	December 31, 2019
ASSETS			
Cash		**707,824**	**1,047,004**
Trade and other receivables		**26,857**	**14,973**
Deposits and prepaid expenses		**-**	**7,867**
Total current assets		**734,681**	**1,069,844**
Exploration and evaluation assets	5	**6,800,470**	**6,439,752**
Total assets		**7,535,151**	**7,509,596**
LIABILITIES			
Trade and other payables		**256,678**	**202,931**
Total current liabilities		**256,678**	**202,931**
Long-term debt	6	**40,000**	**-**
Total Liabilities		**296,678**	**202,931**
SHAREHOLDERS' EQUITY			
Shareholder's capital	7	**7,743,036**	**7,743,036**
Contributed surplus	8	**645,922**	**-**
Deficit		**(1,150,485)**	**(436,371)**
Total equity		**7,238,473**	**7,306,665**
Total equity and liabilities		**7,535,151**	**7,509,596**

See accompanying notes to the financial statements.

On behalf of the Board of Directors,

Signed "Larry Evans"
Larry Evans
Executive Chairman

Signed "Brad Culver"
Brad Culver
President

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(unaudited)		For the year ended December 31,	For the year ended December 31,
($)	Notes	**2020**	2019
Consulting fees		**31,800**	**34,434**
Office and general		**32,938**	**66,042**
Share based compensation		**645,922**	**-**
Professional fees		**8,112**	**13,661**
EXPENSES		**718,772**	**114,137**
LOSS BEFORE INTEREST INCOME		**(718,772)**	**(114,137)**
Interest income		**4,658**	**916**
NET LOSS AND COMPREHENSIVE LOSS		**(714,114)**	**(113,221)**
NET LOSS PER SHARE			
Basic & Diluted	11	**(0.12)**	**(0.02)**

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

(unaudited)

($)	Notes	Number of Common Shares	Shareholders' Capital	Contributed Surplus	Deficit	Total Equity
BALANCE AT DECEMBER 31, 2019		**5,715,680**	**7,743,036**	**–**	**(436,371)**	**7,306,665**
Net loss for the period		**–**	**–**	**–**	**(714,114)**	**(714,114)**
Common shares issued on financing	7	**–**	**–**	**–**	**–**	**–**
Share-based compensation	8	**–**	**–**	645,922	**–**	645,922
BALANCE AT DECEMBER 31, 2020		**5,715,680**	**7,743,036**	**645,922**	**(1,150,485)**	**7,238,473**
BALANCE AT DECEMBER 31, 2018		3,702,002	3,702,002	–	(323,150)	3,378,852
Net loss for the period		–	–	–	(113,221)	(113,221)
Common shares issued on financing	7	2,013,678	4,041,034	–	–	4,041,034
Share-based compensation	8	–	–	–	–	–
BALANCE AT DECEMBER 31, 2019		5,715,680	7,743,036	–	(436,371)	7,306,665

See accompanying notes to the financial statements.

STATEMENTS OF CASH FLOWS

(unaudited) ($)	Notes	For the year ended December 31, 2020	For the eleven months ended December 31, 2019
OPERATING ACTIVITIES			
Net loss for the period		**(714,114)**	(113,221)
Share-based compensation	8	**645,922**	-
Changes in operating non-cash working capital:	12	**43,418**	52,345
Net cash flows from operating activities		**(24,774)**	(60,876)
INVESTING ACTIVITIES			
Changes in investment non-cash working capital	12	**6,312**	86,581
Additions to exploration and evaluation assets	5	**(360,718)**	(3,137,214)
Net cash flows used in investing activities		**(354,406)**	(3,050,633)
FINANCING ACTIVITIES			
Issuance of common shares	7	**-**	4,041,034
Proceeds from long-term debt	6	**40,000**	-
Net cash flows from financing activities		**40,000**	4,041,034
CHANGE IN CASH DURING THE PERIOD		**(339,180)**	929,525
CASH BEGINNING OF THE PERIOD		**1,047,004**	117,479
CASH END OF THE PERIOD		**707,824**	1,047,004

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020, with comparative figures for 2019 (unaudited).

