MOONCOR OIL & GAS CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Prepared in Canadian dollars)

For The Years Ended December 31, 2015 and 2014

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Mooncor Oil & Gas Corp.:

We have audited the accompanying consolidated financial statements of Mooncor Oil & Gas Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in (deficiency)/equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mooncor Oil & Gas Corp. and its subsidiaries as at December 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that Mooncor Oil & Gas Corp. had a cumulative deficit and negative working capital as at December 31, 2015. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about Mooncor Oil & Gas Corp.'s ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
April 29, 2016

MOONCOR OIL & GAS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note		December 31, 2015		December 31, 2014
ASSETS					
Current Assets:					
Cash and cash equivalents		$	19,499	$	322,648
Investments	4		99,000		75,352
Sundry receivables			63,889		11,550
Prepaid expenses			4,880		4,994
Total current assets			187,268		414,544
Non-current assets:					
Exploration and evaluation assets	5		515,692		515,692
Deposits	10		481,919		386,611
Total non-current assets			997,611		902,303
Total assets		$	1,184,879	$	1,316,847
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	8	$	1,079,554	$	737,722
Long term liabilities:					
Reclamation and decommissioning obligation	7		117,665		84,223
Total liabilities			1,197,219		821,945
SHAREHOLDERS' (DEFICIENCY)/EQUITY					
Capital stock	6	$	20,175,578	$	20,175,578
Contributed surplus	6		1,897,322		1,897,322
Warrants	6		452,315		452,315
Foreign currency translation reserve			(7,150)		-
Deficit			(22,530,405)		(22,030,313)
Total shareholders' (deficiency)/equity			(12,340)		494,902
Total liabilities and shareholders' (deficiency)/equity		$	1,184,879	$	1,316,847
Nature and continuance of operations	1				
Commitments and contingencies	5, 10				
Subsequent event	17				

Approved by the Board of Dorectors

"Alan Myers" Director

"Allen Lone" Director

See accompanying notes to the consolidated financial statements.

MOONCOR OIL & GAS CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Year Ended December 31, 2015	Year Ended December 31, 2014
Interest income	$ 514	$ 7,228
Total revenue	$ 514	$ 7,228
EXPENSES		
Professional fees and disbursements	$ 138,838	$ 55,373
Exploration expenses (recovery) (Note 12)	166,615	(8,716)
Clean up expenses	-	32,246
Office and general (Note 13)	190,695	128,776
Travel	3,766	2,319
Insurance	27,733	27,104
Total expenses	$ 527,647	$ 237,102
Loss before undernoted	**(527,133)**	**(229,874)**
Excess of fair value over net assets acquired (Note 11)	15,996	-
Gain on foreign exchange	4,882	-
Unrealized gain(loss) on investments	268,648	(241,648)
Realized (loss) on sale of investments (Note 4)	(262,485)	(122,780)
Net loss for the year	(500,092)	(594,302)
Other comprehensive income		
Exchange differences on translation of foreign operations	(7,150)	-
Total comprehensive loss for the year	**$ (507,242)**	**$ (594,302)**
Weighted average shares outstanding - basic and diluted (Note 6)	167,536,185	159,093,232
Net loss per share - basic and diluted (Note 6)	$ (0.00)	$ (0.00)

See accompanying notes to the consolidated financial statements.

MOONCOR OIL & GAS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN (DEFICIENCY)/EQUITY
(Expressed in Canadian Dollars)

	Number of Shares	Capital Stock	Contributed Surplus	Warrants	Foreign currency translation reserve	Deficit	Total Equity
Balance at December 31, 2013	149,934,520	$ 19,642,831	$ 1,897,322	$ 41,100	$ -	$ (21,436,011)	$ 145,242
Issue of units for investment	10,000,000	280,124	-	219,876	-	-	500,000
Issue of units on private placement	7,601,665	259,487	-	196,613	-	-	456,100
Share issue costs	-	(6,864)	-	(5,274)	-	-	(12,138)
Net loss for the year	-	-	-	-	-	(594,302)	(594,302)
Balance at December 31, 2014	**167,536,185**	**$ 20,175,578**	**$ 1,897,322**	**$ 452,315**	**$ -**	**$ (22,030,313)**	**$ 494,902**
Net loss for the year	-	-	-	-	-	(500,092)	(500,092)
Exchange differences on translation of foreign operations	-	-	-	-	(7,150)	-	(7,150)
Balance at December 31, 2015	**167,536,185**	**$ 20,175,578**	**$ 1,897,322**	**$ 452,315**	**$ (7,150)**	**$ (22,530,405)**	**$ (12,340)**

See accompanying notes to the consolidated financial statements.

