FORM 2A

SENSOR TECHNOLOGIES CORP.

LISTING STATEMENT

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2. Corporate Structure

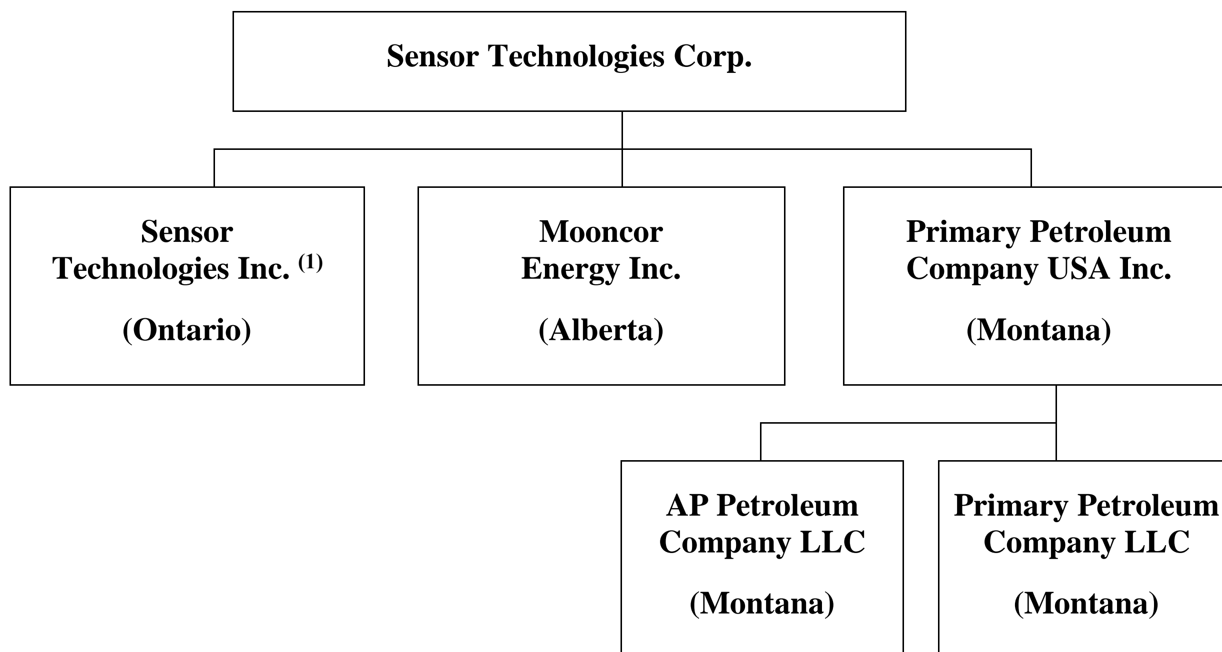
2.1 State the full corporate name of the Issuer or, if the Issuer is an unincorporated entity, the full name under which the entity exists and carries on business and the address(es) of the Issuer's head and registered office.

Sensor Technologies Corp.
2455 Cawthra Road
Suite 75
Mississauga, Ontario L5A 3P1

2.2 State the statute under which the Issuer is incorporated or continued or organized or, if the Issuer is an unincorporated entity, the laws of the jurisdiction or foreign jurisdiction under which the Issuer is established and exists. Describe the substance of any material amendments to the articles or other constating or establishing documents of the Issuer.

***Business Corporations Act* of Ontario**

2.3 Describe, by way of a diagram or otherwise, the intercorporate relationships among the Issuer and the Issuer's subsidiaries. For each subsidiary state

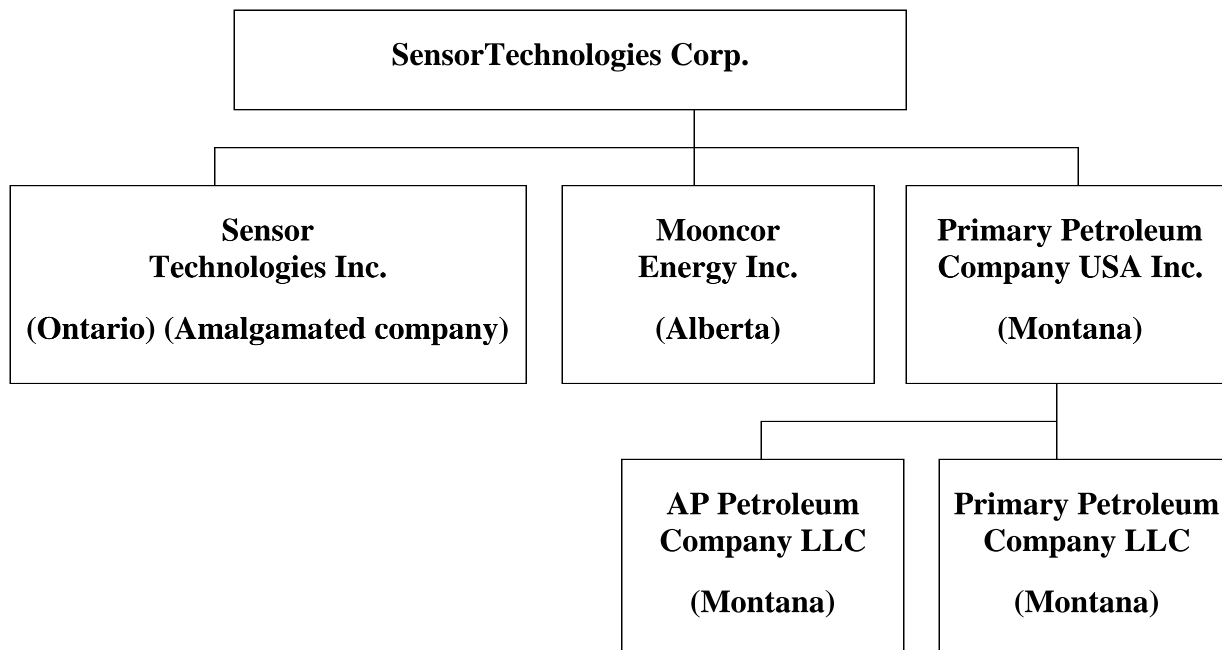


Note:

1. **Sensor Technologies and Fox-Tek Canada Inc. entered into an amalgamation agreement dated June 11, 2018 whereby the two companies will amalgamate and continue under the name Sensor Technologies Inc. The transaction was approved at a shareholders' meeting of Sensor Technologies Corp. scheduled for July 26, 2018.**

2.4 If the Issuer is requalifying following a fundamental change or is proposing an acquisition, amalgamation, merger, reorganization or arrangement, describe by way of diagram or otherwise these intercorporate relationships both before and after the completion of the proposed transaction.

Please see 2.3 for the before and following the proposed transaction please see below"



2.5 Non-corporate Issuers and Issuers incorporated outside of Canada must describe how their governing legislation or constating documents differ materially from Canadian corporate legislation with respect to the corporate governance principles set out in Policy 4.

N/A

3. General Development of the Business

3.1 Describe the general development of the Issuer's business over its three most recently completed financial years and any subsequent period. Include only major events or conditions that have influenced the general development of the Issuer's business. If the business consists of the production or distribution of more than one product or the rendering of more than one kind of service, describe the principal products or services. Also discuss changes in the business of the Issuer that are expected to occur during the current financial year of the Issuer.

Sensor Technologies Corp. is continued under the *Business Corporations Act* (Ontario). The company's principal assets are oil and natural gas interests which are not yet in substantial commercial production.

The company is a public company trading on the TSX Venture Exchange ("TSXV") under the symbol "MOO". Sensor Technologies Corp. is domiciled in the Province of Ontario and its head office is located at 2455 Cawthra Road, Suite 75, Mississauga, Ontario, Canada.

Notable events include the following:

Change of Business

After a thorough evaluation of Sensor Technologies Corp.'s existing operations and a review of strategic options for the company generally, Sensor Technologies Corp.'s board of directors and management determined to expand its business from simply an oil & gas exploration company to one that includes complementary technologies for the oil and gas industry.

On July 26, 2018, the shareholders approved the amalgamation and upon closing of the transaction, Sensor Technologies Corp.'s business will be focused on the business of Fox-Tek Canada Inc. as a technology company focused on the oil and gas industry, along with civil infrastructure and other areas of interest.

3.2 Disclose:

(1) (a) any significant acquisition completed by the Issuer or any significant probable acquisition proposed by the Issuer, for which financial statements would be required under National Instrument 41-101 *General Prospectus Requirements* if this Listing Statement were a prospectus; and

Pursuant to a letter of intent dated May 27, 2018 and an amalgamation agreement dated June 11, 2018, Sensor Technologies Corp. has agreed to acquire all of the issued and outstanding securities in the capital of Fox-Tek Canada Inc. for an aggregate purchase price of $21,500,000. The purchase price will be satisfied as follows:

- **$9,500,000 will be satisfied through the issuance of an aggregate of 47,500,000 common shares in the capital of Sensor Technologies Corp. at a price of $0.20 per share; and**

- **$12,000,000 will be satisfied through a royalty of 15% on all future sales of Fox-Tek's products and a 20% royalty on all future sales of Fox-Tek services. The royalties shall be payable until the earlier of (a) the 10 year anniversary of the closing of the sale of Fox-Tek or (b) the aggregate payment of $12 million in royalties.**

Financial statements for Fox-Tek and pro-forma financial statement are enclosed as Schedule "A" and "B" respectively.

(b) any significant disposition completed by the Issuer during the most recently completed financial year or the current financial year for which *pro forma* financial statements would be required under National Instrument 41-101 *General Prospectus Requirements* if this Listing Statement were a prospectus.