All amounts are stated in Canadian Dollars unless otherwise noted.

1. REPORTING ENTITY

B-32 Exploration Ltd. (“the Company” or “B-32”) is a privately held corporation, incorporated in Canada on February 8, 2018, with its head office located at 650 – 635 8 Avenue SW, Calgary, Alberta. The Company is engaged in the appraisal of oil and natural gas in Western Canada. B-32 is an early stage enterprise that has accumulated a large contiguous land base prospective for light oil. The Company does not have any proved or probable reserves.

2. BASIS OF PRESENTATION

(a) Statement of compliance:

These unaudited financial statements represent the annual financial statements of the Company prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These unaudited financial statements were approved and authorized for issue by the Board of Directors on March 2, 2021.

(b) Basis of measurement:

The financial statements have been prepared on a going concern basis under the historical cost basis.

(c) Functional and presentation currency:

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Where applicable, further information about the significant accounting judgments, estimates and assumptions made in preparing the financial statements is disclosed in the notes specific to that item.

(a) Fair value of financial instruments:

Where the fair value of certain financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Trade and other receivables and trade and other payables are classified at amortized cost. The fair values of trade and other receivables and trade and other payables approximate their carrying amounts due to their short terms to maturity.

(b) Income taxes:

Tax regulations and legislation are subject to change and differing interpretations requiring management judgment. Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in future periods based on future taxable profits, which requires management judgment. Deferred tax liabilities are recognized when it is considered probable that temporary differences will be payable to tax authorities in future periods, which requires management judgment. Income tax filings are subject to audits and reassessments and changes in facts, circumstances and interpretations of the standards may result in a material increase or decrease in the Company’s provisions for income taxes.

(c) Share-based compensation

The company measures the cost of equity-settled transactions with employees, consultants and directors by reference to the fair value of the equity instruments at the date at which they were granted. The fair value of stock options is measured using a Black Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends and the risk-free interest rate (based on Government of Canada bonds).

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Intangible exploration and evaluation assets:

(i) Recognition and measurement:

Exploration and evaluation costs

The Company accounts for exploration and evaluation (“E&E”) costs in accordance with IFRS 6 “Exploration for and Evaluation of Mineral Resources.” Undeveloped land is accounted for as exploration and evaluation assets on the statements of financial position. Pre-license E&E costs and lease expiries are recognized in the statements of loss and comprehensive loss as incurred. Costs of exploring for and evaluating oil and natural gas properties are capitalized and the resulting E&E assets are tested for impairment.

E&E costs related to each license/prospect are initially capitalized within “exploration and evaluation assets.” Such E&E assets may include costs of license acquisition, technical services and studies, seismic acquisition, exploration drilling and testing, directly attributable overhead and administrative expenses, including remuneration of production personnel and supervisory management and the projected costs of retiring the assets (if any), but do not include general prospecting or evaluation costs incurred prior to having obtained the legal rights to explore an area, which are expensed directly to earnings as they are incurred.

E&E assets are not depleted and are carried forward until technical feasibility and commercial viability of extracting an oil or natural gas resource is considered to be determined. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determined when proved and/or probable reserves are determined to exist. A review of each exploration licence or field is carried out, at least annually, to ascertain whether proved and/or probable reserves have been discovered.

Upon determination of proved and probable reserves, E&E assets attributable to those reserves are first tested for impairment at the CGU level, and then reclassified from E&E assets to property, plant and equipment.

(ii) Subsequent costs:

Costs incurred subsequent to the determination of technical feasibility and commercial viability are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Routine repairs and maintenance costs are charged to earnings during the period in which they are incurred.

(b) Impairment:

(i) Financial assets:

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument’s original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

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 earnings.

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

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than E&E 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. These indicators include, but are not limited to, future prices, future cost and reserves value. E&E assets are assessed for impairment when they are reclassified to property, plant and equipment, as oil and natural gas development and production ("D&P") assets, and also if facts and circumstances suggest the carrying amount exceeds the recoverable amount.

(c) 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. Where the Company expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses. There are no provisions currently recognized.