MOONCOR OIL & GAS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended December 31, 2015	2014
Cash flows used in operating activities		
Net loss for the year	$ (500,092)	$ (594,302)
Realized loss on sale of investments	262,485	122,780
Unrealized (gain)/loss on investments	(268,648)	241,648
Excess of fair value over net assets acquired	(15,996)	-
Settlement of reclamation and decommissioning obligation	(22,421)	-
Accretion of reclamation and decommissioning obligation	1,663	1,481
	(543,009)	(228,393)
Changes in non-cash working capital balances		
Sundry receivables	(51,372)	2,932
Prepaid expenses	1,644	545
Accounts payable and accrued liabilities	269,393	201
Cash flows used in operations	(323,344)	(224,715)
Cash flows provided (used in) investing activities		
Proceeds on sale of investments	54,515	60,220
Deposits	(26,108)	(37,230)
Cash flows from investing activities	28,407	22,990
Cash flows provided by financing activities		
Private placements	-	424,100
Loans received	-	47,000
Repayment of loan	-	(15,000)
Cash flows from financing activities	-	456,100
Net (decrease)/increase in cash and cash equivalents	(294,937)	254,375
Exchange rate changes on foreign currency cash balances	(8,212)	-
Cash and cash equivalents, beginning of year	322,648	68,273
Cash and cash equivalents, end of year	$ 19,499	$ 322,648
Supplemental Information		
Units issued in settlement of debt	$ -	$ 32,000
Investments acquired through issuance of shares and warrants	$ -	$ 500,000
Accrued share issue costs	$ -	$ 12,138
Non-cash purchase of investments	$ 72,000	$ -

See accompanying notes to the consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Mooncor Oil & Gas Corp. (the "Company" or "Mooncor") is continued under the Business Corporations Act (Ontario). The Company's principal assets are oil and natural gas interests which are not yet in commercial production. The Company is also in the process of exploring other opportunities. The Company is domiciled in the province of Ontario and its head office is located at 2455 Cawthra Road, Unit 75, Mississauga, Ontario, Canada.

The Company is a public company trading on the TSX Venture Exchange ("TSXV") under the symbol "MOO". These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Mooncor Energy Inc. ("Mooncor Energy"), an Alberta Corporation, DRGN Energy Inc. ("DRGN"), an Ontario Corporation, Primary Petroleum Company U.S. Inc ("PPCUSA"), a Montana, USA Corporation, Primary Petroleum Company LLC ("PPCLLC"), a Montana, USA Corporation and AP Petroleum Company ("APLLC"), a Montana, USA Corporation. The Board of Directors approved these consolidated financial statements on April 29, 2016.

These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. The Company has a working capital deficiency in the amount of $892,286 and has a deficit in the amount of $22,530,405 as at December 31, 2015. The Company is in the exploration stage and is subject to various risks and challenges including but not limited to, dependence on key individuals, successful exploration and ability to secure adequate financing to meet the minimum capital required to successfully complete its projects, political risk relating to maintaining property licenses in good standing and continuing as a going concern. Management estimates that the funds available as at December 31, 2015 will not be sufficient to meet the Company's potential capital and operating expenditures through December 31, 2016. The Company will have to raise additional funds to continue operations. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available on terms acceptable to the Company. Failure to meet its funding commitments may result in the loss of the Company's exploration and evaluation interests.

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for the current stage of exploration, development or operation of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, social licensing requirements, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty.

The challenges of securing requisite funding, operating with a working capital deficiency and expected future operating losses represent material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") which includes International Financial Reporting Standards, International Accounting Standards ("IAS"), and interpretations of the International Financial reporting Interpretation Committee ("IFRIC"). These standards are collectively referred to as "IFRS".

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The consolidated financial statements are presented in Canadian dollars, which is the parent's functional and presentation currency. Each entity in the group determines its own functional currency. Management reviewed the primary and secondary indicators in IAS 21, the effects of changes in foreign exchange rates, and determined that the functional currency for its USA subsidiaries is US dollars and for all other subsidiaries is Canadian dollars.

Basis of consolidation

These consolidated financial statements include the accounts of Mooncor Oil & Gas Corp. and its wholly owned subsidiaries Mooncor Energy, DRGN, PPCUSA, PPCLLC and APLLC (collectively referred to as the "Company" or "Mooncor"). Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting periods. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are as follows:

- Assets' carrying values and impairment charge

  In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- Impairment of exploration and evaluation assets

  While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which oil and gas property interests are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's oil and gas property interests, costs to sell the properties and the appropriate discount rate. Reductions in oil price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable oil reserves or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

- Estimation of decommissioning and restoration costs and the timing of expenditure

  The cost estimates are updated annually during the life of an oil well to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the oil well. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

- Fair value of issued warrants and options

  The Company uses the Black-Scholes option pricing model to determine the fair value of warrants issued upon private placement financings in order to calculate stock-based compensation expense. The Black-Scholes model involves six key inputs to determine fair value: risk-free interest rate, exercise price, market price at the date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve conservable judgment and are or could be affected by significant factors that are out of the Company's control.

- Income, value added, withholding and other taxes Income, value added, withholding and other taxes

  The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

- Contingencies

  Refer to Note 10.

3. SIGNIFICANT ACCOUNTING POLICIES

The policies set out below are consistently applied to all years presented unless otherwise noted.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short term deposits with a term to maturity of three months or less. As at December 31, 2015 and 2014, the Company had no cash equivalents.

Oil and gas exploration and evaluation assets

Exploration and evaluation ("E&E") assets primarily relate to acquisition costs and related reclamation and decommissioning. Expenditures incurred on the acquisition of a license interest is initially capitalized on a license by license basis. The acquisition costs of E&E properties include the cash consideration and the estimated fair market value of share-based payments issued for such property interests.