N/A

(2) Under paragraph (1) include particulars of

(a) the nature of the assets acquired or disposed of or to be acquired or disposed of;

All of the issued and outstanding securities of Fox-Tek

(b) the actual or proposed date of each significant acquisition or significant disposition;

July 26, 2018

(c) the consideration, both monetary and non-monetary paid, or to be paid, to or by the Issuer;

- **47,500,000 common shares in the capital of Sensor Technologies Corp. at a price of $0.20 per share; and**
- **$12,000,000 through a royalty of 15% on all future sales of Fox-Tek's products and a 20% royalty on all future sales of Fox-Tek services. The royalties shall be payable until the earlier of (a) the 10 year anniversary of the closing of the sale of Fox-Tek or (b) the aggregate payment of $12 million in royalties.**

(d) any material obligations that must be complied with to keep any significant acquisition or significant disposition agreement in good standing;

N/A

(e) the effect of the significant acquisition or significant disposition on the operating results and financial position of the Issuer;

Sensor Technologies Corp. will focus that majority of its time and resources on the continued development and growth of Fox-Tek's business.

(f) any valuation opinion obtained within the last 12 months required under Canadian securities legislation, a directive of a Canadian securities regulatory authority, or a requirement of a Canadian stock exchange or other Canadian market to support the value of the consideration received or paid by the Issuer or any of its subsidiaries for the assets, including the name of the author, the date of the opinion, the assets to which the opinion relates and the value attributed to the assets; and

N/A

(g) whether the transaction is with a Related Party of the Issuer and if so, disclose the identity of the other parties and the relationship of the other parties to the Issuer.

The transaction between Augusta and Sensor Technologies Corp. is a non-arm's length transaction as Allen Lone, a director, officer and majority shareholder of Augusta, is also a director and officer of Sensor Technologies Corp.. Mr. Lone owns, directly and indirectly, 6,920,000 common shares (4.13%) in the capital of Sensor Technologies Corp.. Sensor Technologies Corp. will seek majority of minority approval for the purchase of Fox-Tek at its shareholders' meeting scheduled for July 26, 2018.

3.3 Discuss any trend, commitment, event or uncertainty that is both presently known to management and reasonably expected to have a material effect on the Issuer's business, financial condition or results of operations, providing forward-looking information based on the Issuer's expectations as of the date of the Listing Statement.

N/A

4 Narrative Description of the Business

4.1 General

(1) Describe the business of the Issuer with reference to the reportable operating segments as defined in the Handbook and the Issuer's business in general. Include the following for each reportable operating segment of the Issuer:

After the completion of the proposed acquisition of Fox-Tek, Sensor Technologies Corp. will focus its resources on the development and growth of Fox-Tek' business. Below is a description of the Fox-Tek business.

Fox-Tek is incorporated pursuant to the *Business Corporations Act* (Ontario) and is currently a subsidiary of Augusta Industries, Inc. The company's principal office in Canada is located at 2455 Cawthra Rd, Suite 79, Mississauga, Ontario L5A 3P1.

Fox-Tek is currently engaged in the development, design, manufacture and sale of sensors and related monitoring instruments, and providing engineering design services, training, supervision of on-site installation and turnkey sensing systems, primarily focused on applications within the OGI. Management believes that Fox-Tek's products provide flexible and reliable monitoring and reporting solutions due to their high precision, continuous monitoring capability, suitability for harsh environments, low operating cost, and the benefits derived by their localized and distributed sensing capabilities.

The demand for test, measurement and monitoring equipment is driven by the growing use of customized automated test systems, more stringent industry requirements, environmental concerns, shifting political landscapes and the safety challenges of mega infrastructures coupled with the limitations of existing solutions. Consequently, there is an increased demand from the operational, risk management, and finance sectors of various markets for solutions that reduce costs and down-time and meet increasingly stringent safety and health legislative requirements.

Description of the Business

Through its development and production of its sensors and monitoring equipment, Fox-Tek provides an operational sensing solution to enterprises which require continuous monitoring to detect and prevent high consequence or catastrophic occurrences. Specifically, sensors are utilized by engineers to obtain accurate measurements of pressure, temperature, load, strain, stress, and displacement of existing infrastructures often in situations where conventional sensing technologies cannot be deployed. They are of particular value in the OGI where corrosion, leaks, and third party damage, especially in High Consequence Areas ("HCAs"), may entail a significant possibility of property and environmental damage, personal injury or death. Examples of HCAs include unusually sensitive environmental areas, urbanized areas, other populated locales and commercially-navigable waterways.

Strategy

Management believes that the overall market for sensors is under-penetrated. Fox-Tek's business strategy is to market its products to those enterprises, primarily in the OGI, with infrastructures that experience significant HCA exposure and currently employ more cost and time intensive solutions than those available through the use of its technology. To execute this strategy, Fox-Tek plans to broaden its network of strategic relationships, enhance its industry-specific sensing applications, strengthen its relationships with existing customers, expand distribution capabilities, and continue to pursue a disciplined approach to R&D.

Limitations of Existing Sensing Solutions

Historically, measurements of existing infrastructures have been monitored using conventional electrical-based sensors, including strain gauges and pressure transducers. While many of these solutions provide functionality to address specific infrastructure components on a point-in-time basis, they generally do not address the complexity and significant technical barriers inherent in sensor deployment in hostile environments. Examples of existing solutions in use today in the OGI include:

- **Devices known as pipeline inspection gauges or "pigs" which are inserted into and travel throughout the length of a pipeline propelled by either product flow or, in the case of gas pipelines, by water. Pigs are capable of detecting pipe corrosion to a resolution of approximately 10% of the pipe wall thickness. Fox-Tek's fibre optic systems are up to 10 times more sensitive to wall thickness loss than pipeline pigs. Pigging is typically undertaken only once every five to seven years, as more frequent use is limited primarily by the cost of deploying the pig. In addition, most pipeline pigs do not fit into small diameter pipes, such as those employed in the sour gas gathering sector, and are also limited to monitoring straight runs of pipe.**

- **Ultrasound technology is frequently used within refineries to periodically measure corrosion or other defects in pipes. In general, the pipes are relatively inaccessible as they are located two to three stories above ground level. In addition, many of the defects occur in pipes that operate at temperatures of 300°C and above. Due to the hostility of such environments, the use of ultrasound technology is susceptible to inaccurate readings by human operators.**

- **Hydrostatic testing is also used for the measurement of gas pipelines. This procedure requires removal of the product and filling the pipeline with water. Hydrostatic testing involves not only a loss of production, but may also lead to corrosion if residual water combines with high sulphur content gas to generate an acidic environment in the pipeline.**

Fox-Tek's Solution Overview

The core competencies of Fox-Tek's products consist of their measurement capabilities in the areas of strain, displacement, corrosion, crack growth, temperature, pressure, and load. All of Fox-Tek's products are based upon advanced sensors, electronics, packaging and deployment technologies for monitoring the integrity of oil and gas pipelines, upstream industrial processing plants and facilities, and the consequences of seismic and other ground movement events. Unlike conventional measurement and monitoring devices, Fox-Tek's sensors simultaneously and continually monitor the slow strain changes over time associated with aging infrastructures, such as the internal growth rate of corrosion in pipelines. This new generation of structural sensing systems has a number of benefits over conventional sensors, including:

- **the ability to be installed on the exterior of pipelines, refineries, or elbows, thereby minimizing installation down-time and cost;**

- **the ability to function continuously in high temperature or corrosive environments;**

- **the option of being built into thin laminated wraps used in rehabilitating and strengthening corroded concrete columns; and**

- **programmable, continuous, remote monitoring and reporting 24 hours per day, seven days per week.**

Current Products

A typical monitoring system is comprised of three parts: sensors in various configurations; the sensor scanner; and monitoring software.

Principal Markets

Fox-Tek believes that there are seven principal market segments for its products, as follows:

<u>Oil and Gas Industry</u>

The current pipeline infrastructure in the United States is aging with 25-37% of all hazardous liquid and natural gas transmission pipeline accidents available at USDOT As a result, significant financial risk exists in the OGI as a result of rupture or leakage (particularly in HCAs); loss of distribution due to unpredicted failures as a result of higher than anticipated corrosion growth rates; and prolonged and overly costly refinery shut-downs due to unnecessary or premature elbow

replacements. It is estimated that the OGI spends nearly $7 billion per year on corrosion-related costs for replacing pipeline infrastructure available at corrosioncost.com

A catastrophic occurrence in the OGI would cause grave environmental danger as well as significant production loss, entailing considerable clean-up and litigation costs as well as the possibility of injury and death. Despite these risks, the OGI has not invested significantly in continuous monitoring and detection of possible catastrophic events to date due to historically less stringent industry requirements.

The techniques currently utilized to monitor and detect possible catastrophic events in the OGI produce information that is neither in real time nor continuous. Relevant information is being generated only every five to seven years through inline inspections using pigs, ultrasounds or by other direct assessment methodology. Fox-Tek is in a position to provide unique inspection and real time monitoring capabilities using a fibre optic solution which complements these existing inspection techniques. Fox-Tek's technology enables the application of the sensor to the external walls of pipelines, refineries, elbows and offshore risers, or through placement alongside the pipelines for detection of oil/gas leakage, third party damage and for pressure monitoring.

Fox-Tek believes that its technology can enhance down hole monitoring of pressure and temperature and boost oil recovery rates from marginal reservoirs at a significantly reduced cost compared to the currently utilized technologies. In addition, the OGI could benefit from the continuous remote monitoring and data integration services provided by fibre optic technology. Finally, the growth rate of external and internal corrosion of offshore risers, including the touchdown zone and splash zone risers, can be monitored continuously through the use of fibre optic sensors which can function at depths of up to 10,000 feet below sea level. Such monitoring could entail significant cost savings due to the expense entailed in the replacement of deepwater elbows.

<u>Transportation</u>

The transportation sector offers a second major growth opportunity for Fox-Tek. Some transport vehicles may produce significant damage to personnel or the environment if there is a failure in the vehicle. Fox-Tek believes that there are significant opportunities to provide failure monitoring systems.