(d) Income tax:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in earnings 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 using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit. 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 the Company intends to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent 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. Deferred tax assets and liabilities are presented as non-current.

(e) Loss per share:

Basic loss per share is calculated by dividing net loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the year, plus the weighted average number of common shares that would be issued if all the dilutive potential common shares were converted into common shares. The dilutive potential common shares consist of share-based compensation for which dilution is determined by assuming that the proceeds received from "in-the-money" stock options and warrants and unrecognized future share-based compensation expense are used to repurchase common shares at the average market rate during the period. The Company does not have any outstanding stock options or warrants.

(f) Financial Instruments:

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions that define the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realized the asset and settle the liability simultaneously.

The Company does not have any derivative financial instruments. Non-derivative financial instruments comprise trade and other receivables, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortized cost using the effective interest method if the time value of money is significant, less any impairment losses.

(g) Changes in accounting policy and disclosure

(i) New and amended standards adopted by the Company:

- The Company adopted IFRS 16 "Leases", which replaces IAS 17 "Leases", on January 1, 2019. For lessees applying IFRS 16, a single recognition and measurement model for leases applies, with required recognition of assets ("right-of-use asset") and liabilities ("lease obligation") recognized on the balance sheet for contracts that are, or contain, a lease. The Company does not hold any leases and the change did not impact the Company's financial statements. The Company's accounting policy for leases is as follows:

  Contracts where the Company obtains a right to control the use of an identified asset in exchange for consideration are determined to contain a lease. At commencement, a right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, less any lease incentives received. The right-of-use asset is depreciated on a straight-line basis over the lease term. The corresponding lease liability is equal to the present value of future lease payments. Interest expense is recognized on the lease obligations using the effective interest rate method. These payments are applied against the lease liability. The Company is required to make judgments and assumptions on incremental borrowing rates and lease terms. The carrying balance of the right-of-use assets, lease obligations, interest and depreciation expense may differ due to changes in market conditions and expected lease terms. Incremental borrowing rates area based on the Company's borrowing rate at the commencement date of the lease, the security of the asset, and market conditions. Lease terms are based on management's assumptions of future market conditions and operational decisions.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

- No new or amended standards upcoming for the Company in the current period.

5. EXPLORATION AND EVALUATION ASSETS

($)	**2020**	2019
Balance, beginning of year	**6,439,752**	3,302,538
Additions	**360,718**	3,137,214
Balance, end of year	**6,800,470**	6,439,752

Exploration and evaluation assets consist of the Company's undeveloped lands which are pending the determination of proved or probable reserves. Additions represent undeveloped land purchases and costs incurred on E&E assets during the period.

At December 31, 2020 and December 31, 2019, there were no indicators of impairment and, therefore, the Company did not perform an impairment test on exploration and evaluation assets.

6. LONG-TERM DEBT

Long-term debt is comprised as follows:

($)	
Balance at December 31, 2019	-
Additions	40,000
Balance at September 30, 2020	40,000

Long-term debt consists of a Canadian Emergency Business Account ("CEBA") loan obtained through CIBC. Under the loan agreement, the interest rate is 0% per year with no principal payments required. $10,000 (25%) of the $40,000 loan is eligible for complete forgiveness if $30,000 is fully repaid on or before December 31, 2022. If $30,000 cannot be repaid by December 31, 2022, the outstanding loan balance will be automatically converted into a three-year term loan, charging a fixed interest rate of 5% per year payable monthly. The loan does not contain any financial or non-financial covenants.

7. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without par value.

	Number of Shares	Amount ($)
Common Shares		
Balance at December 31, 2019	**5,715,680**	**7,743,036**
Equity issuance	**-**	**-**
Balance at December 31, 2020	**5,715,680**	**7,743,036**

	Number of Shares	Amount ($)
Common Shares		
Balance at December 31, 2018	3,702,002	3,702,002
Equity issuance	2,013,678	4,041,034
Balance at December 31, 2019	**5,715,680**	**7,743,036**

The Company closed a common share financing of $1.00 million on June 10, 2019 and $3.04 million on September 25, 2019. Both financings consisted entirely of cash.

