MOONCOR OIL & GAS CORP.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Prepared in Canadian dollars)

March 31, 2018

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 MARCH 31, 2018 AND DECEMBER 31, 2017
(Unaudited - expressed in Canadian dollars)

	Note	March 31, 2018	December 31, 2017
ASSETS			
Current Assets:			
Cash		$ 1,626	$ 65,013
Sundry receivables		10,548	23,448
Prepaid expenses		13,118	7,620
Total current assets		25,292	96,081
Non-current assets:			
Oil and gas property interests	3	509,279	509,279
Deposits	9	253,578	315,490
Total non-current assets		762,857	824,769
Total assets		$ 788,149	$ 920,850
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities		$ 849,999	$ 926,373
Reclamation and decommissioning obligation - current portion	6	-	28,946
Advances	4	217,761	212,113
Total current liabilities		1,067,760	1,167,432
Long term liabilities			
Reclamation and decommissioning obligation	6	89,229	88,831
Total long term liabilities:		89,229	88,831
Total liabilities		1,156,989	1,256,263
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		1,249	1,338
Deficit		(22,895,304)	(22,861,966)
Total shareholders' deficiency		(368,840)	(335,413)
Total liabilities and shareholders' deficiency		$ 788,149	$ 920,850
Nature and continuance of operations	1		
Commitments and contingencies	6,9		
Subsequent event	16		

See accompanying notes to the consolidated financial statements.

MOONCOR OIL & GAS CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(Unaudited - expressed in Canadian dollars)

	Note	Three months ended March 31, 2018	2017
Revenue	3(a)	$ -	$ 20,923
Interest income		972	776
Total revenue		$ 972	$ 21,699
Expenses			
Operational expenses	12	$ -	$ 132,826
Depletion of oil and gas property interests		-	1,777
Professional fees and disbursements		4,676	11,066
Exploration expenses	10	1,609	3,082
Finance costs	4	5,648	3,248
Office and general	11, 3(b)	18,094	48,197
Insurance		5,256	8,223
Total expenses		$ 35,283	$ 208,419
(Loss) before undernoted		**(34,311)**	**(186,720)**
Income (loss) on foreign exchange		973	(343)
Net (loss) for the period		**(33,338)**	**(187,063)**
Other comprehensive (loss) income for the period			
Exchange differences on translation of foreign operations		(89)	1,231
Total comprehensive (loss) for the period		**$ (33,427)**	**$ (185,832)**
Weighted average shares outstanding - basic and diluted	5	167,536,185	167,536,185
(Loss) per common share based on net (loss) for the period	5	$ (0.00)	$ (0.00)

See accompanying notes to the consolidated financial statements.

MOONCOR OIL & GAS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(Unaudited - expressed in Canadian dollars)

	Number of Shares	Capital Stock	Contributed Surplus	Warrants	Foreign currency translation reserve	Deficit	Total Deficiency
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	-	-	-	-		(187,063)	(187,063)
Exchange differences on translation of foreign operations	-	-	-	-	1,231	-	1,231
Balance at March 31, 2017	167,536,185	$ 20,586,793	$ 1,897,322	$ 41,100	$ (3,321)	$ (23,067,047)	$ (545,153)
Balance at December 31, 2017	167,536,185	$ 20,586,793	$ 1,897,322	$ 41,100	$ 1,338	$ (22,861,966)	$ (335,413)
Net (loss) for the period	-	-	-	-		(33,338)	(33,338)
Exchange differences on translation of foreign operations	-	-	-	-	(89)	-	(89)
Balance at March 31, 2018	167,536,185	$ 20,586,793	$ 1,897,322	$ 41,100	$ 1,249	$ (22,895,304)	$ (368,840)

See accompanying notes to the consolidated financial statements.

