MOONCOR OIL & GAS CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Prepared in Canadian dollars)

For The Years Ended December 31, 2017 and 2016

Wasserman Ramsay

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, 2017, and the consolidated statement of income and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 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 audit. We conducted our audit 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

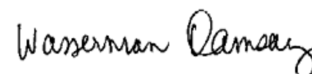
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mooncor Oil & Gas Corp. and its subsidiaries as at December 31, 2017 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has a history of operating losses. As at December 31, 2017, the Company has a working capital deficiency in the amount of $1,071,351 and has an accumulative deficit of $22,861,966. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other matter

The consolidated financial statements of Mooncor Oil & Gas Corp.as at December 31, 2016 and for the year then ended, were audited by other auditors who expressed an unmodified opinion on those statements on April 21, 2017.



Markham, Ontario
April 27, 2018

Chartered Accountants
Licensed Public Accountants

MOONCOR OIL & GAS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in Canadian Dollars)

	Note	December 31, 2017	December 31, 2016
ASSETS			
Current Assets:			
Cash		$ 65,013	$ 49,520
Sundry receivables		23,448	8,615
Prepaid expenses		7,620	13,171
Total current assets		96,081	71,306
Non-current assets:			
Oil and gas property interests	5	509,279	515,692
Deposits	11	315,490	486,393
Total non-current assets		824,769	1,002,085
Total assets		$ 920,850	$ 1,073,391
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities		$ 926,373	$ 1,211,801
Reclamation and decommissioning obligation - current portion	8	28,946	5,796
Advances	6	212,113	102,663
Total current liabilities		1,167,432	1,320,260
Long term liabilities			
Reclamation and decommissioning obligation	8	88,831	112,452
Total long term liabilities:		88,831	112,452
Total liabilities		1,256,263	1,432,712
SHAREHOLDERS' DEFICIENCY			
Capital stock	7	20,586,793	20,586,793
Contributed surplus	7	1,897,322	1,897,322
Warrants	7	41,100	41,100
Foreign currency translation reserve		1,338	(4,552)
Deficit		(22,861,966)	(22,879,984)
Total shareholders' deficiency		(335,413)	(359,321)
Total liabilities and shareholders' deficiency		$ 920,850	$ 1,073,391
Nature and continuance of operations	1		
Commitments and contingencies	8,11		
Subsequent event	18		

Approved by the Board of Dorectors

"Binh Quach" Director

"Allen Lone" Director

See accompanying notes to the consolidated financial statements.

MOONCOR OIL & GAS CORP.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in Canadian Dollars)

	Note	Year ended December 31, 2017	2016
Revenue	5(a)	$ 77,143	$ -
Interest income		3,864	7,073
Total revenue		$ 81,007	$ 7,073
Expenses			
Operational expenses	14	$ 232,918	$ -
Depletion of oil and gas property interests	5(a)	6,413	-
Professional fees and disbursements		16,186	40,061
Exploration expenses	12	80,476	29,487
Finance costs	6	19,450	2,663
Office and general	13	(325,011)	222,461
Insurance		30,070	35,496
Total expenses		$ 60,502	$ 330,168
Income (loss) before undernoted		**20,505**	**(323,095)**
(Loss) on foreign exchange		(2,487)	(1,012)
Unrealized loss on investments		-	(27,000)
Net realized gain on sale of investments		-	1,528
Net income (loss) for the year		**18,018**	**(349,579)**
Other comprehensive income			
Exchange differences on translation of foreign operations		5,890	2,598
Total comprehensive income (loss) for the year		**$ 23,908**	**$ (346,981)**
Weighted average shares outstanding - basic and diluted	7	167,536,185	167,536,185
Earnings (loss) per common share based on net income (loss) for the year	7	$ 0.00	$ (0.00)