8. SHARE-BASED PAYMENTS

Stock Option Plan

Under this plan, directors and officers of the Company possess rights to acquire common shares. Options granted under this plan vest equally over a three-year period and expire ten years from the grant date. The fair market value of the January 1, 2020 options granted was determined using a volatility rate of 50% and a risk-free rate of 1.70%. The Company uses a fair value methodology to value the option grants.

The following tables summarize information about the Company's stock option plan:

Stock Options Outstanding	Number of Options	Weighted Average Exercise Price ($/Option)
Common Shares		
Balance at December 31, 2019	-	-
Stock Options Granted	550,000	3.00
Balance at September 30, 2020	550,000	3.00

Stock Options Outstanding				Stock Options Exercisable	
Range of Exercise Prices ($/option)	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise price ($/option)	Number Exercisable	Weighted Average Exercise price ($/option)
3.00	550,000	9.5 Years	3.00	183,333	3.00

Share-based compensation:

The options outstanding for the year ended December 31, 2020 resulted in share-based compensation expense of $645,922 (2019 – $0). Compensation expense associated with options granted under the plan is recognized in earnings over the vesting period of the plan with a corresponding increase in contributed surplus. The exercise of options is recorded as an increase in common shares with a corresponding reduction in contributed surplus.

9. FINANCIAL RISK MANAGEMENT

(a) Overview

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

- Credit risk;
- Liquidity risk;
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(b) Credit Risk

The Company is subject to credit risk on its cash and cash equivalents and trade and other receivables. The Company's cash and cash equivalents are held at major financial institutions, and as such, are subject to the credit risk of those institutions. The Company's credit exposure is mitigated with credit practices that limit transactions according to counterparties' credit quality. The Company does not currently have any trade receivables.

(c) Liquidity Risk

Liquidity Risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. To achieve this objective, the Company has raised sufficient capital and prepares regular capital and operating budgets, which are regularly monitored and updated as considered necessary.

The financial liabilities on the statements of financial position include trade and other payables.

The following are the contractual maturities of financial liabilities, excluding the impact of netting agreements, at December 31, 2020:

As at December 31, 2020	($)	Carrying Amount	Contractual Cash Flows	Less than 1 Year	1 – 2 Years	2 – 5 Years	More Than 5 Years
Trade and other payables		256,678	256,678	256,678	–	–	–
Long-term debt		40,000	40,000		40,000		

(d) Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates, will affect the Company's earnings or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company does not currently use financial derivatives or physical delivery sales contracts to manage market risks because of the nature of its early stage operations.

Currency Risk:

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company does not sell or transact in any foreign currency; however, the United States dollar influences the expected price of petroleum and natural gas sold in Canada which could impact future cash flows from the development of the Company's mineral rights. The Company's financial assets and liabilities are not affected by a change in currency rates. The Company had no foreign exchange contracts in place at December 31, 2020 or 2019.

Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's only bank debt is non-interest bearing and a change in interest rates would have no significant impact on net earnings.

Commodity Price Risk:

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar, but also world economic events that dictate the levels of supply and demand.

In the future, the Company may enter into various financial derivative forward sales contracts and physical sales contracts to protect its cash flow from operating activities. The Company's production is expected to be sold using "spot" or near-term contracts with prices fixed at the time of transfer of custody or on the basis of a monthly average market price. The Company, however, may give consideration in certain circumstances to the appropriateness of entering into long-term, fixed price marketing contracts. The Company does not enter into commodity contracts other than to meet the Company's expected sale requirements. At December 31, 2020 and 2019, the Company did not have any derivative contracts outstanding.

(e) Capital Management

The Company actively manages its capital structure, which includes shareholders' equity and working capital. In order to maintain or adjust the capital structure, the Company considers the following: incremental investment and acquisition opportunities; the current level of working capital; and new share issuances. The Company's objective is to maintain a flexible structure that will allow it to execute on its strategy to maximize the value of its oil and gas properties. The Company monitors its capital based on the Company's current and forecasted working capital position. Capital and operating budgets are updated and monitored frequently and approved by the Board of Directors. As at December 31, 2020 the Company had positive working capital of $478,003.