MOONCOR OIL & GAS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(Unaudited - expressed in Canadian dollars)

	Three months ended March 31,	
	2018	**2017**
Cash flows used in operating activities		
Net (loss) for the period	$ (33,338)	$ (187,063)
Depletion of oil and gas property interests	-	1,777
Writeback of reclamation and decommissioning obligtion	(29,051)	-
Accretion of reclamation and decommissioning obligation	503	98
	(61,886)	(185,188)
Changes in non-cash working capital balances		
Sundry receivables	12,900	(34,676)
Prepaid expenses	(5,498)	(949)
Accounts payable and accrued liabilities	(76,374)	150,625
Cash flows used in operations	(130,858)	(70,188)
Cash flows from (used in) investing activities		
Decrease in deposits	61,912	(101)
Cash flows from (used in) investing activities	61,912	(101)
Cash flows from financing activities		
Accrued interest on advances	5,648	3,248
Proceeds from advances	-	50,000
Cash flows from financing activities	5,648	53,248
Net decrease in cash	(63,298)	(17,041)
Effect of changes in foreign exchange rate	(89)	1,231
Cash, beginning of period	65,013	49,520
Cash, end of period	$ 1,626	$ 33,710

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.

The interim consolidated statements were approved for issue by the board of directors on May 30, 2018.

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 $33,338 for the three months ended March 31, 2018 (three months ended March 31, 2017 - $187,063), has a working capital deficiency in the amount of $1,042,468 and has a deficit in the amount of $22,895,304 as at March 31, 2018. 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 March 31, 2018 will not be sufficient to meet the Company's potential capital and operating expenditures through March 31, 2019. 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 as at and for the three month periods ended March 31, 2018 and 2017 should be read together with the annual consolidated financial statements as at and for the year ended December 31, 2017 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, 2017, except those adopted on January 1, 2018 as follows. The implementation of the new policies had no impact to the Company's interim consolidated statements for the three months ended March 31, 2018.

1. 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.

2. 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.

3. 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.

Future accounting pronouncements

IFRS accounting standards, interpretations and amendments to existing IFRS accounting standards that were not yet effective as at December 31, 2017, are described in Note 4 to the annual consolidated financial statements as at and for the year ended December 31, 2017. There have been no other changes to existing IFRS accounting standards and interpretations since December 31, 2017 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.

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, 2017.

3. OIL AND GAS PROPERTY INTERESTS

Oil and gas property interests as at March 31, 2018 and December 31, 2017 consist of:

		Alberta (a)
Balance, December 31, 2016	**$**	**515,692**
Depletion for the year		(6,413)
Balance, March 31, 2018 and December 31, 2017	**$**	**509,279**

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

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

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

a. an obligation to pay a 60% share of the variable Crown royalties;
b. a 60% share of a 1% Gross Overriding Royalty ("GORR") payable to the party; and
c. a 3% GORR on the 60% share of production.

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

a. a 60% share of the Crown royalty;
b. a 60% share (36% after payout) of a 1% GORR payable on oil production;
c. a 5% to 15% variable convertible GORR payable in respect of oil production;
d. a 15% convertible GORR payable in respect of gas production; and
e. a 3% GORR payable on the Company's 60% share of production. The 5% to 15% variable convertible GORR and 15% convertible GORR are convertible to a 40% working interest once payout has been achieved.

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

During the three months ended March 31, 2018, the two wells that were placed into production in 2017 remained shut-in as they are being worked on to bring them back to production. Included in the statement of loss and comprehensive loss for the three months ended March 31, 2018 is revenue of $nil (2017 - $20,923) and depletion of oil and gas property interests of $nil (2017 - $1,777) 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.

In January 2018, the Company has assigned and transferred operations of the existing wells in Montana, USA, to Noah Energy, Inc. During the three months ended March 31, 2018, the Company reversed $29,051 of reclamation and decommissioning obligations to office and general expenses, relating to the Leases.

4. 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 loss and comprehensive loss for three months ended March 31, 2018 was interest expense of $5,648 (2017 - $3,248) relating to these advances.

5. SHAREHOLDERS' EQUITY

Capital Stock

At March 31, 2018 and December 31, 2017, the authorized share capital comprised an unlimited number of common shares with no par value.