<u>Aerospace</u>

Small particle space debris (such as paint flecks and unburned solid fuel particles) and micro-meteoroids traveling as fast as seven kilometres per second can cause significant collision damage to a spacecraft.

In addition, commercial aircraft are susceptible to aircraft fatigue cracks in various parts of the airframe (such as wing spars, tail and ailerons). Inspection for this type of damage is a scheduled maintenance requirement mandated by the United States Federal Aviation Authority. Such inspections result in significant loss of revenue due to the down-time of the aircraft, as well as the labour costs involved. Fox-Tek's fibre optic sensor technology can monitor the growth of fatigue

damage and cracks, and increase the speed of the inspection process, thereby resulting in a faster return to revenue.

Large Ships

Although double hulls in large ship tankers minimize small leaks, as these ships age the accumulated stress from ocean waves and storms can pose a hazard of structural failure or break- up at sea during subsequent storms. Environmental consequences of such a failure make it invaluable to install fibre optic sensor systems that can measure changes in hull integrity while the vessel is in port. Fox-Tek expects to develop this market over the course of the next three years using its Brillouin scattering sensor systems.

Dams, Bridges, Highways and Tunnels

A potential market is that of civil structures integrity monitoring. Agencies responsible for dams, bridges, highways, and tunnels are beginning to utilize fibre optic sensor technology to support diagnostic systems and health monitoring of pillars, tunnel walls and dam barriers. Applications such as highway traffic monitoring, weight in motion, earthquake mitigation efforts and detection of hazards are currently being investigated. However, management of Fox-Tek believes that the agencies overseeing such operations do not have the capital budgets to acquire and install dedicated monitoring fibre optic systems. There may be a need for sensors that can be measured with a portable monitoring device, to augment inspections being made by staff. Accordingly, although Fox-Tek has installed a number of dedicated systems for these applications, it does not plan to pursue opportunities in this sector other than in circumstances where funding is assured.

(a) state the business objectives that the Issuer expects to accomplish in the forthcoming 12-month period;

Over the next 12 months the primary objective of the company will be to continue to focus on the continued growth of the Fox-Tek business. The company intends to increase its sales both domestically and internationally.

(b) describe each significant event or milestone that must occur for the business objectives in (a) to be accomplished and state the specific time period in which each event is expected to occur and the costs related to each event;

Sensor Technologies Corp. has been an oil and gas issuer since its inception. At its shareholders' meeting held on July 26, 2018, the shareholders approved the acquisition of Fox-Tek Canada Inc. and as a result the company's primary business objective going forward will be to develop and grow Fox-Tek's business.

(c) disclose the total funds available to the Issuer and the following breakdown of those funds:

(i) the estimated consolidated working capital (deficiency) as of the most recent month end prior to filing the Listing Statement, and

(ii) the total other funds, and the sources of such funds, available to be used to achieve the objectives and milestones set out in paragraphs (a) and (b);

As at March 31, 2018, the company has a working capital deficit of approximately $3,576,337. Of this amount, $3,082,317 are advances from Augusta Industries Inc., the former parent of Fox-Tek. The company is in discussions with Augusta to amend the terms of the advance so that they are payable over a longer term. The company will also be completing a private placement whereby it will be receiving 6,666,667 free trading shares of Augusta.

Once the advance is no longer a current liability and the company completes the proposed financing, the company will have working capital of approximately $790,424.

Additionally, Fox-Tek generates revenue which will offset working capital requirements of the company on a going forward basis. For the three months ended March 31, 2018, Fox-Tek generated gross profits of approximately $74,000 and for the year ended December 31, 2017, gross profits of $342,000.

(d) describe in reasonable detail and, if appropriate, using tabular form, each of the principal purposes, with approximate amounts, for which the funds available described under the preceding paragraph will be used by the Issuer.

The expenses for the company for the next 12 months will be as follows:

Rent:	**$24,500**
Overhead:	**$272,854**
Administrative:	**$10,934**

The working capital of $790,424 and the revenue generated by Fox-Tek is more than sufficient to cover these expenses.

(2) For principal products or services describe

Sales and Distribution

Fox-Tek markets and sells its products through both direct and indirect sales channels to maximize market coverage on a cost-effective basis.

In order to move towards full-scale commercialization, Fox-Tek has identified and is negotiating agreements with several independent sales agents and distributors within North America and elsewhere with the intent of utilizing their local contacts and established relationships within the OGI to expedite the distribution of Fox-Tek's products in the local jurisdictions. Typically, these sales agents and distributors will be entitled to a fee of approximately 15-20% of the selling price of

the product. In addition, Fox-Tek will attempt to make direct sales itself. Fox-Tek intends to expand its direct business development in the near future. For the last two years, Fox-Tek has been laying the ground work for a direct sales channel by increasing awareness of its products and services, thru marketing, speaking, engagements at industry trade group meetings, participation at trade-show and user group meetings and de facto endorsement from pilot projects co-sponsored by industry groups.

Fox-Tek revenue stream from the sale of its products and services is as follows:

- **Sale - a one-time sales fee is charged for the use of the product, followed by an annual on-going support and maintenance fee**

- **Lease - the one time sales fee, together with the support and maintenance fee are bundled and charged on a monthly basis over the term in question for those entities which are bound by rate structures or concerns regarding capital, rather than operating expenses.**

- **Monitoring & Data Analysis - A per point monitoring service is offered by Fox-Tek. Monitoring services are charged on a monthly or annual basis over the applicable term.**

Fox-Tek intends to expand the functionality of current solutions thru R&D, develop new product releases, create new industry-specific applications, and enhance Fox-Tek's underlying technology platform.

Intellectual Property

The sale of Fox-Tek's products will include single-user licenses for the embodied technologies containing terms and conditions prohibiting the unauthorized reproduction, disclosure, reverse engineering, or transfer to customers of any intellectual property associated with Fox-Tek's products. In addition, all material components of Fox-Tek's products (other than commercially-available components) have been developed by its employees or contractors who have assigned all intellectual property rights therein to the Company to the extent permitted by applicable law.

Fox-Tek recognizes that patent law may offer some protection for current and future products, and it has embarked upon a program to identify and seek patent protection for appropriate elements of its products. Fox-Tek had 6 United States patents approved. Five of these patents are in connection with system designs and applications and one covers sensor design.

Suppliers

Fox-Tek does not rely upon any single supplier or vendor to obtain hardware or software components for its products, but instead uses a broad range of commercially available components. Raw materials, including optical fibre, electronic components, mechanical hardware, and pre-fabricated assemblies are purchased and comprise approximately 50% of the total cost of Fox-Tek's products. As the volume of sales increase, Fox-Tek will seek additional suppliers and manufacturers with the intention of lowering the direct costs of these products.

Facilities

Fox-Tek conducts its R&D, services, support and marketing activities in the GTA. Fox-Tek leases a 1,800 Sq Ft facility industrial unit and 1500 Sq FT office space located at 2455 Cawthra Rd, Suite 79, Mississauga, Ontario L5A 3P1.

(3) Concerning production and sales, disclose:

Products and Services

<u>Electric Feld Mapping (EFM)</u>

Used predominately to measure, with great accuracy, the damage to the internal wall of a pipes and vessels due to corrosion/erosion – while being a completely non-intrusive technique. Being non-intrusive means that the technology can be added to existing sites without having to shut down operations which is a huge benefit to our clients. The technology has been successfully used as a validation of existing integrity programs. The EFM technology has recently also been used in research and material testing applications.

<u>Fiber Bragg Grating (FBG)</u>

Technology based on using light as a method to measure strain by measuring the displacement of the sensor's response wavelength. The technology is analogous to the classical resistive strain gauge, but without any of the shortcomings. These sensors are inherently safe (due to the fact that the sensors are powered by light) and easy to use. Due to the high bandwidth of the sensors, they can also be used to measure vibrations. There many applications in both the oil & gas sector and civil infrastructure where these sensors can bring a benefit.

<u>Leak Detection Polymer (FG-OD)</u>

Novel non-intrusive leak detection technology used to detect leaks in pipelines and vessels. Due to its high sensitivity, the sensor cable can also detect volatile organic compounds (VOCs) due to leaks. By using smart detection levels, by adapting to its environment, this technology will not generate false alarms. And, with the use of smart thresholding, the sensor cable can be installed in already contaminated areas while still able to detect new leaks.

<u>Advanced Sensor Design (RFID Corrosion Detector)</u>

The development of a new corrosion sensing element based on an RFID tag. By using a number of sacrificial elements within the sensor, the sensor will be able to be configured to detect various elements that would potentially foster an environment that would be detrimental for the pipe. Unlike the EFM technology, the RFID tag technology would be used to detect damage to the exterior of the pipe. Key applications include the degradation of pipeline coatings over time – that can potentially lead to external corrosion of the pipe.

Fox-Tek's Data Infrastructure

All of our technologies have the capability of being located in remote locations. These locations typically have restricted access due to their location or the inability to get to these sites during large periods of the year.

Therefore, Fox-Tek has developed a combination of hardware and software that allow the gathering of remote site data, data analysis and data presentation. Our clients have access to their data through a secure web portal where the information is presented in a visually intuitive fashion – making for easy understanding of what is happening with their assets. The hardware, based on a controller and data modem (either cell or satellite) gives us the opportunity to also perform full remote acquisitions for non Fox-Tek technology sensors.

Services

In addition to its existing products and products in development, Fox-Tek considers the provision of complementary services to be a critical part of its turnkey sensing solutions. In this regard, Fox-Tek offers a range of services to its customers including complete system engineering design; installation supervision; monitoring, data collection, and reporting; and staff training.