See accompanying note to the consolidated financial statements

MOONCOR OIL & GAS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY
YEARS ENDED DECEMBER 31, 2017 AND 2016
(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 year	-	-	-	-	-	(349,579)	(349,579)
Expired warrants transferred to capital stock	-	411,215	-	(411,215)	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	2,598	-	2,598
Balance at December 31, 2016	167,536,185	$ 20,586,793	$ 1,897,322	$ 41,100	$ (4,552)	$ (22,879,984)	$ (359,321)
Balance at December 31, 2016	167,536,185	$ 20,586,793	$ 1,897,322	$ 41,100	$ (4,552)	$ (22,879,984)	$ (359,321)
Net income for the year	-	-	-	-		18,018	18,018
Exchange differences on translation of foreign operations	-	-	-	-	5,890	-	5,890
Balance at December 31, 2017	167,536,185	$ 20,586,793	$ 1,897,322	$ 41,100	$ 1,338	$ (22,861,966)	$ (335,413)

See accompanying notes to the consolidated financial statements.

MOONCOR OIL & GAS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in Canadian Dollars)

	Year ended December 31,	
	2017	**2016**
Cash flows used in operating activities		
Net income (loss) for the year	$ 18,018	$ (349,579)
Depletion of oil and gas property interests	6,413	-
Reversal of old accounts payable	(512,458)	-
Net realized gain on sale of investments	-	(1,528)
Net change in unrealized loss on investments	-	27,000
Accretion of reclamation and decommissioning obligation	(471)	583
	(488,498)	(323,524)
Changes in non-cash working capital balances		
Sundry receivables	(14,833)	55,274
Prepaid expenses	5,551	(8,291)
Accounts payable and accrued liabilities	227,030	132,247
Cash flows used in operations	(270,750)	(144,294)
Cash flows from investing activities		
Proceeds on sale of investments	-	73,528
Decrease in deposits	170,903	(4,474)
Cash flows from investing activities	170,903	69,054
Cash flows from financing activities		
Accrued interest on advances	19,450	2,663
Proceeds from advances	90,000	100,000
Cash flows from financing activities	109,450	102,663
Net increase in cash	9,603	27,423
Effect of changes in foreign exchange rate	5,890	2,598
Cash, beginning of year	49,520	19,499
Cash, end of year	$ 65,013	$ 49,520
Supplemental Information		
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.A. Inc (“PPCUSA”), a Montana, USA corporation, Primary Petroleum Company LLC (“PPCLLC”), a Montana, USA corporation and AP Petroleum Company LLC (“APLLC”), a Montana, USA Corporation. The Board of Directors approved these consolidated financial statements for issue on April 27, 2018.

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. As at December 31, 2017, the Company has a working capital deficiency in the amount of $1,071,351 (2016 - $1,248,954) and has a deficit in the amount of $22,861,966 (2016 - $22,879,984). 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, 2017 will not be sufficient to meet the Company’s potential capital and operating expenditures through December 31, 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 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 oil and gas property interests

  While assessing whether any indications of impairment exist for property interests, 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 property interests. 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. 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. 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 property interests.

- 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.

- 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.

- Oil and natural gas reserves

  The Company's reserves of oil and natural gas are estimated based on information compiled by the Company's qualified persons, independent geologists and engineers. The process of estimating reserves requires significant judgment in evaluating and assessing available geological, geophysical, engineering and economic data, projected rates of production, estimated commodity price forecasts and the timing of future expenditures, all of which are, by their very nature, subject to interpretation and uncertainty. The evaluation of recoverable reserves is an ongoing process impacted by current production, continuing development activities and changing economic conditions. Changes in estimates of reserves may materially impact the carrying value of the Company's oil and gas properties, the recorded amount of depletion, the determination of the Company's obligations pursuant to decommissioning liabilities and the assessment of impairment provisions.

- Contingencies

  Refer to Note 11.

The information about significant areas of judgment considered by management in preparing the consolidated statements is as follows:

- Going concern

  The Company's management has made an assessment of the Company's ability to continue as a going concern and the consolidated statements continue to be prepared on a going concern basis. However, management does not believe the Company has sufficient cash on hand to meet the Company's operating expenditures beyond December 31, 2017 which may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Refer to Note 1.