Exploration costs are expensed in the period incurred. The acquisition costs are deferred until commercial reserves are proven, sold or abandoned. Commercial proven reserves are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future periods from known reservoirs and are considered technically feasible.

All directly attributable costs incurred after the technical feasibility and commercial viability of producing hydrocarbons have been demonstrated are capitalized on a field-by-field basis only when the costs increase the future economic benefits embodied in the specific asset to which they relate. All other costs are recognized in profit or loss as incurred.

Net proceeds from any disposal of an E&E asset are initially credited against the previously capitalized costs. Any surplus proceeds are credited to the statement of loss.

Impairment

E&E assets are reviewed for impairment whenever facts or circumstances indicate that the cost capitalized to E&E assets may not be recoverable. If commercial reserves have not been established through the completion of E&E activities and there are no future plans for activity in that field, the E&E assets are determined to be impaired and the carrying amount is charged to income. Facts and circumstances that indicate impairment of E&E assets include but are not limited to:

a. the period for which the Company has the right to explore a specific area has expired or will expire in the near future, and is not expected to be renewed.
b. substantive expenditure on future E&E activities in a specific area is neither budgeted nor planned.
c. E&E activities in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in a specific area.
d. sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount, by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of the net selling price and value in use. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment losses are recognized in the statement of loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognized in the statement of loss immediately.

Depletion

Depletion of petroleum and natural gas properties within each cash-generating unit (CGU) is recognized using the unit-of-production method based on the Company's share of total proved plus probable petroleum and natural gas reserves before royalties as determined by independent reserve engineers.

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 rate that reflects current market assessments of the time value of money and the risk specific to the liability.

Decommissioning liability

A decommissioning liability is recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. A corresponding amount equivalent to the provision is also recognized as part of the cost of the related asset. The amount recognized is management's estimated cost of decommissioning, discounted to its present value using a pre-tax risk free rate that reflects the time value of money. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the related asset unless the change arises from production. The unwinding of the discount on the decommissioning provision is included as a finance cost. Actual cost incurred upon settlement of the decommissioning liability are charged against the provision to the extent the provision was established.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Income taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in the statement of loss, except to the extent that it relates to items recognized directly in equity or other comprehensive income.

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 liability 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.

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.

Business combinations

On the acquisition of a subsidiary the purchase method of accounting is used to account for the acquisition as follows:

- cost is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange;
- directly attributable transaction costs are expensed as incurred;
- identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date, except for non-current assets that are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognized and measured at fair value less costs to sell;
- the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill;
- if the acquisition cost is less than the fair value of the net assets acquired, the difference is recognized directly in profit or loss;
- the interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholder's fair value; and
- the measurement of contingent consideration at fair value on the acquisition date is performed with subsequent changes in the fair value recorded through the statement of loss.

Capital stock, stock options and warrants

The Company's common shares, stock options and share purchase warrants are classified as equity instruments only to the extent that they do not meet the definition of a financial liability or financial asset. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds. Expired warrants are transferred to capital stock on expiry.

Loss per share

Basic loss per share figures are calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share figures are calculated based on the weighted average number of common shares outstanding adjusted for the effects of all dilutive potential shares including warrants and stock options. The effect on the diluted loss per share on the exercise of the warrants and stock options would be anti-dilutive.

Basic and diluted loss per common share is calculated using the weighted average number of common shares outstanding during the period. The Company has reserved shares for issuance in accordance with applicable corporate and securities laws. Consideration received on the issuance of reserved shares will be credited to capital stock and will be valued at either the fair value of the consideration received or shares issued, whichever is more readily determinable.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The Company records compensation cost using the fair value method of accounting for share-based payments. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as share-based payments expense and share-based payment reserve. When options are exercised, the proceeds received, together with any related amount in share-based payment reserve, will be credited to capital stock.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. On expiry, any related amount in share-based payment or warrant reserve will be credited to deficit.

Revenue recognition

Revenue from the sale of oil and petroleum products is recognized when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. This generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism. Revenue is stated after deducting sales taxes, excise duties and similar levies.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The classification of financial assets and liabilities depends on the nature and purpose of the financial assets or liabilities and is determined at the time of initial recognition.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the consolidated statement of loss.

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

a. Fair value through profit or loss ("FVTPL") – This category comprises financial assets held for trading and assets designated upon initial recognition as FVTPL. Financial assets held for trading are acquired or incurred principally for the purpose of selling or repurchasing in the near term. On initial recognition it is part of a portfolio of identifiable financial instruments managed together for which there is evidence of a recent pattern of short-term profit taking, or a derivative (excluding a derivative used for hedging). FVTPL are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss.

b. Loans and receivables – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less any provision for impairment.

c. Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, the amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the Company's original effective interest rate. The impairment losses are recognized in the statement of loss.

d. Available-for-sale – Non-derivative financial assets that are not classified as loans and receivables, held to maturity investments or FVTPL. Available-for-sale assets are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment other than temporary, the amount of the loss is removed from other comprehensive income and recognized in the statement of (loss)/income.

Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was assumed. The Company's accounting policy for each category is as follows:

a. FVTPL – This category comprises financial liabilities held for trading and liabilities designated upon initial recognition as FVTPL. FVTPL liabilities are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss.

b. Other financial liabilities – All other financial liabilities except financial liabilities FVTPL. Other liabilities are recognized at amortized cost using the effective interest method.

Classification of financial instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy that reflects the significance of inputs in measuring fair value as the following:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 –inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The classification of a financial instrument in the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The Company's financial instruments consist of the following:

Financial Instrument	**Classification**	**Measurement**
Cash and cash equivalents	Loans and receivables	Amortized cost
Sundry receivables	Loans and receivables	Amortized cost
Deposits	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Investments	FVTPL	Fair value

The fair value of cash and cash equivalents, sundry receivables and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature.

As of December 31, 2015 and 2014, except for investments, none of the Company's financial instruments are recorded at fair value in the consolidated statements of financial position. Investments are classified as Level 1.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Foreign currencies

(i) Functional currency

The consolidated financial statements are presented in Canadian dollars, which is the parent's functional and presentation currency. Each entity in the group determines its own functional currency. Management reviewed the primary and secondary indicators in IAS 21, the effects of changes in foreign exchange rates, and determined that the functional currency for its USA subsidiaries is US dollars and for all other subsidiaries is Canadian dollars.

(ii) Foreign operations

Under IFRS, when the Company translates the financial statements of subsidiaries from their functional currency to presentation currency, assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the financial reporting date. Share capital, warrants, equity reserves, accumulated other comprehensive income, and deficit are translated into Canadian dollars at historical exchange rates. Revenues and expenses are translated into Canadian dollars at the average exchange rate for the period. Foreign exchange gains and losses on translation are included in other comprehensive income. Foreign exchange differences that arise relating to balances that form part of the net investment in a foreign operation are recognized in a separate component of equity through other comprehensive income. On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange difference in other comprehensive income is recognized within profit or loss in the consolidated statement of loss and comprehensive loss.

(iii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss resulting from the settlement of such transactions and from the translation at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognized within profit or loss in the consolidated statement of loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in the consolidated statement of loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

- IFRS 7 – Financial Instruments: Disclosures ("IFRS 7") was amended in September 2014 to clarify whether a servicing contract is continuing involvement in a transferred asset for purposes of determining the disclosures required. IFRS 7 was also amended to clarify that the additional disclosures relating to offsetting are not specifically required for interim periods unless required by IAS 34. The amendments are effective for annual periods beginning on or after January 1, 2016.

- IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

- IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

- IFRS 11 - Joint Arrangements ("IFRS 11") was amended in May 2014 to require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016.

- IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016.

- IAS 12 – Income Taxes ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

New accounting policies

During the year ended December 31, 2015, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 8, IFRS 13 and IAS 24. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

4. INVESTMENTS

(a) Investment in Pinetree Capital Ltd.:

On April 1, 2014, pursuant to the terms of the securities purchase agreement (i) Pinetree Capital Ltd. ("Pinetree"), a publicly-traded investment company (TSX:"PNP"), subscribed for 10,000,000 units of the Company (see Note 6(a)) at a price of $0.05 per unit comprised of one common share and one common share purchase warrant. Each purchase warrant entitled Pinetree to acquire one common share of the Company at $0.10 per share for a period of 2 years from date of issuance, and (ii) the Company subscribed for 819,672 common shares of Pinetree at a price of $0.61 per share based on the quoted price of Pinetree shares on the purchase date. A director of the Company was an officer of Pinetree.

During the year ended December 31, 2014, the Company sold 300,000 Pinetree shares for proceeds of $60,220 resulting in a loss on disposal of the investment of $122,780 which has been reflected in the consolidated statement of loss. On December 31, 2014 the Company valued the remaining 519,672 Pinetree shares at the closing market price on December 31, 2014 resulting in a fair value of the investment in Pinetree of $75,352.

During the year ended December 31, 2015, the Company sold the remaining 519,672 Pinetree shares for proceeds of $54,515 resulting in a realized loss on disposal of the shares of $262,485 and these have been reflected in the consolidated statement of loss.

(b) Investment in Keek Inc.:

During the year ended December 31, 2015, Keek Inc., a publicly-traded online social media app developer (TSXV: KEK) issued 300,000 common shares of Keek Inc. to the Company as settlement of the amount owed to the Company for certain payables assumed by the Company related to Keek expenditures prior to the acquisition (see Note 11). These shares were valued at, $72,000 based on the quoted market price at the time of receipt. As at December 31, 2015, the fair value of the investment in Keek Inc. was $99,000 resulting in an unrealized gain of $27,000 which has been reflected in the consolidated statement of loss.

(Expressed in Canadian Dollars)

5. PROPERTY INTERESTS

Exploration and evaluation assets as at December 31, 2015 and 2014 consist of:

		Alberta (a)
Balance, December 31, 2013	**$**	**505,000**
Reclamation and decommissioning obligation		10,692
Balance, December 31, 2014 and 2015	**$**	**515,692**

(a) Oil and Natural Gas Interests (Lloydminster (Alberta))

In 2008, the Company acquired two suspended heavy oil wells and leases and related petroleum and natural gas rights in the Lloydminster area of Alberta for cash proceeds of $400,000.