Complete System Design

Working with customers and their technical staff, Fox-Tek manages the system design process for installation of fibre optic sensors and instrumentation systems. The Company has also engaged civil engineering consultants from time to time for provision of specific expertise regarding building and construction inquiries. Overall system design involves the integration of various elements and determinations, including:

- **the number and type of sensors used;**
- **the location and placement of sensors on the structure;**
- **system configuration;**
- **review of system access capabilities and access to telecommunications and power sources;**
- **assessment of exposure to environmental elements;**
- **finite element model analysis of the structure to indicate appropriate sensor placement; and**
- **assessment of monitoring requirements, including remote monitoring cost estimates.**

Installation and Supervision

Fox-Tek offers installation and supervision of its systems by way of approved subcontractors, or may train customer staff in installation and monitoring techniques. Fox-Tek's crews can also be deployed to supervise the installation and commissioning of a system.

Monitoring, Data Collection and Reporting

Fox-Tek can deploy crews or authorized agents to implement on-site sensor system inspections and data extraction. Customers may also choose to have their own crews trained to manage system inspections and data extraction. In addition, customers may opt for remote monitoring of their site at Fox-Tek's offices.

Through the FOX-Ware web interface, data can then be collected, formatted and reported to the customer, at any remote location, on a predetermined interval.

Training

Fox-Tek offers complete training to users of its instrumentation systems. Training of the user's personnel can be performed at Fox-Tek's offices or at the installation site. Training includes familiarization with software, problem-solving, basic maintenance and data extraction. Describe the competitive conditions in the principal markets and geographic areas in which the Issuer operates, including, if reasonably possible, an assessment of the Issuer's competitive position.

Fox-Tek faces competition from various sources including vendors of systems for strain measurement, ultrasound technology, and refinery and other applications such as hydrogen patch technology. To a lesser extent, Fox-Tek also faces competition from custom solutions developed by more recent entrants to the fibre optics industry. However, there are significant entrance barriers to the fibre optic sensor industry including the requirement for the development of fibre optic sensing technology and the capability of customizing such technology to specific applications such as those required by the OGI. Fox-Tek's three primary competitors in the fibre optic sensor industry are as follows:

- **Roctest Ltd., located in Quebec, produces a line of sensing systems based upon the Fabry-Perot cavity. These systems operate by measuring the change in the resonant optical wavelength of the interfering light within a cavity formed by two partially reflective surfaces. Fabry-Perot sensors typically provide only a point measurement and are not applicable to the type of corrosion measurements for which Fox-Tek's sensors may be employed.**

- **Smartec SA, located in Switzerland, offers an interference based sensor. However, the packaging of the sensor renders it unable to sense pipeline corrosion or crack growth measurements. Smartec SA also offers a Brillouin based sensor which may be utilized for temperature measurements. This system may be a competitor to the Brillouin scattering sensor system currently being developed by Fox-Tek when it reaches the production stage.**

- **Sensa (U.K.), located in the United Kingdom, offers a Raman Scattering based system for long range thermal measurements. The Raman Scattering principle is based upon the preferential scattering of light from regions of a fibre that are at a temperature that is different from its surroundings. However, management of Fox-Tek anticipates that this system will not be able to compete with Fox-Tek's Brillouin scattering sensor system on a cost basis. Fox-Tek does not intend to compete directly against vendors of pipeline pigging**

services and providers of conventional sensors due to the technology and application variations inherent between such sensors and Fox-Tek's fibre optic solutions. See "Description of the Business – General Development – Limitations of Existing Sensing Solutions".

Management believes that Fox-Tek has a competitive advantage over other vendors of sensor technologies for the following reasons:

Focus on industry-specific offerings: Fox-Tek has tailored its solutions to meet the physical application needs of specific industries, such as the OGI.

Flexibility to manage complex applications: Large civil structures are subject to very complex operating environments that govern production schedules and safety. Automation of sensing systems for such projects is beyond the technical capabilities of many competing sensing solutions and would require significant customizations.

Ease-of-use: Fox-Tek's products require minimal training and are designed for use by semi-technical employees.

Robust technology platform: Fox-Tek's technology was designed to meet the rigorous operating conditions of large, sophisticated organizations. Key operating features include extensive scalability, flexibility of use, custom adaptability through a component based system, functionality in hostile or remote environments and integration with existing software infrastructure (such as Excel and Word).

(4) With respect to lending operations of an Issuer's business, describe the investment policies and lending and investment restrictions.

N/A

(5) Disclose the nature and results of any bankruptcy, or any receivership or similar proceedings against the Issuer or any of its subsidiaries or any voluntary bankruptcy, receivership or similar proceedings by the Issuer or any of its subsidiaries, within the three most recently completed financial years or the current financial year.

N/A

(6) Disclose the nature and results of any material restructuring transaction of the Issuer within the three most recently completed financial years or completed during or proposed for the current financial year.

N/A

(7) If the Issuer has implemented social or environmental policies that are fundamental to the Issuer's operations, such as policies regarding the Issuer's relationship with the

environment or with the communities in which the Issuer does business, or human rights policies, describe them and the steps the Issuer has taken to implement them.

N/A

4.2 In respect of any outstanding asset-backed securities, disclose the following information:

N/A

4.3 For Issuers with a mineral project, disclose and insert here the information required by Appendix A for each property material to the Issuer.

N/A

4.4 For Issuers with Oil and Gas Operations disclose and insert here the information required by Appendix B (in tabular form, if appropriate).

N/A

5. Selected Consolidated Financial Information

5.1 Annual Information — Provide the following financial data for the Issuer in summary form for each of the last three completed financial years and any period subsequent to the most recent financial year end for which financial statements have been prepared, accompanied by a discussion of the factors affecting the comparability of the data, including discontinued operations, changes in accounting policies, significant acquisitions or significant dispositions and major changes in the direction of the Issuer's business:

	Fiscal year ended December 31, 2017	**Fiscal year ended December 31, 2016**	**Fiscal year ended December 31, 2015**
Sales	**$77,143**	**$7,073**	**$514**
Total Expenses	**$60,502**	**$330,168**	**$527,647**
Net Income (Loss)	**$18,018**	**($349,579)**	**($500,092)**
Total Assets	**$920,850**	**$1,073,391**	**$1,184,879**
Total Liabilities	**$1,256,263**	**$1,432,712**	**$1,197,219**

5.2 Quarterly Information — For each of the eight most recently completed quarters ending at the end of the most recently completed financial year, provide the information required in paragraphs (a), (b) and (b) of Section 5.1.

	3 Months Ending March 31, 2018	**12 Months Ending December 31, 2017**	**9 Months Ending September 30, 2017**	**6 Months Ending June 30, 2017**
Total Revenues	**972**	**81,007**	**79,336**	**52,541**
Net Income (loss)	**(33,338)**	**18,018**	**(332,090)**	**(302,714)**
Total Assets	**788,149**	**920,850**	**958,915**	**1,039,518**

Total Liabilities	1,156,989	1,256,263	1,641,376	1,697,269
	3 Months Ending March 31, 2017	12 Months Ending December 31, 2016	9 Months Ending September 30, 2016	6 Months Ending June 30, 2016
Total Revenues	21,699	7,073	-	-
Net Income (loss)	(187,063)	(349,579)	(246,924)	(187,525)
Total Assets	1,091,530	1,073,391	1,012,745	1,041,466
Total Liabilities	1,636,682	1,432,712	1,266,595	1,234,156

5.3 Dividends:

(a) any restriction that could prevent the Issuer from paying dividends; and

N/A

(b) the Issuer's dividend policy and, if a decision has been made to change the dividend policy, the intended change in dividend policy.

Sensor Technologies Corp. has no fixed dividend policy and no dividends have been declared on any class of shares of the company since the date of incorporation. The payment of dividends is subject to the discretion of the Board and will depend on, among other factors, earnings, capital requirements and operating and financial condition. Sensor Technologies Corp. does not intend to pay dividends in the foreseeable future but instead intends to retain future earnings, if any, to finance the growth and development of the company's business.

5.4 Foreign GAAP — An Issuer may present the selected consolidated financial information required in this section on the basis of foreign GAAP if:

N/A

6. Management's Discussion and Analysis

Annual MD&A

6.1 Date - Specify the date of the MD&A. The date of the MD&A must be no earlier than the date of the auditor's report on the financial statements for the Issuer's most recently completed financial year.

MD&A for the years ended December 31, 2017, 2016 and 2015 are attached hereto as Schedule "D"

6.2 Overall Performance - Provide an analysis of the Issuer's financial condition, results of operations and cash flows. Discuss known trends, demands, commitments, events or uncertainties that are reasonably likely to have an effect on the Issuer's business. Compare the Issuer's performance in the most recently completed financial year to the prior year's performance. The analysis should address at least the following:

Please refer to the MD&A for the respective year.

Selected Annual Financial Information

6.3 Provide the following financial data derived from the Issuer's financial statements for each of the three most recently completed financial years:

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Total Revenues	**$77,143**	**$7,073**	**$514**
Net Income (loss)	**$18,018**	**($349,579)**	**($500,092)**
Total Assets	**$920,850**	**$1,073,391**	**$1,184,879**
Total Liabilities	**$1,256,263**	**$1,432,712**	**$1,197,219**
Cash dividends declared per share	**Nil**	**Nil**	**Nil**

6.4 Variations - Discuss the factors that have caused period to period variations including discontinued operations, changes in accounting policies, significant acquisitions or dispositions and changes in the direction of the Issuer's business, and any other information the Issuer believes would enhance an understanding of, and would highlight trends in, financial condition and results of operations.

Please refer to the MD&A for the respective year.

6.5 Results of Operations - Discuss management's analysis of the Issuer's operations for the most recently completed financial year, including:

Please refer to the MD&A for year ended December 31, 2017.

