MOONCOR OIL & GAS CORP.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)

September 30, 2017

MOONCOR OIL & GAS CORP.

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, sub-section 4.3(3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice that the interim condensed consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim condensed financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

MOONCOR OIL & GAS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2017 AND DECEMBER 31, 2016
(Unaudited - expressed in Canadian dollars)

	Note	September 30, 2017	December 31, 2016
ASSETS			
Current Assets:			
Cash		$ 111,946	$ 49,520
Sundry receivables		18,695	8,615
Prepaid expenses		4,945	13,171
Total current assets		135,586	71,306
Non-current assets:			
Oil and gas property interests	3	509,279	515,692
Deposits	9	314,050	486,393
Total non-current assets		823,329	1,002,085
Total assets		$ 958,915	$ 1,073,391
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	7	$ 1,317,774	$ 1,211,801
Reclamation and decommissioning obligation - current portion	6	5,796	5,796
Advances	4	206,366	102,663
Total current liabilities		1,529,936	1,320,260
Long term liabilities			
Reclamation and decommissioning obligation	6	111,440	112,452
Total long term liabilities:		111,440	112,452
Total liabilities		1,641,376	1,432,712
SHAREHOLDERS' DEFICIENCY			
Capital stock	5	20,586,793	20,586,793
Contributed surplus	5	1,897,322	1,897,322
Warrants	5	41,100	41,100
Foreign currency translation reserve		4,398	(4,552)
Deficit		(23,212,074)	(22,879,984)
Total shareholders' deficiency		(682,461)	(359,321)
Total liabilities and shareholders' deficiency		$ 958,915	$ 1,073,391
Nature and continuance of operations	1		
Commitments and contingencies	6,9		

See accompanying notes to the consolidated financial statements.

MOONCOR OIL & GAS CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(Unaudited - expressed in Canadian dollars)

	Note	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Revenue	3(a)	$ 26,213	$ -	$ 77,143	$ -
Interest income		582	-	2,193	-
Total revenue		$ 26,795	$ -	$ 79,336	$ -
Expenses					
Operational expenses	12	$ 30,373	$ -	$ 225,355	$ -
Depletion of oil and gas property interests	3(a)	1,814	-	6,413	-
Professional fees and disbursements		(5,266)	6,486	13,063	30,666
Exploration expenses	10	3,904	2,042	16,875	14,317
Finance costs	4	5,747	-	13,703	-
Office and general	11	13,489	47,046	112,823	147,593
Insurance		4,833	4,194	20,588	27,169
Total expenses		$ 54,894	$ 59,768	$ 408,820	$ 219,745
Loss before undernoted		**(28,099)**	**(59,768)**	**(329,484)**	**(219,745)**
(Loss) gain on foreign exchange		(1,277)	369	(2,606)	(1,707)
Unrealized loss on investments		-	-	-	(27,000)
Net realized gain on sale of investments		-	-	-	1,528
Net loss for the period		**(29,376)**	**(59,399)**	**(332,090)**	**(246,924)**
Other comprehensive income					
Exchange differences on translation of foreign operations		4,665	(1,712)	8,950	5,413
Total comprehensive loss for the period		**$ (24,711)**	**$ (61,111)**	**$ (323,140)**	**$ (241,511)**
Weighted average shares outstanding - basic and diluted	5	167,536,185	167,536,185	167,536,185	167,536,185
Net loss per share based on net loss for the period - basic and diluted	5	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)

See accompanying notes to the consolidated financial statements.

MOONCOR OIL & GAS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(Unaudited - expressed in Canadian dollars)

	Number of Shares	Capital Stock	Contributed Surplus	Warrants	Foreign currency translation reserve	Deficit	Total Deficiency
Balance at December 31, 2015	167,536,185	$ 20,175,578	$ 1,897,322	$ 452,315	(7,150)	$ (22,530,405)	$ (12,340)
Net loss for the period	-	-	-	-	-	(246,924)	(246,924)
Exchange differences on translation of foreign operations	-	-	-	-	5,413	-	5,413
Balance at September 30, 2016	167,536,185	$ 20,175,578	$ 1,897,322	$ 452,315	$ (1,737)	$ (22,777,329)	$ (253,851)
Balance at December 31, 2016	167,536,185	$ 20,586,793	$ 1,897,322	$ 41,100	$ (4,552)	$ (22,879,984)	$ (359,321)
Net loss for the period	-	-	-	-		(332,090)	(332,090)
Exchange differences on translation of foreign operations	-	-	-	-	8,950	-	8,950
Balance at September 30, 2017	167,536,185	$ 20,586,793	$ 1,897,322	$ 41,100	$ 4,398	$ (23,212,074)	$ (682,461)

See accompanying notes to the consolidated financial statements.