The Company's interest in the first lease is a 60% working interest subject to:

a. an obligation to pay a 60% share of the variable Crown royalties;

b. a 60% share of a 1% Gross Overriding Royalty ("GORR") payable to the party; and

c. a 3% GORR on the 60% share of production.

The Company's interest in the second lease is a 100% working interest declining to 60% after recoupment of the payout account of approximately $485,000 associated with the well on the lease. This lease is subject to:

a. a 60% share of the Crown royalty;

b. a 60% share (36% after payout) of a 1% GORR payable on oil production;

c. a 5% to 15% variable convertible GORR payable in respect of oil production;

d. a 15% convertible GORR payable in respect of gas production; and

e. a 3% GORR payable on the Company's 60% share of production. The 5% to 15% variable convertible GORR and 15% convertible GORR are convertible to a 40% working interest once payout has been achieved.

The leases include the right to complete one infill well on each of the leases. Upon completion and payout of any infill well, the Company will have a 60% working interest in the applicable well subject to the encumbrances on the applicable lease.

(b) Oil and Natural Gas Interests (Montana (USA))

On January 27, 2015, the Company acquired oil and gas leases (the "Leases") and related data in the Pondera and Teton Counties in Northwestern Montana USA (the "Property") through the acquisition of Primary Petroleum Company (USA) Inc. (see Note 11).

The acquisition relates to undeveloped leasehold mineral rights. The Property consists of a working interest in freehold and state petroleum and natural gas rights (surface to basement) expiring from 2016 to 2023. Mooncor will be the operator of the working interests.

Mooncor's working interest will be 70% of the Property except for the spacing drilled by a major U.S. based industry partner (the "JV Partner") in which case Mooncor's working interest will be 30%. As consideration for the Property, the vendor is entitled to a 1% gross overriding royalty. See Note 11.

(Expressed in Canadian Dollars)

6. SHAREHOLDERS' EQUITY

Capital Stock

At December 31, 2015 and December 31, 2014, the authorized share capital comprised an unlimited number of common shares with no par value.

	# of Common Shares		Amount
Balance, December 31, 2013	**149,934,520**	**$**	**19,642,831**
Issued for investment (a)	10,000,000		280,124
Issued for cash (b)	7,601,665		259,487
Share issue costs	-		(6,864)
Balance, December 31, 2014 and 2015	**167,536,185**	**$**	**20,175,578**

a) In April 2014, the Company issued 10,000,000 common shares to Pinetree, as part of a securities purchase agreement between the two companies (see Notes 4(a) and (a) below under "Warrants").

b) In October 2014, the Company issued 7,601,665 common shares as part of a non-brokered private placement financing. (See (b) below under "Warrants").

Warrants

Details of warrant transactions for the years ended December 31, 2015 and 2014 are as follows:

	# of Warrants		Amount		Weighted Average Exercise Price
Balance, December 31, 2013	**11,448,492**	**$**	**41,100**	**$**	**0.10**
Warrants issued April 1, 2014	10,000,000		219,876		0.10
Warrants issued October 15, 2014	7,601,665		196,613		0.10
Warrants issue costs	-		(5,274)		
Balance, December 31, 2014 and December 31, 2015	**29,050,157**	**$**	**452,315**	**$**	**0.10**

(a) On April 1, 2014, the Company completed a securities purchase agreement with Pinetree. Pursuant to the terms of the securities purchase agreement, Pinetree subscribed for 10,000,000 units of the Company at a price of $0.05 per unit comprised of one common share of the Company and one common share purchase warrant entitling Pinetree to acquire one common share of the Company at $0.10 per share for a period of 2 years from date of issuance. The fair value of the warrants was estimated on the date of issuance using the Black-Scholes option pricing model, using the following assumptions: risk-free interest rate – 1.07%; expected dividend yield – nil; expected stock price volatility of 219% (based on the Company's historical share price); and warrant expected life of 2 years. Pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

(Expressed in Canadian Dollars)

(b) On October 15, 2014, the Company completed a non-brokered private placement financing. Pursuant to the terms of the financing agreement, the subscribers subscribed for 7,601,665 units of the Company at a price of $0.06 per unit comprised of one common share of the Company and one common share purchase warrant to acquire one common share of the Company at $0.10 per share for a period of 2 years from date of issuance. The fair value of the warrants was estimated on the date of issuance using the Black-Scholes option pricing model, using the following assumptions: risk-free interest rate – 0.91%; expected dividend yield – nil; expected stock price volatility of 204% (based on the Company's historical share price) and warrant life of 2 years. Pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

The following table summarizes information about warrants outstanding as at December 31, 2015.