6.6 Summary of Quarterly Results - Provide the following information in summary form, derived from the Issuer's financial statements, for each of the eight most recently completed quarters:

	3 Months Ending March 31, 2018	12 Months Ending December 31, 2017	9 Months Ending September 30, 2017	6 Months Ending June 30, 2017
Total Revenues	**972**	**81,007**	**79,336**	**52,541**
Net Income (loss)	**(33,338)**	**18,018**	**(332,090)**	**(302,714)**
Total Assets	**788,149**	**920,850**	**958,915**	**1,039,518**
Total Liabilities	**1,156,989**	**1,256,263**	**1,641,376**	**1,697,269**
	3 Months Ending March 31, 2017	**12 Months Ending December 31, 2016**	**9 Months Ending September 30, 2016**	**6 Months Ending June 30, 2016**
Total Revenues	**21,699**	**7,073**	**-**	**-**
Net Income (loss)	**(187,063)**	**(349,579)**	**(246,924)**	**(187,525)**
Total Assets	**1,091,530**	**1,073,391**	**1,012,745**	**1,041,466**
Total Liabilities	**1,636,682**	**1,432,712**	**1,266,595**	**1,234,156**

6.7 Liquidity - Provide an analysis of the Issuer's liquidity.

Please refer to the MD&As for the three months ended March 31, 2018 and year ended December 31, 2017 and 2016.

6.8 Capital Resources - Provide an analysis of the Issuer's capital resources, including

N/A

(a) commitments for capital expenditures as of the date of the Issuer's financial statements including:

(i) the amount, nature and purpose of these commitments,

(ii) the expected source of funds to meet these commitments, and

(iii) expenditures not yet committed but required to maintain the Issuer's capacity, to meet the Issuer's planned growth or to fund development activities;

(b) known trends or expected fluctuations in the Issuer's capital resources, including expected changes in the mix and relative cost of these resources; and

(c) sources of financing that the Issuer has arranged but not yet used.

6.9 Off-Balance Sheet Arrangements - Discuss any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Issuer including, without limitation, such considerations as liquidity and capital resources. This discussion shall include their business purpose and activities, their economic substance, risks associated with the arrangements, and the key terms and conditions associated with any commitments, including:

N/A

6.10 Transactions with Related Parties - Discuss all transactions involving related parties as defined by the Handbook.

Please Note 9 of the audited statements for the year ended December 31, 2017.

6.11 Fourth Quarter - Discuss and analyze fourth quarter events or items that affected the Issuer's financial condition, cash flows or results of operations, including extraordinary items, year-end and other adjustments, seasonal aspects of the Issuer's business and dispositions of business segments.

In 2017, Sensor Technologies Corp. conducted field operations at the company's two Lloydminster wells and these two wells were placed into production and produced nil barrels of oil during the

three months ended March 31, 2018 (2017 – 572 barrels). Prior to the production, the two wells had a long shut-in period that required intensive work on both the wells - they still require new bottom hole pumps or upgrades to handle all the sand. The company will continue to work on these wells and anticipates that they will resume sustained production shortly. During the three months ended March 31, 2018, Sensor Technologies Corp. spent $nil (2017 - $132,826) on these two wells and generated revenue of $nil (2017 - $20,923).

In the meantime, the company, through its wholly owned subsidiary, Primary Petroleum Company USA, Inc., is still actively working with American Geophysical Corporation ("AGC") to market the company's 3D Seismic. So far, numerous parties have approached AGC regarding Primary Petroleum's seismic database and AGC is reaching out to various parties that are interested in the company's 3D Seismic. Sensor Technologies Corp.'s goal is to license its 3D Seismic leading to future opportunities for potential joint ventures, partnerships or farm-in agreements.

In January 2018, the company assigned and transferred operations of the existing wells in Montana, USA, to Noah Energy.

6.12 Proposed Transactions - Discuss the expected effect on financial condition, results of operations and cash flows of any proposed asset or business acquisition or disposition if the Issuer's board of directors, or senior management who believe that confirmation of the decision by the board is probable, have decided to proceed with the transaction. Include the status of any required shareholder or regulatory approvals.

N/A

6.13 Changes in Accounting Policies including Initial Adoption - Discuss and analyze any changes in the Issuer's accounting policies.

During the year ended December 31, 2017, Sensor Technologies Corp. adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included:

(i) IAS 7 – Statement of Cash Flows ("IAS 7") was amended in January 2017 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.

(ii) IAS 12 – Income Taxes ("IAS 12") was amended in January 2017 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 year ended December 31, 2017.

In the first quarter of 2018, Sensor Technologies Corp. adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included:

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.**

The implementation of the new policies had no impact to Augusta's interim consolidated statements for the three months ended March 31, 2018.

6.14 Financial Instruments and Other Instruments - For financial instruments and other instruments:

N/A

Interim MD&A

6.15 Date - Specify the date of the interim MD&A.

MD&A for the three months ending March 31, 2018 is attached hereto as Schedule "D"

6.16 Updated Disclosure - Interim MD&A must update the Issuer's annual MD&A for all disclosure required by sections 6.2 to 6.14 except sections 6.3 and 6.4. This disclosure must include:

Please refer to the MD&A for the three months ending March 31, 2018 is attached hereto as Schedule "D"

6.17 Additional Disclosure for Issuers without Significant Revenue:

N/A

6.18 Description of Securities:

(a) disclose the designation and number or principal amount of:

Sensor Technologies Corp. is authorized to issue an unlimited number of common shares without nominal or par value. The holders of common shares are entitled to receive notice of and attend all meetings of the shareholders of the company and are entitled to one vote in respect of each common share held at such meetings. Subject to the prior rights of any class of shares from time to time having priority over the common shares, the holders of the common shares shall have the right to receive such dividends (if any) as the directors in their sole discretion may declare. In the event of liquidation, dissolution or winding-up of the company, the holders of common shares are entitled to share rateably the remaining assets of the company.

(b) if the exact number or principal amount of voting or equity securities of the Issuer that are issuable on the conversion, exercise or exchange of outstanding securities of the Issuer is not determinable, the Issuer must disclose the maximum number or principal amount of each class and series of voting or equity securities that are issuable on the conversion, exercise or exchange of outstanding securities of the Issuer and, if that maximum number or principal amount is not determinable, the Issuer must describe the exchange or conversion features and the manner in which the number or principal amount of voting or equity securities will be determined; and

As of the date hereof, Sensor Technologies Corp. has an aggregate of 167,536,185 common shares issued and outstanding.

6.19 Provide Breakdown:

(a) if the Issuer has not had significant revenue from operations in either of its last two financial years, disclose a breakdown of material components of:

N/A

(b) present the analysis of capitalized or expensed exploration and development costs required by subsection (a) on a property-by-property basis, if the Issuer's business primarily involves mining exploration and development; and

N/A

(c) provide the disclosure in subsection (a) for the following periods:

N/A

6.20 Negative cash-flow - If the Issuer had negative operating cash flow in its most recently completed financial year for which financial statements have been included, disclose:

Not applicable as of the December 31, 2017 Sensor Technologies Corp. had a positive cash flow of $23,000

6.21 Additional disclosure for Issuers with significant equity investees:

N/A

7. Market for Securities

7.1 Identify the exchange(s) and quotation and trade reporting system(s) on which the Issuer's securities are listed and posted for trading or quoted.

The Sensor Technologies Corp. common shares are listed for trading through the facilities of the TSX Venture Exchange under the symbol "MOO"

8. Consolidated Capitalization

8.1 Describe any material change in, and the effect of the material change on, the share and loan capital of the Issuer, on a consolidated basis, since the date of the comparative financial statements for the Issuer's most recently completed financial year contained in the Listing Statement.

N/A

9. Options to Purchase Securities

9.1 State, in tabular form, as at a specified date not more than 30 days before the date of the Listing Statement, information as to options to purchase securities of the Issuer or a subsidiary of the Issuer that are held by:

Number of Options Outstanding and Exercisable	Exercise Price	Expiry Date
9,000	**$7.50**	**November 19, 2020**
2,500	**$6.00**	**April 8, 2021**
2,250	**$6.90**	**May 4, 2021**
7,042	**$4.20**	**November 29, 2021**
20,792		

10. Description of the Securities

10.1 General - State the description or the designation of each class of equity securities and describe all material attributes and characteristics, including:

The authorized capital of Sensor Technologies Corp. consists of an unlimited common shares without nominal or par value.

The holders of common shares are entitled to receive notice of and attend all meetings of the shareholders of the Corporation and are entitled to one vote in respect of each common share held at such meetings. Subject to the prior rights of any class of shares from time to time having priority over the common shares, the holders of the common shares shall have the right to receive such dividends (if any) as the directors in their sole discretion may declare. In the event of liquidation, dissolution or winding-up of the Corporation, the holders of common shares are entitled to share rateably the remaining assets of the Corporation.

10.2 Debt securities - If debt securities are being listed, describe all material attributes and characteristics of the indebtedness and the security, if any, for the debt, including:

N/A

10.4 Other securities - If securities other than equity securities or debt securities are being listed, describe fully the material attributes and characteristics of those securities.

N/A

10.5 Modification of terms:

N/A

10.6 Other attributes:

N/A

10.7 Prior Sales - State the prices at which securities of the same class as the securities to be listed have been sold within the 12 months before the date of the Listing Statement, or are to be sold, by the Issuer or any Related Person and the number of securities of the class sold or to be sold at each price.