MOONCOR OIL & GAS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(Unaudited - expressed in Canadian dollars)

	Nine months ended September 30,	
	2017	**2016**
Cash flows used in operating activities		
Net loss for the period	$ (332,090)	$ (246,924)
Depletion of oil and gas property interests	6,413	-
Net realized gain on sale of investments	-	(1,528)
Net change in unrealized loss on investments	-	27,000
Accretion of reclamation and decommissioning obligation	(1,012)	(516)
	(326,689)	(221,968)
Changes in non-cash working capital balances		
Sundry receivables	(10,080)	58,494
Prepaid expenses	8,226	(2,741)
Accounts payable and accrued liabilities	105,973	69,892
Cash flows used in operations	(222,570)	(96,323)
Cash flows from investing activities		
Proceeds on sale of investments	-	73,528
Decrease in deposits	172,343	3,615
Cash flows from investing activities	172,343	77,143
Cash flows from financing activities		
Accrued interest on advances	13,703	-
Proceeds from advances	90,000	-
Cash flows from financing activities	103,703	-
Net increase (decrease) in cash	53,476	(19,180)
Effect of changes in foreign exchange rate	8,950	5,413
Cash, beginning of period	49,520	19,499
Cash, end of period	$ 111,946	$ 5,732

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 in commercial production and in the exploration phase. 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 interim condensed consolidated financial statements (“interim consolidated 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.

These interim consolidated statements were approved for issue by the board of directors on November 29, 2017.

These interim consolidated 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 incurred a net loss of $332,090 for the nine months ended September 30, 2017 (nine months ended September 30, 2016 - $246,924), has a working capital deficiency in the amount of $1,394,350 and has a deficit in the amount of $23,212,074 as at September 30, 2017. The Company 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 September 30, 2017 will not be sufficient to meet the Company’s potential capital and operating expenditures through September 30, 2018. 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 interim consolidated 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

Statement of Compliance

These interim consolidated statements are unaudited and have been prepared on a condensed basis in accordance with International Accounting Standard 34, Interim Financial Reporting Standard issued by the International Accounting Standards Board ("IASB") using accounting policies consistent with International Financial Reporting Standards ("IFRS").

These interim consolidated statements for the nine month periods ended September 30, 2017 and 2016 should be read together with the annual consolidated financial statements as at and for the year ended December 31, 2016 which were prepared in accordance with IFRS.

Changes in Accounting Policies

These interim consolidated statements follow the same accounting policies and methods of computation as those described in Note 3 of the annual consolidated financial statements as at and for the year ended December 31, 2016, except as follows:

1. IAS 7 – Statement of Cash Flows ("IAS 7") was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. The implementation of amendments to IAS 7 had no impact to the Company's interim consolidated Statements for the nine months ended September 30, 2017.

2. 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. The implementation of amendments to IAS 12 had no impact to the Company's interim consolidated Statements for the nine months ended September 30, 2017.

Future accounting pronouncements

IFRS accounting standards, interpretations and amendments to existing IFRS accounting standards that were not yet effective as at December 31, 2016, are described in Note 3 to the annual consolidated financial statements as at and for the year ended December 31, 2016. There have been no other changes to existing IFRS accounting standards and interpretations since December 31, 2016 that are expected to have a material effect on the Company's interim consolidated statements.

Basis of measurement

The interim consolidated 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 interim consolidated 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.

(Unaudited - expressed in Canadian dollars)

Basis of consolidation

These interim consolidated 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 interim consolidated statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

Critical accounting judgments, estimates and assumptions

The preparation of the interim consolidated statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the interim consolidated statements and the reported amounts of revenue and expenses during the reporting period. 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 and judgment considered by management in preparing the interim consolidated statements were the same as those in the preparation of the annual financial statements as at and for the year ended December 31, 2016.