Issue date	# of warrants	Expiry date	Exercise price	Estimated fair value on issue date
13-Jun-13	11,448,492	13-Jun-18	$ 0.10	$ 41,100
1-Apr-14	10,000,000	1-Apr-16	0.10	217,785
1-Oct-14	7,601,665	1-Oct-16	0.10	193,430
	29,050,157		**$ 0.10**	**$ 452,315**

Stock options

On July 26, 2011, the shareholders of the Company approved a stock option plan (the "Plan") to enable directors, officers, employees and consultants of the Company to purchase common shares. All options granted to optionees performing Investor Relations activities shall vest and become fully exercisable ¼ three months from the date of grant, ¼ six months from the date of grant, ¼ nine months from the date of grant and the final ¼ nine months from the date of grant. All options granted under the Plan shall expire no later than at the close of business ten years from the date of grant. The Plan provides that the number of common shares reserved for issuance upon exercise of options granted shall not exceed 10% of total issued and outstanding shares of the Company. No material changes were made to the Plan in the current year. No options were granted during the years ended December 31, 2015 or 2014.

Details of stock option transactions for the years ended December 31, 2015 and 2014 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2013	**1,952,500**	**$ 0.22**
Expired	(1,328,750)	0.24
Balance, December 31, 2014 and 2015	**623,750**	**$ 0.20**

(Expressed in Canadian Dollars)

The following table summarizes information about the options outstanding and exercisable as at December 31, 2015:

# of Options Outstanding and Exercisable	Exercise Price	Expiry Date	Remaining Contractual Life (years)
270,000	$0.25	19-Nov-20	4.89
75,000	0.20	8-Apr-21	5.27
67,500	0.23	4-May-21	5.35
211,250	0.14	29-Nov-21	5.92
623,750	**$0.20**		**5.33**

Basic and diluted loss per share based on loss for the year

Basic and diluted loss per common share based on loss for the year ended December 31:

Numerator:	**2015**	2014
Net loss for the year	**$500,092**	$594,302

Denominator:	**2015**	2014
Weighted average number of common shares outstanding - basic and diluted	**167,536,185**	159,093,232

Loss per common share based on net loss for the year:	**2015**	2014
Basic and diluted	**$0.00**	$0.00

(Expressed in Canadian Dollars)

7. RECLAMATION AND DECOMMISSIONING OBLIGATION

The Company provided $117,665 for the estimated future cost of reclamation and abandonment work on its oil and gas leases.

The Company provides for the estimated future cost of reclamation and abandonment work on its oil and gas leases relating to the Lloydminster property in Alberta. The reclamation and decommissioning obligation represents the present value of estimated future reclamation costs, which are expected to be incurred in 2024. The estimated undiscounted cash flows used to estimate the liability is $81,000 (2014 - $80,000). Assumptions, including an inflation rate of 1.26% and a discount rate of 1.79%, have been made which management believes are a reasonable basis upon which to estimate the future liability.

The Company provides for the estimated future cost of reclamation and abandonment work on its oil and gas leases relating to the properties in Montana. The reclamation and decommissioning obligation represents the present value of estimated future reclamation costs, which are expected to be incurred in 2017 and 2018. The estimated undiscounted cash flows used to estimate the liability is $38,578. Assumptions, including an inflation rate of 1.03% and a discount rate of 0.49%, have been made which management believes are a reasonable basis upon which to estimate the future liability.

These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary reclamation work required, which will reflect market conditions at the relevant time.

The estimated reclamation cost as at December 31, 2015 and 2014 is as follows:

	Alberta	Montana	Total
Balance, December 31, 2013	**$ 72,050**	**$ -**	**$ 72,050**
Decommissioning obligation	10,692	-	10,692
Accretion expense	1,481	-	1,481
Balance, December 31, 2014	**84,223**	**-**	**84,223**
Accretion expense	1,508	155	1,663
Addition	-	48,577	48,577
Decommissioning incurred	-	(22,429)	(22,429)
Foreign currency translation	-	5,631	5,631
Balance, December 31, 2015	**$ 85,731**	**$ 31,934**	**$ 117,665**

8. RELATED PARTY TRANSACTIONS

Related parties include Board of Directors, close family members, key management personnel, enterprises and others who exercise significant influence over the reporting entity. All amounts owing to related parties are unsecured, non-interest bearing and due on demand unless otherwise noted.

a. Three directors (Alan Myers, Robbie Grossman and Mario DiGenova) and a corporation controlled by Allen Lone, CEO and director of the Company subscribed for 3,001,666 units in the October 2014 private placement for gross proceeds of $180,100.

b. In April 2014, the Company acquired shares of Pinetree Capital Ltd ("Pinetree") and Gerry Feldman, a director of the Company was an officer of Pinetree at the time of acquisition.

c. Included in professional fees for the year ended December 31, 2015 is $19,787, (year ended December 31, 2014 – $59,275) for legal fees and disbursements owing to a law firm in which an officer, Robbie Grossman, is a partner. Included in accounts payable and accrued liabilities on December 31, 2015 is $52,228 (December 31, 2014 - $45,478) owing to this law firm.

d. Included in accounts payable and accrued liabilities at December 31, 2015 is $41,999 (December 31, 2014 - $28,330) for legal fees and disbursements owing to a law firm (Garfinkle Biderman LLP) of which an officer of the Company, Robbie Grossman, was a former partner.