N/A

10.8 Stock Exchange Price:

Month	High ($)	Low ($)	Volume
March 2018	**0.01**	**0.005**	**4,253,930**
February 2018	**0.015**	**0.01**	**11,041,650**
January 2018	**0.02**	**0.015**	**37,326,770**
December 2017	**0.015**	**0.01**	**12,007,500**
November 2017	**0.015**	**0.005**	**23,090,400**
October 2017	**0.001**	**0.005**	**1,256,600**
Quarter			
September 2017	**0.015**	**0.005**	**7610,060**
June 2017	**0.02**	**0.005**	**11,286,759**
March 2017	**0.03**	**0.005**	**59,882,590**
December 2016	**0.01**	**0.005**	**20,301,710**
September 2016	**0.01**	**0.005**	**8,835,000**
June 2016	**0.01**	**0.005**	**1,503,800**
March 2016	**0.01**	**0.005**	**1,082,000**

11. Escrowed Securities

11.1 State as of a specified date within 30 days before the date of the Listing Statement, in substantially the following tabular form, the number of securities of each class of securities of the Issuer held, to the knowledge of the Issuer, in escrow (which, for the purposes of this Form includes any securities subject to a pooling agreement) and the percentage that number represents of the outstanding securities of that class. In a note to the table, disclose the name of the depository, if any, and the date of and conditions governing the release of the securities from escrow.

N/A

12. Principal Shareholders

12.1 (1) Provide the following information for each principal shareholder of the Issuer as of a specified date not more than 30 days before the date of the Listing Statement:

N/A

(2) If the Issuer is requalifying following a fundamental change or has proposed an acquisition, amalgamation, merger, reorganization or arrangement, indicate, to the extent known, the holding of each person of company described in paragraph (1) that will exist after giving effect to the transaction.

Upon completion of the proposed acquisition of Fox-Tek, the only shareholders of record anticipated to own or beneficially, directly or indirectly, or exercise control or direction over more than 10% of Sensor Technologies Corp. are as set forth below:

Name and Municipality of Residence	Type of Ownership	Number of Resulting Issuer Shares	% of Common Shares
IntellaEquity Inc. Ontario	Direct	47,500,000	89.48%

(3) If, to the knowledge of the Issuer, more than 10 per cent of any class of voting securities of the Issuer is held, or is to be held, subject to any voting trust or other similar agreement, disclose, to the extent known, the designation of the securities, the number or amount of the securities held or to be held subject to the agreement and the duration of the agreement. State the names and addresses of the voting trustees and outline briefly their voting rights and other powers under the agreement.

N/A

(4) If, to the knowledge of the Issuer, any principal shareholder is an associate or affiliate of another person or company named as a principal shareholder, disclose, to the extent known, the material facts of the relationship, including any basis for influence over the Issuer held by the person or company other than the holding of voting securities of the Issuer.

N/A

13 Directors and Officers

13.1 List the name and municipality of residence of each director and executive officer of the Issuer and indicate their respective positions and offices held with the Issuer and their respective principal occupations within the five preceding years.

After the completion of the acquisition

Name and State/Province of Residence	Position	Principal Occupation	Director / Officer Since	Number of Voting Securities Beneficially Held, Directed or Controlled

Mumin Demiral **Toronto, Ontario**	**Chief Scientist and Director**	**Chief Scientist of Augusta Industries Inc.**	**Nominee**	**Nil**
Binh Quach **Toronto, Ontario**	**Director**	**Chief Financial Officer of Goldspot Discoveries Inc. and New Found Gold Corp. and Controller of ThreeD Capital Inc.**	**November 10, 2016**	**Nil**
Jay Vieira **Richmond Hill, Ontario**	**President and Director**	**Vice President, Corporate and Legal Affairs of Distinct Infrastructure Group Inc. and corporate and securities lawyer**	**Nominee**	**Nil**
Alan Myers **Toronto, Ontario**	**Chief Financial Officer and Corporate Secretary**	**Chartered Accountant**	**Nominee**	**Nil**
Thierry Cherpillod (1) **Toronto, Ontario**	**Vice President, Operations**	**Vice President, Operations of Augusta Industries Inc.**	**Nominee**	**Nil**

13.2 State the period or periods during which each director has served as a director and when his or her term of office will expire.

Please see 13.1

13.3 State the number and percentage of securities of each class of voting securities of the Issuer or any of its subsidiaries beneficially owned, directly or indirectly, or over which control or direction is exercised by all directors and executive officers of the Issuer as a group.

Please see 13.1

13.4 Disclose the board committees of the Issuer and identify the members of each committee.

The audit committee is the only committee of Sensor Technologies Corp.. After the completion of the acquisition of Fox-Tek, the audit committee will be comprised of Mumin Demiral, Don Couture and Bin Quach. All of the directors are considered to be "independent" within the mean of NI 52-110.

13.5 If the principal occupation of a director or officer of the Issuer is acting as an officer of a person or company other than the Issuer, disclose the fact and state the principal business of the person or company.

Please see 13.1

13.6 Disclose if a director or officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, is, or within 10 years before the date of the Listing Statement has been, a director or officer of any other Issuer that, while that person was acting in that capacity:

N/A

13.7 Describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a director or officer of the Issuer, or a shareholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, has:

N/A

13.8 Despite section 13.7, no disclosure is required of a settlement agreement entered into before December 31, 2000 unless the disclosure would likely be important to a reasonable investor in making an investment decision.

N/A

13.9 If a director or officer of the Issuer, or a shareholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, or a personal holding company of any such persons has, within the 10 years before the date of the Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer, state the fact.

N/A

13.10 Disclose particulars of existing or potential material conflicts of interest between the Issuer or a subsidiary of the Issuer and a director or officer of the Issuer or a subsidiary of the Issuer.

N/A

13.11 Management — In addition to the above provide the following information for each member of management:

Mumin Demiral, Chief Scientific Officer and Director - Mr. Demiral has an extensive background in experimental physics, precision measurements and software. Mr Demiral has spent the last 18 years of his professional career that included but not limited to Laser Technics, Particle Accelerators in the Nuclear Physics arena, Research in Advanced Physics Labs, Mr. Demiral has significantly contributed to the advancement of the EFM, FT, FBG & Leak detection technologies in addition to DMAT. Mr. Demiral has a B.Sc in Physics from the University of Heidelberg, 1999 and Master of Science in Physics from the University of Heidelberg, 2007.

Jay Vieira, President and Director – Mr. Vieira is Vice President, Corporate and Legal Affairs for Distinct Infrastructure Group and plays an integral part in working with senior leadership to achieve Distinct's overall strategies and goals. Mr. Vieira supports Distinct's existing and prospective investor relations, ensuring corporate governance is met at all levels, assisting with mergers and acquisitions and ensuring compliance with securities and corporate law. Prior to loing Distinct in 2016, Mr. Vieira was a partner at the law firms Blaney McMurty LLP and Fogler Rubinoff, LLP, practicing corporate and securities law.

Alan Myers, Chief Financial Officer - Mr. Myers is a UK Chartered Accountant with over 30 years of professional and business experience. He started his career with Ernst and Young in Manchester, England followed by two years with Price Waterhouse in Toronto, Canada. From there, Mr. Myers moved into industry where he served as Controller at Wang Canada, the Canadian subsidiary of a major U.S. computer manufacturer, Chief Financial Officer at Hudson Bay Diecasting, a Toronto based public company in the auto parts industry, and Chief Financial Officer/Acting General Manager at E-Connect, an innovative broadband services provider which was bought out by AT&T. Since then, Mr. Myers has been operating his own successful consulting practice providing clients with financial services including assistance with raising venture capital, tax consulting, financial systems implementation, and accounting. He has also served on the boards of two resource-based exploration stage public companies.

Thierry Cherpillod, Vice President, Operations - Mr. Thierry Cherpillod is the Vice President Operations at Augusta Industries Inc. where he is responsible for the management of operations, engineering, research & development, and project planning. Mr. Cherpillod was a founding member of Fox-Tek after working 12 years at the Institute for Aerospace Studies (University of Toronto) working in the Space Dynamics, Controls, and Robotics Group. Whilst at UTIAS, he was responsible for the custom design of a variety of advanced embedded control systems and sensors for use in space systems and robotic applications.

14. Capitalization

14.1 Prepare and file the following chart for each class of securities to be listed:

Issued Capital

The following table assumes the completion of the acquisition of Fox-Tek and the consolidation of the common shares on a 30 for 1 basis

Public Float	**Number of Securities (non-diluted)**	**Number of Securities (fully-diluted)**	**%of Issued (non-diluted)**	**% of Issued (fully diluted)**
Total outstanding (A)	**53,084,540**	**53,105,331**	**100%**	**100%**
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who	**47,500,000**	**47,500,000**	**89.48%**	**89.44%**

beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)				
Total Public Float (A-B)	**5,584,540**	**5,605,331**	**10.52%**	**10.56%**
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	**-**	**-**	**-**	**-**
Total Tradeable Float (A-C)	**5,584,540**	**5,605,331**	**10.52%**	**10.56%**

Public Securityholders (Registered)

Instruction: For the purposes of this report, "public securityholders" are persons other than persons enumerated in section (B) of the previous chart. List registered holders only.

Class of Security

Size of Holding	Number of holders	Total number of securities
1 – 99 securities	**5**	**5**
100 – 499 securities	**34**	**254**
500 – 999 securities	**32**	**626**
1,000 – 1,999 securities	**54**	**2,075**
2,000 – 2,999 securities	**43**	**3,197**
3,000 – 3,999 securities	**30**	**6,349**
4,000 – 4,999 securities	**20**	**2,784**

5,000 or more securities	**966**	**5,569,250**
		5,584,540

Public Securityholders (Beneficial)

Instruction: Include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give the aggregate position of all such intermediaries in the last line.

Class of Security

Size of Holding	Number of holders	Total number of securities
1 – 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities		
2,000 – 2,999 securities		
3,000 – 3,999 securities		
4,000 – 4,999 securities		
5,000 or more securities		
Unable to confirm		

Non-Public Securityholders (Registered)

Instruction: For the purposes of this report, "non-public securityholders" are persons enumerated in section (B) of the issued capital chart.