- Oil and gas property interests expenditures

  The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment to determine whether future economic benefits are likely, from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Company defers exploration and evaluation expenditures. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalized amount is written off in the consolidated statement of income (loss) in the period when the new information becomes available.

- Determination of functional currency

  The effects of Changes in Foreign Exchange Rates' (IAS 21) define the functional currency as the currency of the primary economic environment in which an entity operates. The determination of functional currency, which is performed on an entity by entity basis, is based on various judgmental factors outlined in IAS 21. Based on assessment of the factors in IAS 21, primarily those that influence labour, material and other costs of goods or services received by its subsidiaries, management determined that the functional currency for the parent company is Canadian dollars and the US dollar for the Company's subsidiaries located in the USA.

- Deferred tax assets

  Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies. As at December 31, 2017 and 2016, the Company has not recognized any deferred tax assets because it is not probable that future taxable income will be available against which the Company can use the benefits of the deferred tax assets.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Oil and gas exploration and evaluation assets and oil and gas property interests

- 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.

  Costs incurred subsequent to the determination of technical feasibility and commercial viability are added to the cost base of the respective item of P&E when they increase the future economic benefits of that asset. The costs of regular service and maintenance are expensed in profit or loss in the period in which they occur.

  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 consolidated statement of income (loss).

- Oil and gas property interests

  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.

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.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and short-term investments with original maturities of less than three months. Cash are offset and the net amount presented in the statements of financial position to the extent that there is a right to set off and a practice of net settlement. Cash includes accrued interest on short-term investments. As at December 31, 2017 and 2016, the Company had no cash equivalents.

Depletion

Depletion of oil and gas property interests 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 oil 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.

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.

Income (loss) per share

Basic income (loss) per share figures are calculated using the weighted average number of common shares outstanding during the year. Diluted income (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 income (loss) per share on the exercise of the warrants and stock options would be anti-dilutive.

Basic and diluted income (loss) per common share is calculated using the weighted average number of common shares outstanding during the year. 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.

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 income (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 consolidated statement of income (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 consolidated statement of income (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	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
Advances	Other financial liabilities	Amortized cost

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

As of December 31, 2017 and 2016, 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 transaction date. 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 income (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 income (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 income (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.

Accounting changes

Effective January 1, 2017, the Company adopted new IFRS standards, interpretations, amendments and improvements of existing standards, as follows:

a. 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 consolidated Statements for the year ended December 31, 2017.

b. 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 consolidated Statements for the ended December 31, 2017.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2018. 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.

a. IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB as a complete standard in July 2014 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.

b. IFRS 15 - Revenue From Contracts With Customers ("IFRS 15") proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

c. IFRS 16 – Leases ("IFRS 16") was issued in January 2017 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability

plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

d. IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22") was issued in December 2017 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognised in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

4. INVESTMENTS

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 incurred prior to the acquisition as described in Note 11. These shares were valued at $72,000 based on the quoted market price at the time of receipt. During the year ended December 31, 2016, the Company sold all of the Keek shares for net proceeds of $73,528 resulting in a net realized gain on disposal of investments of $1,528 and a net change in unrealized loss on investments of $27,000 which have been reflected in the consolidated statement of loss during the year ended December 31, 2016.

5. OIL AND GAS PROPERTY INTERESTS

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

		Alberta (a)
Balance, December 31, 2015	**$**	**505,000**
Reclamation and decommissioning obligation		10,692
Balance, December 31, 2016		515,692
Depletion for the year		(6,413)
Balance, December 31, 2017	**$**	**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 costs 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 year ended December 31, 2017, the two wells were placed into production and produced 2,064 barrels of oil. Included in the statement of income and comprehensive income for the year ended December 31, 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, 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.

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 is 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 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. During the year ended December 31, 2017, the Company spent $80,476 (2016 - $29,487) on exploration expenses for operating leases which was expensed in the consolidated statements of income (loss) and comprehensive income (loss).

Subsequent to December 31, 2017, the Company has assigned and transferred operations of the existing wells in Montana, USA, to Noah Energy.