e. At December 31, 2015, $175,000 (December 31, 2014 - $75,000) has been included in accounts payable and accrued liabilities for remuneration of the Company's Chief Executive Officer and director, Allen Lone.

f. During the year ended December 31, 2015, the Company paid $12,000 (year ended December 31, 2014 - $9,150) of rent to Fox-Tek Inc., a company in which Allen Lone, CEO is an officer and director.

g. In January 2015, the Company purchased 100% of the issued and outstanding common shares of Primary, a private company incorporated under the laws of Montana, USA. Primary was a wholly owned subsidiary of Keek Inc, in which Gerry Feldman, a director of the Company was a director of Keek at the time of acquisition.

h. In 2014, the Company's CEO loaned $47,000 to the Company, this amount is due on demand, unsecured and non-interest bearing. $15,000 was repaid during the year and $32,000 was applied towards his share subscription of the private placement that closed on October 15, 2014.

i. At December 31, 2015 and 2014, $39,818 is included in accounts payable and accrued liabilities, relating to services provided by a former director and officer (Nick Tsimidis).

j. At December 31, 2015 and 2014, $10,625 is included in accounts payable and accrued liabilities due to a former officer (Darell Brown).

k. At December 31, 2015 and 2014, $169,092 is included in accounts payable and accrued liabilities to a company controlled by a former director and officer of the Company (Richard Cohen).

l. $4,000 is included in accounts payable and accrued liabilities at December 31, 2015 and 2014 to directors of the Company.

m. At December 31, 2015, $791 (December 31, 2014 - $nil) has been included in accounts payable and accrued liabilities for Alan Myers and Associates, an accounting firm in which Alan Myers, the CFO, is a partner, for taxation services provided during the year ended December 31, 2015.

(Expressed in Canadian Dollars)

n. During the year ended December 31, 2015, the Company paid $22,509 (the year end December 31, 2014 - $2,800) to a company controlled by an officer of the Company, Tony Boogmans, for consulting fees and disbursements. At December 31, 2015, $5,578 (December 31, 2014 - $nil) has been included in accounts payable and accrued liabilities

Key management compensation

The compensation of key management of the Company is included in the summary table below. Key management is those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Company.

	Year ended December 31, 2015	Year ended December 31, 2014
Short-term compensation (Note 8(e))	$ 100,000	$ 75,000

These transactions are in the normal course of operations.

(Expressed in Canadian Dollars)

9. INCOME TAXES

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 25.75% (2014 - 25.75%) were as follows:

	2015 $	2014 $
Loss before income taxes	500,092	594,302
Expected income tax recovery based on statutory rate	129,000	153,000
Adjustment to expected income tax benefit:		
Non-deductible expenses and other	(1,181,000)	791,000
Change in tax and exchange rates	20,000	(162,000)
Tax assets acquired on business combination	133,000	-
Change in deferred tax assets not recognized	899,000	(782,000)
Deferred income tax	-	-

b) Deferred Income Tax

	2015 $	2014 $
Recognized deferred tax assets and liabilities:		
Non-capital loss carry-forwards	114,000	-
Exploration and evaluation	(111,000)	-
Investments	(3,000)	-
Deferred income tax liability	-	-

Unrecognized Deferred Tax Assets (Liabilities)

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2015	2014
Non-capital loss carry-forwards	13,856,000	17,573,000
Capital loss carry-forwards	2,464,000	2,202,000
Investments	-	242,000
Other temporary differences	43,000	74,000
Total	16,363,000	20,091,000

The Canadian non-capital losses of $13,884,000 (2014 - $17,573,000) expire from 2026 to 2035. The U.S. non-capital losses of $416,000 expire from 2020 to 2023. The other temporary differences do not expire under current legislation.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

10. COMMITMENTS & CONTINGENCIES

Gross overriding royalties

In addition to the gross overriding royalty ("GORR") agreements entered into in connection with the various oil and gas projects undertaken as disclosed in Note 5, the Company has entered into the following GORR agreement:

As part of the purchase of a database of technical information of Lloydminster property, the Company entered into a GORR agreement with the vendor. Pursuant to the agreement, the Company has committed to pay royalties equal to 3% on all production from the lands included in the database. To date, there has been no production on these lands.

Deposits

The Company is liable to undertake reclamation and abandonment work on its leases. The Company has lodged deposits of $412,719 (December 31, 2014 - $386,611) with the Alberta Energy Resource Conservation Board as required by legislation. The Company has also lodged a drilling deposit of US$50,000 (December 2014 - $nil) with regulatory bodies in Montana, USA.

Legal Claims

In the ordinary course of business activities, the Company is a party in certain litigation and other claims. Management believes that the resolution of such litigation and claims will not have a material effect on the consolidated financial position of the Company.

Environmental Contingencies

The Company’s exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believe its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

(Expressed in Canadian Dollars)

11. ACQUSITION OF PRIMARY PETROLEUM COMPANY USA INC.

In January 2015, the Company purchased 100% of the issued and outstanding common shares of Petroleum Primary Company USA Inc. ("Primary"), a private company incorporated under the laws of the Montana, USA. Primary was a wholly owned subsidiary of Keek Inc. The Company paid $1 for Primary and the acquisition was accounted for as a business combination. The results of operations of Primary are included in the accounts from the effective date of acquisition on January 27, 2015. Primary holds direct interests in oil and gas properties in Montana (See Note 5).