($)	**December 31, 2020**	December 31, 2019
Current Assets	**734,681**	1,069,844
Current Liabilities	**256,678**	202,931
Working Capital	**478,003**	866,913

10. INCOME TAX EXPENSE

The provision for income taxes in the statements of loss and comprehensive loss reflect an effective tax rate which differs from the expected statutory tax rate. Differences were accounted for as follows:

($)	**December 31, 2020**	December 31, 2019
Loss before tax	**(714,114)**	(113,221)
Expected tax rate	**23%**	25%
Expected income tax recovery	**(164,246)**	(28,305)
Add (deduct) income tax effect of:		
Change in statutory tax rates	**8,715**	15,171
Unrecognized portion of deferred tax asset	**6,969**	13,087
Non-deductible items	**148,562**	47
Total income tax recovery	**–**	–

The significant components of the Company's deferred income taxes are:

($)	**December 31, 2020**	December 31, 2019
Deferred income tax assets (liabilities)		
Exploration and evaluation assets	**(193,143)**	(120,620)
Non-capital losses	**309,050**	220,854
Unrecognized portion of deferred asset	**(115,907)**	(100,234)
Deferred income tax asset (liability)	**–**	–

The movement in deferred tax balances during the period ending December 31, 2020 is as follows:

($), Asset (Liability)	Balance December 31, 2019	Recognized in Earnings	Recognized in Equity	Balance December 31, 2020
Exploration and evaluation assets	**(120,620)**	**(72,523)**	**–**	**(193,143)**
Non-capital losses	**220,854**	**88,196**	**–**	**309,050**
Unrecognized portion of deferred asset	**(100,234)**	**(15,673)**	**–**	**(115,907)**
Deferred income tax asset (liability)	**–**	**–**	**–**	**–**

The movement in deferred tax balances during the period ending December 31, 2019 was as follows:

($), Asset (Liability)	Balance December 31, 2018	Recognized in Earnings	Recognized in Equity	Balance December 31, 2019
Exploration and evaluation assets	(39,052)	(81,568)	–	(120,620)
Non-capital losses	126,200	94,654	–	220,854
Unrecognized portion of deferred asset	(87,148)	(13,086)	–	(100,234)
Deferred income tax asset (liability)	–	–	–	–

The company has non-capital losses of $1.34 million which will begin to expire in 2039.

11. LOSS PER SHARE

Basic and diluted net loss per share have been calculated as follows:

	December 31, 2020	December 31, 2019
Net loss for net loss per share calculation	**$(714,114)**	$(113,221)
Weighted average number of common shares – basic & diluted	**5,715,680**	4,535,811

12. CHANGE IN NON-CASH WORKING CAPITAL

The following table presents the composition of changes in non-cash working capital and the allocation to operating and investing activities:

($)	**2020**	2019
Changes in non-cash working capital:		
Trade and other receivables	**(11,884)**	(6,531)
Deposits and prepaid expenses	**7,867**	16,026
Trade and other payables	**53,747**	129,431
Total changes in non-cash working capital	**49,730**	138,926
Changes in non-cash working capital related to:		
Operating activities	**43,418**	52,345
Investing activities	**6,312**	86,581
Total changes in non-cash working capital	**49,730**	138,926

13. RELATED PARTY TRANSACTIONS

As of December 31, 2020, B-32 incurred $66,000 (2019 - $120,000) under a shared services agreement to a company owned by two of B-32's Directors. These payments were in the normal course of operations, were made on commercial terms and, therefore, were recorded at their fair value.

14. SUBSEQUENT EVENTS

Subsequent to year end, B-32 expanded its Canadian Emergency Business Account ("CEBA") loan obtained through CIBC from a principal amount of $40,000 to $60,000. Under the loan agreement, the interest rate is 0% per year with no principal payments required. $20,000 (1/3rd) of the $60,000 loan is eligible for complete forgiveness if $40,000 is fully repaid on or before December 31, 2022. If $40,000 cannot be repaid by December 31, 2022, the outstanding loan balance will be automatically converted into a three-year term loan, charging a fixed interest rate of 5% per year payable monthly. The loan does not contain any financial or non-financial covenants.