3. OIL AND GAS PROPERTY INTERESTS

Oil and gas property interests as at September 30, 2017 and December 31, 2016 consist of:

		Alberta (a)
Balance, December 31, 2015	**$**	**505,000**
Reclamation and decommissioning obligation		10,692
Balance, December 31, 2016		515,692
Depletion for the period		(6,413)
Balance, September 30, 2017	**$**	**509,279**

(a) <u>Oil and Natural Gas Interests (Lloydminster (Alberta))</u>

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.

During the nine months ended September 30, 2017, the two wells were placed into production and produced 2,064 barrels of oil. Included in the statement of loss and comprehensive loss for the nine months ended September, 2017 is revenue of $77,143 and depletion of oil and gas property interests of $6,413 relating to the production from the two wells in accordance with the Company's accounting policy.

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

On January 27, 2016, 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.

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 2017 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.

4. ADVANCES

During the year ended December 31, 2016, the Company signed promissory notes and received $100,000 (2015 - $nil). Of the total, $75,000 were from related parties (directors and a company controlled by an officer of the Company). The loans are due on demand and bear interest at 12% per annum. Of the total, $50,000 is secured against the assets of the Company and $50,000 is unsecured.

During the nine months ended September 30, 2017, the Company signed additional promissory notes and received $90,000 from related parties (directors and a company controlled by an officer of the Company). These additional promissory notes are secured against the Company's assets. Of the total, $40,000 are due on demand and the remaining $50,000 are due on December 12, 2017. The loans bear interest at 12% per annum and are secured against the assets of the Company. Included in finance costs in the consolidated statements of loss and comprehensive loss for the nine months ended September 30, 2017 was interest expense of $13,703 (nine months ended September 30, 2016 - $nil) relating to these advances.

(Unaudited - expressed in Canadian dollars)

5. SHAREHOLDERS' EQUITY

Capital Stock

At September 30, 2017 and December 31, 2016, the authorized share capital comprised an unlimited number of common shares with no par value.

	# of Common Shares		Amount
Balance, December 31, 2015	**167,536,185**	**$**	**20,175,578**
Expired warrants transferred to capital stock	**-**		**411,215**
Balance, September 30, 2017 and December 31, 2016	**167,536,185**	**$**	**20,586,793**

Warrants

Details of warrant transactions for nine months ended September 30, 2017 are as follows:

	# of Warrants		Amount		Weighted Average Exercise Price
Balance, December 31, 2015	**29,050,157**	**$**	**452,315**	**$**	**0.10**
Expiry of warrants - April 1, 2016	(10,000,000)		(217,785)		0.10
Expiry of warrants - October 1, 2016	(7,601,665)		(193,430)		0.10
Balance, September 30, 2017 and December 31, 2016	**11,448,492**	**$**	**41,100**	**$**	**0.10**

The following table summarizes information about warrants outstanding as at September 30, 2017:

Issue date	# of warrants	Expiry date		Exercise price		Estimated fair value on issue date
June 13, 2014	11,448,492	June 13, 2018	$	0.10	$	41,100

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 nine 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 since 2011. No options were granted during the nine months ended September 30, 2017 or during the year ended December 31, 2016.

(Unaudited - expressed in Canadian dollars)

The following table summarizes information about the options outstanding and exercisable as at September 30, 2017:

# of Options Outstanding and Exercisable	Exercise Price		Expiry Date	Remaining Contractual Life (years)
270,000	$	0.25	November 19, 2020	3.14
75,000		0.20	April 8, 2021	3.52
67,500		0.23	May 4, 2021	3.59
211,250		0.14	November 29, 2021	4.17
623,750	**$**	**0.20**		**3.58**

Basic and diluted loss per share based on loss for the three and nine months ended September 30:

Numerator:	**Three months ended September 30,**				**Nine months ended September 30,**			
		2017		2016		**2017**		2016
Net loss for the period	**$**	**29,376**	$	59,399	**$**	**332,090**	$	246,924
Denominator:		**2017**		2016		**2017**		2016
Weighted average number of common shares outstanding - basic and diluted (i)		**167,536,185**		167,536,185		**167,536,185**		167,536,185
Loss per common share based on net loss for the period:		**2017**		2016		**2017**		2016
Basic and diluted	**$**	**0.00**	$	0.00	**$**	**0.00**	$	0.00

(i) The determination of the weighted average number of common shares outstanding – diluted excludes 12,072,242 shares related to convertible securities that were anti-dilutive for the nine months ended September 30, 2017 (nine months ended September 30, 2016 – 19,673,907 shares).