Class of Security

Size of Holding	Number of holders	Total number of securities
1 – 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities		
2,000 – 2,999 securities		
3,000 – 3,999 securities		
4,000 – 4,999 securities		
5,000 or more securities	1	47,500,000
	1	**47,500,000**

14.2 Provide the following details for any securities convertible or exchangeable into any class of listed securities

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
Options	**623,750**	**623,750**

14.3 Provide details of any listed securities reserved for issuance that are not included in section 14.2.

N/A

15. Executive Compensation

15.1 Attach a Statement of Executive Compensation from Form 51-102F6 or any successor instrument and describe any intention to make any material changes to that compensation.

The following table sets forth the expected annual and long-term compensation of the executive officers for the twelve months following completion of the acquisition of Fox-Tek:

SUMMARY COMPENSATION TABLE							
				Non-Equity Incentive Plan Compensation			
Name and Principal Position of Resulting Issuer Named Executive Officer	Salary or Consulting Fee (1)	Share-Based Awards	Option Based Awards	Annual Incentive Plans (2)	Long-Term Incentive Plans	All Other Compensation (3)	Total Compensation
Jay Vieira President	None proposed at this time	None proposed at this time	None proposed at this time	None proposed at this time	None proposed at this time	None proposed at this time	None proposed at this time
Mumin Demiral Chief Scientific Officer	None proposed at this time	None proposed at this time	None proposed at this time	None proposed at this time	None proposed at this time	None proposed at this time	None proposed at this time
Alan Myers Chief Financial Officer	None proposed at this time	None proposed at this time	None proposed at this time	None proposed at this time	None proposed at this time	None proposed at this time	None proposed at this time
Thierry Cherpillod Vice President, Operations	None proposed at this time	None proposed at this time	None proposed at this time	None proposed at this time	None proposed at this time	None proposed at this time	None proposed at this time

Notes:

(1) Fox-Tek does not have a share based awards plan.

(2) Fox-Tek has no immediate intention to issue option awards upon the Completion of the Qualifying Transaction. However, it is likely that Fox-Tek will issue options to employees, officers and/or directors pursuant to the terms and conditions of the Plan within the next twelve month period.

(3) Fox-Tek does not have a long term incentive plan.

(4) Fox-Tek does not have a pension plan.

16. Indebtedness of Directors and Executive Officers

16.1 Aggregate Indebtedness

N/A

17. Risk Factors

Limited Operating History

Fox-Tek has a relatively short period of operational history. It is in an early phase of development. Fox-Tek is subject to many risks common to such start-up enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that Fox-Tek will be successful in achieving a return on shareholders' investment and the likelihood of its success must be considered in light of the fact that limited operations have been conducted to date.

Competition

Market acceptance of Fox-Tek's current or future products and services will depend upon the products of Fox-Tek and services providing benefits comparable to or greater than products available from competitors. Competition in the sensor industry is extensive and is expected to continue, and the Resulting's competitors may have greater resources than itr. There can be no absolute assurance that developments by competitors will not render Fox-Tek's services non-competitive or that Fox-Tek will be able to keep pace with new developments. These competitors may be able to respond more quickly to new or emerging markets and to changes in customer requirements. They may enjoy advantages in a particular market that Sensor Technologies Corp. does not have or they may have more experience or a better relationship with a particular client. Some products and services developed may be more effective and less costly than the products and services developed by Fox-Tek. Increased competition may result in price reductions, reduced gross margins and loss of market share, any of which could materially and adversely affect Fox-Tek's business. Fox-Tek may not be able to compete successfully against current and future competitors and the failure to do so would harm Fox-Tek's business.

Fox-Tek cannot guarantee that its products and services will remain competitive or that it can respond to all market demands and developments or new unexpected industry standards. If Fox-Tek is unable to identify a shift in market demand or industry standards quickly enough, it may not be able to develop products to meet those new demands or standards, or bring them to market in a timely way.

As such, there exists extensive competition in similar areas of business as Sensor Technologies Corp. which could adversely affect Sensor Technologies Corp.'s profit margins in the future.

Ability to Secure Work

Fox-Tek generally secures new contracts either through a competitive bid process or through negotiation. Bids or negotiated contracts with public or private clients are generally awarded based upon price, but are also influenced by factors such as perceived level of service offered, schedule, project personnel and prior experience with the prospective client and the type of project. Fox-Tek will operate in markets that are competitive and there is pressure to find and maintain a competitive advantage. A large portion of its sales relates to privately edited projects. Any reduction in demand

for Fox-Tek's services by the private sector whether as a result of funding constraints, changing political priorities or delays in projects would have an adverse impact on Fox-Tek.

Ability to Continue Acquiring Targets

Fox-Tek can make no assurance that it will be able to acquire its prospective targets in the timeline anticipated, or at all. The inability of Fox-Tek to successfully acquire additional and larger targets would significantly adversely affect its future revenues as its revenues are solely derived from management fees.

Acquisitions and Integration

As a direct result of Sensor Technologies Corp.'s growth strategy Fox-Tek will examine opportunities to acquire additional assets and businesses. Any acquisition that Fox-Tek may be of a significant size, may change the scale of Fox-Tek's business and operations, and may expose Fox-Tek to new risks. Fox-Tek's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of Fox-Tek. There can be no assurance, however, that Fox-Tek will be able to identify, acquire and integrate appropriate businesses or obtain financing for such acquisitions on satisfactory terms.

Any acquisitions would be accompanied by risks. For example, Fox-Tek may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt Fox-Tek's ongoing business and its relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. In the event that Fox-Tek chooses to raise debt capital to finance any such acquisition, Fox-Tek's leverage will be increased. If Fox-Tek chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution. Alternatively, Fox-Tek may choose to finance any such acquisition with its existing resources. There can be no assurance that Fox-Tek would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Additional Funding

Failure to obtain sufficient future financing may result in a delay of Fox-Tek's business strategy and could have an adverse impact on Fox-Tek's future cash flows, earnings, and results of operations. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to Fox-Tek. Debt financing will expose Fox-Tek to the risk of leverage, while equity financing may cause existing shareholders to suffer dilution. There can be no assurance that Fox-Tek will be successful in overcoming these risks or any other problems encountered in connection with such financings. Failure to raise capital when needed would have an adverse effect on Fox-Tek's business, prospects and results of operations.

Third Party Obligations

Fox-Tek may be exposed to third party credit risk through its contractual arrangements with current or future suppliers, clients and other parties. Fox-Tek intends to manage this credit risk by entering into sales contracts with only creditworthy entities and reviewing its exposure to individual entities on a regular basis. However, in the event such entities fail to meet their contractual obligations to Fox-Tek, such failures may have a material adverse effect on the business, financial condition, results of operations and prospects of Fox-Tek.

Volatile Market Price for Fox-Tek Shares

The market price for Fox-Tek Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond Fox-Tek's control, including the following:

- **actual or anticipated fluctuations in Fox-Tek's quarterly results of operations;**
- **recommendations by securities research analysts;**
- **changes in the economic performance or market valuations of companies in the industry in which Fox-Tek operates;**
- **addition or departure of Fox-Tek's executive officers and other key personnel;**
- **release or expiration of transfer restrictions on outstanding Resulting Issuer Shares;**
- **sales or perceived sales of additional Resulting Issuer Shares;**
- **significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving Fox-Tek or its competitors;**
- **operating and share price performance of other companies that investors deem comparable to Fox-Tek; and**
- **news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in Fox-Tek's industry or target markets.**

Financial markets tend to experience significant price and volume fluctuations that tend to affect the market prices of equity securities of companies and that can be unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of Fox-Tek Shares may decline even if Fox-Tek's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, Fox-Tek's operations could be adversely impacted and the trading price of Fox-Tek Shares may be materially adversely affected.

Future Sales of Sensor Technologies Corp. Shares by Existing Shareholders

Sales of a large number of Resulting Issuer Shares in the public markets, or the potential for such sales, could decrease the trading price of Fox-Tek Shares and could impair Fox-Tek's ability to raise capital through future sales of Resulting Issuer Shares.

Future Profits/Losses and Production Revenues/Expenses

There can be no assurance that significant losses will not occur in the future or that Fox-Tek will be profitable in the future. Fox-Tek's operating expenses and capital expenditures may increase in subsequent years as it attempts to expand by acquiring additional targets. The amounts and timing of expenditures will depend on the progress of ongoing developments in emerging markets and the timing of prospective acquisitions and capital investments, if applicable, in addition to other factors, many of which are beyond Fox-Tek's control. The expansion of Fox-Tek's business will require the commitment of substantial resources. There can be no assurance that the underlying assumed levels of expenses will prove to be accurate.

Regulation

The oil and gas industry sectors are both directly and indirectly affected by government legislation and regulation which imposes responsibilities and liabilities on Fox-Tek's operations and on industries of Fox-Tek services.

While management believes that Sensor Technologies Corp. and its subsidiaries have all licenses, permits, authorizations and approvals necessary to conduct its business and that Sensor Technologies Corp. is not subject to any regulatory regime, there can be no assurance that these beliefs are accurate or that laws or regulatory regimes will not be changed in a manner that would adversely impact Sensor Technologies Corp., including by requiring it to obtain certain licenses, permits, authorizations or approvals or requiring it to operate subject to a regulatory regime.

Companies servicing the oil and gas sectors are subject to environmental regulation pursuant to a variety of local, provincial and federal legislation. Environmental legislation regulates health, safety, environment and land use. Permits, authorizations or licenses are generally required for work in the infrastructure and utility service sectors.

Fox-Tek's operations will be subject to a variety of other federal, provincial and local laws, regulations and guidelines, including laws and regulations relating to health and safety, the conduct of operations, and the manufacture, management, transportation, storage, and disposal of certain materials used in Fox-Tek's operations. It is impossible for Fox-Tek to predict the cost or effect of such laws, regulations or guidelines on Fox-Tek's future operations.