Details of the acquisition of Primary is as follows:

		As at January 27, 2015
Purchase price		
Cash paid	$	1
Fair value of Primary's net assets acquired		
Current assets	$	65,117
Less: total liabilities		(49,121)
Excess of fair value of net assets acquired over purchase price	$	15,996

The excess of the fair value of the net assets of Primary over the purchase price, in the amount of $15,996, was recognized in the consolidated statement of loss during the year ended December 31, 2015.

12. EXPLORATION EXPENSES/(RECOVERY)

The exploration costs during the years ended December 31, 2015 and 2014 were as follows:

	Year ended December 31			
		2015		2014
Annual lease renewal costs	$	97,773	$	(9,725)
Land management		53,283		1,009
Others		15,559		-
	$	166,615	$	(8,716)

(Expressed in Canadian Dollars)

13. OFFICE AND GENERAL EXPENSES

The office and general expenses during the years ended December 31, 2015 and 2014 were as follows:

	Year ended December 31	
	2015	**2014**
Accounting services	$ 26,575	$ 20,000
Management salary	100,000	75,000
Corporate services	9,191	17,283
Rent expense	29,160	11,250
Computer expenses	12,020	-
Telephone expense	1,757	939
Transfer Agent	2,992	13,763
Others	9,000	(9,459)
	$ 190,695	$ 128,776

14. CAPITAL DISCLOSURES

The Company's objectives when managing capital are as follows:

a. To safeguard the Company's ability to continue as a going concern.
b. To raise sufficient capital to finance its exploration and development activities on its mineral exploration properties.
c. To raise sufficient capital to meet its general and administrative expenditures.

The Company considers its capital to be equity, which comprises capital stock, contributed surplus, warrants and deficit, which at December 31, 2015 was a deficiency of $12,340 (2014 – equity of $494,902).

The Company manages its capital structure and makes adjustments to it based on general economic conditions, short term working capital requirements, and planned exploration and development. The Company utilizes annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by management and updated for changes in the budgets' underlying assumptions as necessary. There have been no changes in the way the Company manages its capital during the years ended December 31, 2015 and 2014.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2015, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

15. RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. 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 in relation to the Company's activities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant price, credit, liquidity, or cash flow risks arising from the financial instruments. There were no changes to the Company's risks, objectives, policies and procedures during the years ended December 31, 2015 and 2014.

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, deposits and sundry receivables. Cash and cash equivalents and deposits are held at reputable Canadian financial institutions.

The Company has no significant concentration of credit risk arising from operations. Management believes the risk of loss to be remote.

The carrying amount of sundry receivables and cash and cash equivalents represents the maximum credit exposure.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company maintains a majority of its surplus funds in interest bearing accounts with Canadian financial institutions, which pay interest at a floating rate.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses which may damage the Company's reputation.

The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities. This is generally accomplished by ensuring that cash is always available to settle financial liabilities. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

At December 31, 2015, the Company had cash and cash equivalents of $19,499 (2014 – $322,648) to settle current liabilities of $1,079,554 (2014 - $737,722). The Company has a working capital deficiency of $892,286 at December 31, 2015 (2014 - $323,178).

Foreign exchange

The Company operates primarily in Canada and the United States. The presentation currency is Canadian dollars and the functional currency of the parent company is the Canadian dollar. As at December 31, 2015, the Company's US dollar net monetary liabilities totaled $21,428. Accordingly a 5% change in the US dollar exchange rate as at December 31, 2015 on this amount would have resulted in an exchange gain or loss and therefore net loss would have increased (decreased) by $1,071.

(Expressed in Canadian Dollars)

Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future operations will be significantly affected by changes in the market prices for commodities. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, and stability of exchange rates can all cause significant fluctuations in commodity prices. Such external economic factors may in turn be influenced by changes in international investment patterns, monetary systems and political developments.

Market risk

Market risk is the risk that the fair value of or future cash flows from the Company's financial instruments will significantly fluctuate because of changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices. Additionally, the Company adjusts its investments to fair value at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on the Company's financial position. As at December 31, 2015, the Company's investments totaled $99,000. Accordingly a 5% change in the market price as at December 31, 2015 on this amount would have resulted in a gain or loss and therefore net loss would have increased (decreased) by $4,950.

16. SEGMENTED INFORMATION

The Company currently operates in one reportable segment, being the acquisition, exploration and evaluation of oil and gas interests. Non-current assets segmented by geographical area are as follows:

As of December 31, 2015

	Canadian Operation	US Operation	Total
Total assets	$ 1,065,692	$ 119,187	$ 1,184,879
Exploration and evaluation assets	$ 515,692	$ -	$ 515,692

As of December 31, 2014

	Canadian Operation	US Operation	Total
Total assets	$ 1,316,847	$ -	$ 1,316,847
Exploration and evaluation assets	$ 515,692	$ -	$ 515,692

17. SUBSEQUENT EVENT

On April 1, 2016, 10,000,000 warrants with an exercise price of $0.10 expired unexercised.