6. RECLAMATION AND DECOMMISSIONING OBLIGATION

As at September 30, 2017, the Company provided $117,236 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 (2016 - $81,000). 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 $29,955. 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.

(Unaudited - expressed in Canadian dollars)

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 September 30, 2017 and December 31, 2016 is as follows:

		Alberta		Montana		Total
Balance, December 31, 2015	**$**	**85,731**	**$**	**31,934**	**$**	**117,665**
Accretion expense		1,536		180		1,716
Foreign currency translation		-		(1,133)		(1,133)
Balance, December 31, 2016	**$**	**87,267**	**$**	**30,801**	**$**	**118,248**
Accretion expense		1,173		-		1,173
Foreign currency translation		-		(2,185)		(2,185)
Balance, September 30, 2017	**$**	**88,440**	**$**	**28,616**	**$**	**117,236**

$5,796 of the Montana reclamation costs are expected to be incurred in 2017 and $22,820 in 2018 while the Alberta costs are expected to be incurred in 2024.

7. 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) Included in accounts payable and accrued liabilities as at September 30, 2017 and December 31, 2016 is $52,817 for legal fees and disbursements owing to a law firm in which an officer, Robbie Grossman, is a partner.

(b) Included in accounts payable and accrued liabilities as at September 30, 2017 and December 31, 2016 is $41,999 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.

(c) At September 30, 2017, $364,000 (December 31, 2016 - $277,224) has been included in accounts payable and accrued liabilities for unpaid remuneration of the Company's Chief Executive Officer and director, Allen Lone.

(d) At September 30, 2017 and December 31, 2016, $39,818 is included in accounts payable and accrued liabilities, relating to services provided by a former director and officer (Nick Tsimidis).

(e) At September 30, 2017 and December 31, 2016, $10,625 is included in accounts payable and accrued liabilities due to a former officer (Darell Brown).

(f) At September 30, 2017 and December 31, 2016, $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).

(g) $4,000 is included in accounts payable and accrued liabilities at September 30, 2017 and December 31, 2016 to an officer and director of the Company.

(h) At September 30, 2017 and December 31, 2016, $1,582 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.

(Unaudited - expressed in Canadian dollars)

(i) During the nine months ended September 30, 2017, the Company paid $12,764 (nine months ended September 30, 2016 - $7,087) to a company controlled by an officer of the Company, Tony Boogmans, for consulting fees and disbursements. At September 30, 2017, $12,337 (December 31, 2016 - $6,365) has been included in accounts payable and accrued liabilities.

(j) During the year ended December 31, 2016, the Company signed promissory notes and received $75,000 (2016 - $nil) from related parties (directors and a company controlled by an officer of the Company). The loans are due on demand and bear interest at 12% per annum. Of the total $50,000 is secured against the assets of the Company and $25,000 is unsecured. (Note 4)

(k) During the nine months ended September 30, 2017, the Company signed promissory notes and received $90,000 from related parties (directors and a company controlled by an officer of the Company) and secured against the assets of the Company. Of the total, $40,000 are due on demand and the remaining $50,000 are due on December 12, 2017. The loans bear interest at 12% per annum and are secured against the assets of the Company. (Note 4)

(l) Included in office and general expenses for the nine months ended September 30, 2017 is $4,125 (2016 - $6,667) for consulting services provided by Binh Quach, a director of the Company. As at September 30, 2017, $17,904 (at December 31, 2016, $14,930) has been included in accounts payable and accrued liabilities.