6. ADVANCES

During the year ended December 31, 2016, the Company signed promissory notes and received $100,000. 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 year ended December 31, 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 and are due on demand. 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 income and comprehensive income for the year ended December 31, 2017 was interest expense of $19,450 (2016 - $2,663) relating to these advances.

7. SHAREHOLDERS' EQUITY

Capital Stock

At December 31, 2017 and 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**	**$**	**20,175,578**
Expired warrants transferred to capital stock	-		411,215
Balance, December 31, 2017 and 2016	**167,536,185**	**$**	**20,586,793**

Warrants

Details of warrant transactions for the years ended December 31, 2017 and 2016 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, December 31, 2017 and December 31, 2016	**11,448,492**	**$**	**41,100**	**$**	**0.10**

The following table summarizes information about warrants outstanding as at December 31, 2017 and 2016.

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 six months from the date of grant, ¼ nine months from the date of grant and the final ¼ twelve 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, 2017 or 2016.

The following table summarizes information about the options outstanding and exercisable as at December 31, 2017 and 2016:

# of Options Outstanding and Exercisable	Exercise Price		Expiry Date	Remaining Contractual Life (years)
270,000	$	0.25	November 19, 2020	2.89
75,000		0.20	April 8, 2021	3.27
67,500		0.23	May 4, 2021	3.34
211,250		0.14	November 29, 2021	3.92
623,750	**$**	**0.20**		**3.33**

Basic and diluted income (loss) per share based on income (loss) for the year

Basic and diluted income (loss) per share based on income (loss) for the years ended December 31:

Numerator:		**2017**		2016
Net income (loss) for the year	**$**	**18,018**	$	(349,579)
Denominator:		**2017**		2016
Weighted average number of common shares outstanding - basic and diluted (i)		**167,536,185**		167,536,185
Earnings (loss) per common share based on net income (loss) for the year		**2017**		2016
Basic and diluted	**$**	**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 year ended December 31, 2017 (2016 – 12,072,242 shares).

8. RECLAMATION AND DECOMMISSIONING OBLIGATION

The Company provided $117,777 as at December 31, 2017 (2016 - $118,248) 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 $83,000 (2016 - $83,000). 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.

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 costs as at December 31, 2017 and 2016 are 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**	**$ 30,981**	**$ 118,248**
Accretion expense	1,564	-	1,564
Foreign currency translation	-	(2,035)	(2,035)
Balance, December 31, 2017	**$ 88,831**	**$ 28,946**	**$ 117,777**

$28,946 of the Montana reclamation costs are expected to be incurred in 2018 while the Alberta costs are expected to be incurred in 2024.

9. 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 December 31, 2017 is $31,316 (2016 - $52,817) for legal fees and disbursements owing to a law firm (McMillan) in which an officer of the Company, Robbie Grossman, was a former partner.

b. Included in accounts payable and accrued liabilities as at December 31, 2017 is $43,068 (2016 - $42,536) 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 December 31, 2017, $398,750 (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 December 31, 2017 $nil (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 December 31, 2017 $nil (2016 - $10,625) is included in accounts payable and accrued liabilities due to a former officer (Darell Brown).

f. At December 31, 2017 $nil (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. At December 31, 2017 and 2016, $4,000 is included in accounts payable and accrued liabilities to an officer and director of the Company.

h. At December 31, 2017 $2,430 (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.

i. During the year ended December 31, 2017 (2016 - $75,000), 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 and due on demand. The loans bear interest at 12% per annum and are secured against the assets of the Company (2016 - $50,000 were secured and $25,000 unsecured). (Note 4)

j. Included in office and general expenses for the year ended December 31, 2017 is $6,650 (2016 - $2,200) for consulting services provided by Binh Quach, a director of the Company. As at December 31, 2017, $19,817 (2016- $14,930) has been included in accounts payable and accrued liabilities.

k. Included in professional fees for the year ended December 31, 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 December 31, 2017 $1,243 (December 31, 2016, $1,271) 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 are those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Company.