	# of Common Shares		Amount
Balance, December 31, 2016	**167,536,185**	**$**	**20,586,793**
Transactions	-		-
Balance, March 31, 2018 and December 31, 2017	**167,536,185**	**$**	**20,586,793**

Warrants

Details of warrant transactions for three months ended March 31, 2018 are as follows:

	# of Warrants		Amount		Weighted Average Exercise Price
Balance, December 31, 2016	**11,448,492**	**$**	**41,100**	**$**	**0.10**
Transactions	-		-		-
Balance, March 31, 2018 and December 31, 2017	**11,448,492**		**41,100**	**$**	**0.10**

The following table summarizes information about warrants outstanding as at March 31, 2018:

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 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 three months ended March 31, 2018 or during the year ended December 31, 2017.

The following table summarizes information about the options outstanding and exercisable as at March 31, 2018:

# of Options Outstanding and Exercisable	Exercise Price	Expiry Date	Remaining Contractual Life (years)
270,000	$ 0.25	November 19, 2020	2.64
75,000	0.20	April 8, 2021	3.02
67,500	0.23	May 4, 2021	3.10
211,250	0.14	November 29, 2021	3.67
623,750	**$ 0.20**		**3.08**

Basic and diluted loss per share based on loss for the three months ended March 31:

Numerator:	Three months ended March 31, 2018	2017
Net loss for the period	**$ (33,338)**	$ (187,063)

Denominator:	**2018**	2017
Weighted average number of common shares outstanding - basic and diluted (i)	**167,536,185**	167,536,185

Loss per common share based on net loss for the period:	**2018**	2017
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 three months ended March 31, 2018 (three months March 31, 2017 – 12,072,242 shares).

6. RECLAMATION AND DECOMMISSIONING OBLIGATION

As at March 31, 2018, the Company provided $89,229 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 (2017 - $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.

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.

In January 2018 the Company has assigned and transferred operations of the existing wells in Montana, USA, to Noah Energy. The Company no longer has any obligation towards future cost of reclamation and abandonment work on its oil and gas leases relating to the properties in Montana. Included in office and general expenses in the consolidated statements of loss and comprehensive loss for three months ended March 31, 2018 was the reversal of the provision for asset retirements obligation of $29,051 (2017 - $nil).

The estimated reclamation cost as at March 31, 2018 and December 31, 2017 is as follows:

	Alberta	Montana	Total
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**
Accretion expense	398	-	398
Write back of reclamation and decommissioning obligation	-	(29,051)	(29,051)
Foreign currency translation	-	105	105
Balance, March 31, 2018	**$ 89,229**	**$ -**	**$ 89,229**

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 March 31, 2018 and December 31, 2017 is $31,316 for legal fees and disbursements owing to a law firm (McMillan) in which a former officer of the Company, Robbie Grossman, was a former partner.

(b) Included in accounts payable and accrued liabilities as at March 31, 2018 and December 31, 2017 is $43,068 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 March 31, 2018, $452,000 (December 31, 2017 - $423,750) 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 March 31, 2018 and December 31, 2017, $4,000 is included in accounts payable and accrued liabilities to an officer and a former director of the Company.

(e) At March 31, 2018 and December 31, 2017 $2,430 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.

(f) During the year ended December 31, 2017, the Company signed promissory notes and received $90,000 from related parties. The loans bear interest at 12% per annum and are secured against the assets of the Company and due on demand (Note 4)

(g) Included in office and general expenses for the three months ended March 31, 2018 is $1,250 (2017 - $1,250) for consulting services provided by Binh Quach, a director of the Company. As at March 31, 2018, $20,792 (December 31, 2017- $19,817) has been included in accounts payable and accrued liabilities.

(h) Included in professional fees for the three months ended March 31, 2018 is $nil (2017 - $1,243) for taxation services provided by DNTW Toronto LLP, an accounting firm in which Gerry Feldman, a director, is a partner. At March 31, 2018 and December 31, 2017 $1,243 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 March 31,	
	2018	**2017**
Short-term compensation (Note 7(c))	$ 25,000	$ 25,000

These transactions are in the normal course of operations.