(m) Included in professional fees for the nine months ended September 30, 2017 is $1,243 (2016 - $1,271) for taxation services provided by DNTW Toronto LLP, an accounting firm in which Gerry Feldman, a director, is a partner. At September 30, 2017 $1,243 (December 31, 2016, $1,271) has been included in accounts payable and accrued liabilities.

8. 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.

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
Short-term compensation	$ 25,000	$ 25,000	$ 75,000	$ 75,000

These transactions are in the normal course of operations.

(Unaudited - expressed in Canadian dollars)

9. 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 3, 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.

Deposits

The Company is liable to undertake reclamation and abandonment work on its leases. The Company has lodged deposits of $251,650 as at September 30, 2017 (December 31, 2016 - $419,258) with the Alberta Energy Resource Conservation Regulators as required by legislation. The Company has also lodged a drilling deposit of $62,400 as at September 30, 2017 (US$50,000) (December 2016 - $67,135 (US$50,000)) with regulatory bodies in Montana, USA.

During the nine months ended September 30, 2017, deposits of $169,760 was refunded to the Company by the Alberta Energy Board for meeting its work requirements

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.

10. EXPLORATION EXPENSES

The exploration costs during three and nine months ended September 30, 2017 and 2016 were as follows:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Annual lease renewal costs	$ 3,134	$ 1,638	$ 14,945	$ 7,788
Land management	761	-	1,269	4,059
Others	9	404	661	2,470
	$ 3,904	$ 2,042	$ 16,875	$ 14,317

(Unaudited - expressed in Canadian dollars)

11. OFFICE AND GENERAL EXPENSES

The office and general expenses during three and nine months ended September 30, 2017 and 2016 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
Accounting services	$ 9,950	$ 12,425	$ 33,775	$ 37,100
Management salary	25,000	25,000	75,000	75,000
Corporate services	255	382	10,153	8,225
Rent expense	5,040	5,040	14,220	15,120
Computer expenses	(13)	2,088	588	6,348
Telephone expense	743	899	2,025	1,950
Transfer agent	529	755	2,604	2,320
Others	(28,015)	457	(25,542)	1,530
	$ 13,489	$ 47,046	$ 112,823	$ 147,593

12. OPERATIONAL EXPENSES

The operational expenses relating to the wells in Alberta during three and nine months ended September 30, 2017 and 2016 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
Contract operator & labour	$ 2,916	$	$ 13,001	$
Road & Lease maintennace	3,206	-	10,804	-
Equipment Rental	7,855	-	24,111	-
Services & minor workover	1,145	-	57,649	-
Fuel & power	5,099	-	21,225	-
Trucking	5,110	-	16,933	-
Service rig	-	-	42,683	-
Waste disposals and chemical supplies	995	-	8,471	-
Royalty	-	-	3,263	-
Vacuum truck	-	-	2,525	-
Inspection services	1,859	-	2,795	-
Installation & supervision	2,188	-	21,895	-
	$ 30,373	$	$ 225,355	$

13. 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 shareholders' deficiency which at September 30, 2017 was a deficiency of $682,461 (December 31, 2016 - $359,321).

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 nine months ended September 30, 2017.

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 September 30, 2017, 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.

14. 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 nine months ended September 30, 2017 and the year ended December 31, 2016.

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 September 30, 2017, the Company had cash of $111,946 (December 31, 2016 – $49,520) to settle current liabilities of $1,529,936 (December 31, 2016 - $1,320,260). The Company has a working capital deficiency of $1,394,350 (December 31, 2016 - $1,248,954).

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 September 30, 2017, the Company's US dollar net monetary liabilities totaled $46,249. Accordingly a 5% change in the US dollar exchange rate as at September 30, 2017 on this amount would have resulted in an exchange gain or loss and therefore net loss would have increased (decreased) by $2,312.

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.

(Unaudited - expressed in Canadian dollars)

15. 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 September 30, 2017

		Canadian Operation		US Operation		Total
Total assets	$	890,080	$	68,835	$	958,915
Oil and gas property interests	$	509,279	$	-	$	509,279

As of December 31, 2016

		Canadian Operation		US Operation		Total
Total assets	$	996,181	$	77,210	$	1,073,391
Oil and gas property interests	$	515,692	$	-	$	515,692