	Year ended December 31,	
	2017	**2016**
Short-term compensation	$ 100,000	$ 100,000

These transactions are in the normal course of operations.

10. 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:

	2017 $	2016 $
Income (loss) before income taxes	18,018	(349,579)
Expected income tax recovery based on statutory rate	4,600	(90,000)
Adjustment to expected income tax benefit:		
Non-deductible expenses and other	22,000	2,000
Change in tax and exchange rates	-	3,000
Change in deferred tax assets not recognized	(26,600)	85,000
Deferred income tax	-	-

b) Deferred Income Tax

	2017 $	2016 $
Recognized deferred tax assets and liabilities:		
Non-capital loss carry-forwards	-	110,000
Exploration and evaluation	-	(110,000)
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:		
Non-capital loss carry-forwards	14,319,000	14,184,000
Capital loss carry-forwards	2,464,000	2,463,000
Other temporary differences	41,000	41,000
Total	16,824,000	16,688,000

The Canadian non-capital losses of $14,007,000 (2016 - $14,180,000) expire from 2026 to 2037. The U.S. non-capital losses of 312,000 (2016 - $433,000) expire from 2030 to 2037. 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.

11. 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 for the 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 $252,765 (2016 - $419,258) with the Alberta Energy Resource Conservation Board as required by legislation. The Company has also lodged a drilling deposit of US$50,000 ($62,725) (2016 - US$50,000 ($67,135)) 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.

12. EXPLORATION EXPENSES

The exploration costs during the years ended December 31, 2017 and 2016 were as follows:

	Year ended December 31,	
	2017	**2016**
Annual lease renewal costs	$ 25,222	$ 21,339
Land management	54,495	5,576
Others	759	2,572
	$ 80,476	$ 29,487

13. OFFICE AND GENERAL EXPENSES

The office and general expenses during the years ended December 31, 2017 and 2016 were as follows:

	Year ended December 31, 2017	2016
Accounting services	$ 46,425	$ 49,938
Management salary	100,000	100,000
Corporate services	(8,041)	17,818
Rent expense	19,260	29,160
Computer expenses	584	8,479
Telephone expense	2,682	2,597
Transfer agent	3,245	12,091
Reversal of old accounts payable	(512,458)	-
Others	23,292	2,378
	$ (325,011)	$ 222,461

14. OPERATIONAL EXPENSES

The operational expenses relating to the wells in Alberta for the year ended December 31, 2017 were as follows. There were no operational expenses in 2016.

	Year ended December 31, 2017
Contract operator & labour	$ 13,002
Road & Lease maintennace	10,804
Equipment Rental	24,111
Services & minor workover	60,751
Fuel & power	21,225
Trucking	16,933
Service rig	42,683
Waste disposals and chemical supplies	8,471
Royalty	7,723
Vacuum truck	2,525
Inspection services	2,795
Installation & supervision	21,895
	$ 232,918

15. 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, foreign currency translation reserve and deficit, which at December 31, 2017 was a deficiency of $335,413 (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 the years ended December 31, 2017 and 2016.

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, 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.

16. 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, interest or foreign exchange 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, 2017 and 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, deposits and sundry receivables. Cash 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, cash and deposits 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, 2017, the Company had cash of $65,013 (2016 – $49,250) to settle current liabilities of $1,144,282 (2016 - $1,320,260). The Company has a working capital deficiency of $1,071,351 at December 31, 2017 (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 December 31, 2017, the Company's US dollar net monetary assets totaled $30,992. Accordingly a 5% change in the US dollar exchange rate as at December 31, 2017 on this amount would have resulted in an exchange gain or loss and therefore net income would have increased (decreased) by $1,550

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.

17. 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, 2017

	Canadian Operation	US Operation	Total
Total assets	$ 854,473	$ 66,377	$ 920,850
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

18. SUBSEQUENT EVENT

Subsequent to December 31, 2017, the Company has assigned and transferred operations of the existing wells in Montana, USA, to Noah Energy.