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 5, the Company has entered into the following GORR agreement:

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

Deposits

The Company is liable to undertake reclamation and abandonment work on its leases. The Company has lodged deposits of $253,578 (December 31, 2017 - $252,765) with the Alberta Energy Resource Conservation Board as required by legislation. The drilling deposit of $61,912 (US$50,000) lodged by the Company with regulatory bodies in Montana, USA. has been refunded back to the Company in March 2018 following assignment and transfer of operations of the existing wells in Montana, USA, to Noah Energy.

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 months ended March 31, 2018 and 2017 were as follows:

	Three months ended March 31,	
	2018	**2017**
Annual lease renewal costs	$ 575	$ 2,511
Land management	484	508
Others	550	63
	$ 1,609	$ 3,082

11. OFFICE AND GENERAL EXPENSES

The office and general expenses during three months ended March 31, 2018 and 2017 were as follows:

	Three months ended March 31, 2018	2017
Accounting services	$ 11,100	$ 11,775
Management salary	25,000	25,000
Corporate services	5,855	6,453
Rent expense	1,800	1,380
Computer expenses	-	596
Telephone expense	688	645
Transfer agent	1,956	1,149
Reversal of reclamation and decommissioning obligations (Note 3(b))	(29,051)	-
Others	746	1,199
	$ 18,094	$ 48,197

12. OPERATIONAL EXPENSES

During the three months ended March 31, 2018, the two wells in Alberta remained shut-in. The operational expenses relating to the wells in Alberta during three months ended March 31, 2018 and 2017 were as follows:

	Three months ended March 31, 2018	2017
Contract operator & labour	$ -	$ 7,685
Road & Lease maintennace	-	2,418
Equipment Rental	-	15,018
Services & minor workover	-	39,398
Fuel & power	-	12,545
Trucking	-	8,153
Service rig	-	32,865
Vacuum truck	-	2,525
Inspection services	-	936
Installation & supervision	-	11,283
	$ -	$ 132,826

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 equity, which comprises capital stock, contributed surplus, warrants and deficit, which at March 31, 2018 was a deficiency of $368,840 (December 31, 2017 - $335,413).

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 three months ended March 31, 2018 and 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 March 31, 2018, 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 three months ended March 31, 2018 and the year ended December 31, 2017.

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 March 31, 2018, the Company had cash of $1,626 (December 31, 2017 – $65,013) to settle current liabilities of $1,067,760 (December 31, 2017 - $1,167,432). The Company has a working capital deficiency of $1,042,468 (December 31, 2017 - $1,071,351).

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 March 31, 2018, the Company's US dollar net monetary liabilities totaled $19,421. Accordingly a 5% change in the US dollar exchange rate as at March 31, 2018 on this amount would have resulted in an exchange gain or loss and therefore net loss would have increased (decreased) by $971.

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.

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 March 31, 2018		**Canadian Operation**		**US Operation**		**Total**
Total assets	$	784,968	$	3,181	$	788,149
Oil and gas property interests	$	509,279	$	-	$	509,279

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

16. SUBSEQUENT EVENTS

Subsequent to March 31, 2018, the Company announced it had signed a letter of intent to acquire the shares of Fox-Tek Canada Inc. (“Fox-Tek”). Fox-Tek is a wholly-owned Ontario subsidiary of Augusta Industries Inc. (TSXV: “AAO”), which was formed to develop, integrate and sell fiber optic sensing systems for the strain/temperature sensing market. The target market includes the monitoring, communication, alarming and prediction of safe/unsafe conditions in structures and facilities. The acquisition is non-arms-length since the Company and Fox-Tek have common officers and a director. The acquisition is subject to the approval of the TSXV and the shareholders of the Company. There can be no assurance that the transaction will be completed as proposed or at all.