A breach of such legislation or regulations may result in suspension or revocation of necessary licenses, permits or authorizations, civil liability and the imposition of fines and penalties. Local, provincial and federal governments may also, at any time, change the rights they grant to and those restrictions they impose on infrastructure and utility service companies, which changes could restrict Fox-Tek's operations and growth.

Environmental liability

Fox-Tek will be committed to meeting its responsibilities to protect the environment and it is anticipated that expenditures of both a capital and expense nature will increase as a result of increasingly stringent laws relating to the protection of the environment. The costs required to

effect compliance with environmental legislation is uncertain and there can be no assurance that Fox-Tek will not be required, at some future date, to incur significant costs to comply with environmental laws, or that its operations, business, assets or cash flow will not be materially adversely affected by existing conditions or by the requirements or potential liability under current or future environmental laws.

Sensor Technologies Corp. is subject to numerous federal, provincial and municipal environmental laws and judicial, legislative and regulatory developments relating to environmental protection occur on an ongoing basis. Sensor Technologies Corp.'s projects can involve the handling of hazardous and environmentally sensitive materials, which, if improperly handled or disposed of, could subject Sensor Technologies Corp. to civil and criminal penalties. While Sensor Technologies Corp. strives to keep informed of and to comply with all applicable environmental laws, circumstances may arise and incidents may occur that are beyond the Company's control that could adversely affect Sensor Technologies Corp.. Management is not aware of any pending environmental legislation that would be likely to have a material adverse impact on any of the Company's operations, capital expenditure requirements or competitive position, although there can be no assurance that future legislation will not be proposed and, if implemented, may have a material impact on the Company's operations.

Ability to establish and grow the business

Fox-Tek will be a new entity, upon Completion of the Transaction. Fox-Tek will have limited operating history. Fox-Tek's strategy will place significant demands on its financial, operational and management resources. Fox-Tek may not be able to find and train qualified personnel, or do so on a timely basis, or establish and expand operations and systems to the extent, and in the time, required. The success of the establishment of its business and future growth is generally dependent upon timing, the size and quality of opportunities, the ability to integrate complementary businesses, available debt capacity and market conditions. There can be no assurances that Fox-Tek will be successful in its plans or the method chosen to establish and grow its operations or that such operations will be a financial success.

Need to Manage Growth

The anticipated growth of Fox-Tek's business and the expansion of its products and services are expected to place significant demands on Fox-Tek's managerial, operational and accounting resources. Demands on Fox-Tek's operational and accounting information systems and controls, including its billing, accounts, accounts receivable and payable, tracking and other accounting systems, are expected to grow. Inability to properly manage such growth could have a material adverse effect on Fox-Tek's business, results of operations, cash flow, financial condition and prospects.

Dependence on senior management

It is expected that Fox-Tek will be highly dependent upon its senior management team. The availability of such experienced management personnel or how much it may cost to attract and retain such personnel as needed is not currently known. The loss of the services of any member of

senior management, or the inability to hire experienced operations management personnel, could materially adversely affect Fox-Tek's operations and financial conditions.

Employees

Fox-Tek's business will require skilled personnel to conduct operations. Recruiting, training and retaining such employees will be critical to the success of Fox-Tek's business. There is high demand for skilled personnel in the industry in which Fox-Tek will operate and as such Fox-Tek may face difficulty in obtaining appropriate levels of skilled labour. Fox-Tek's inability to identify, hire, train, motivate and retain qualified managers could negatively affect its business and financial position.

Labour and Employment Matters

Fox-Tek's operations will be dependent upon the efforts of its employees. Relations between Fox-Tek and its employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in whose jurisdictions Fox-Tek carries on business. Changes in such legislation or in the relationship between Fox-Tek and its employees may have a material adverse effect on Fox-Tek's operations and financial condition.

Loss of Key Employees

Fox-Tek will depend on the business and technical expertise of a number of key personnel, including its directors, president and other executive officers and key personnel working full-time in management and administrative capacities or as consultants. The number of persons skilled in the provision of Sensor Technologies Corp.'s services is limited, and there is competition for such persons. As Fox-Tek's sales activities expand, it will require additional key personnel.

Conflict of Interest

Certain proposed directors and officers of Fox-Tek may become associated with other reporting issuers or other corporations, which may give rise to conflicts of interest. In accordance with the OBCA, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with Fox-Tek are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of Fox-Tek, as the case may be. Certain of the directors have either other employment or other business or time restrictions placed on them and accordingly, these directors will only be able to devote part of their time to the affairs of Fox-Tek.

General market conditions

Fox-Tek's business will be subject to a number of general economic factors, many of which are out of Fox-Tek's control, which may have a material adverse effect on the business, financial condition and results of operations of Fox-Tek. These include recessionary economic cycles and downturns in the business cycles of the infrastructure and utility industries in which potential clients conduct business, as well as downturns in the regional economy where operations are located.

Economy and Cyclicality

Activity within infrastructure and utility services is tied to the general state of the economy. Thus, in periods of strong economic growth, capital spending will generally increase and there will be more and better quality opportunities available within the industry. Fox-Tek anticipates having up to a 12 months lead time in order to react to any significant changes in the macroeconomic landscape. Methods to insulate would include refocusing operations on to less impacted subsectors, downsizing workforce and fleet, and focusing business development activities on longer term opportunities. Sensor Technologies Corp. generally enters into contracts in duration of two years or less and in rare cases up to three years. There is no assurance that any attempts to insulate will be effective in insulating Sensor Technologies Corp. from a downturn in the economy.

Nature of Industry

Domestic and international economic conditions affect the oil and gas service sectors. Downturns in the economy may cause delays or cancelations in spending on projects. This, in turn, may lead to longer sales cycles, delays or failures in payment and collection, and price pressures, causing Fox-Tek to realize lower revenues and margins.

Completion & Performance Guarantees

Under some contracts, failure to meet a project deadline may expose Sensor Technologies Corp. to financial penalties, liquidated damages under the contract or Sensor Technologies Corp. may be held responsible for cost impacts to the client resulting from any delay. With other contracts, the work or portions thereof may be required to meet certain performance specifications. This places on Sensor Technologies Corp. the added risk of liability for flaws as well as added construction costs that may results from such flaws. If the project fails to meet performance specifications Sensor Technologies Corp. would be exposed to the costs necessary to meet the performance specifications or to rectify the error. Alternatively in some cases, Sensor Technologies Corp. may be obligated for agreed-upon liquidated damages. Where Sensor Technologies Corp. fails to meet these completion performance obligations, the total costs of the project could exceed original estimates and could result in a loss to Sensor Technologies Corp. for that project. In extreme cases, such situations could have a material negative impact on the operating results and financial position of Sensor Technologies Corp..

Quality Assurance and Quality Control

Sensor Technologies Corp. enters into contracts which specify the scope of the project to be constructed including quality standards. If all or portions of the work fail to meet these standards, Sensor Technologies Corp. would be exposed to additional costs for the correction of non-compliant work.

Risk of future legal proceedings

Alleged failure by Fox-Tek to comply with laws and regulations may lead to the imposition of fines, penalties, or the denial, revocation or delay of the renewal of permits and licenses by governmental authorities. In addition, governmental authorities as well as third parties may claim that Fox-Tek is liable for environmental damages. In addition, Fox-Tek may be the subject of litigation by clients, suppliers and other third parties. A significant judgment against Fox-Tek, the loss of a significant permit or other approval or the imposition of a significant fine or penalty could have a material adverse effect on Fox-Tek's business, financial condition and future prospects. Litigation is expensive, time consuming and may divert management's attention away from the operation of the business.

Potential Fluctuation in Quarterly Financial Results

The quarterly net income and results of operations are difficult to forecast. There may be substantial fluctuations in net income and results of operations from quarter to quarter. There is a high degree of seasonality in the infrastructure and utility service sectors.

Sensor Technologies Corp.'s quarterly financial results may be impacted by a variety of factors including, without limitation: the timing of recognition of revenue from existing projects; the ability to accurately estimate costs for completion of work; the availability of, and competition for, new projects; costs or penalties associated with unanticipated delays in project completion; fluctuations in the general economic and business conditions in the markets in which Sensor Technologies Corp. operates; labour unrest involving Sensor Technologies Corp.'s workers; and other conditions affecting revenue and expenses. Sensor Technologies Corp.'s operating expenses are incurred throughout the quarter. As a result, if expected revenues are not realized as anticipated, Sensor Technologies Corp.'s quarterly financial results could be materially adversely affected. Accordingly there may be significant variations in Sensor Technologies Corp.'s quarterly financial results.

Past Performance

The past performance of Sensor Technologies Corp. is not indicative of future performance.

Devotion of Time of Directors and Officers

Many of the directors and officers of Sensor Technologies Corp. will devote only a portion of their time to the business and affairs of Sensor Technologies Corp. and some of them are or will be engaged in other projects or businesses such that conflicts of interest may arise from time to time.

Dividends

It is not currently anticipated that Fox-Tek will distribute dividends to its security holders. If Fox-Tek generates earnings in the foreseeable future, it expects that such earnings will be retained to finance growth, if any, and, when appropriate, retire debt. The directors of Fox-Tek will determine if and when dividends should be declared and paid in the future based on Fox-Tek's financial position at the relevant time.

Potential for Non-Payment

Before signing any contract, Sensor Technologies Corp. goes to considerable lengths to satisfy itself that the potential client has adequate resources to pay as work is completed. Because of the nature of Sensor Technologies Corp.'s contracts and occasionally because of delays in customer payments, Sensor Technologies Corp. may be required to utilize its working capital to fund operation costs temporarily. Payment default by a client could result in a financial loss to Sensor Technologies Corp. that could have a material effect on Sensor Technologies Corp.'s operating results and financial position.

Speculative Nature of Investment

An investment in the Sensor Technologies Corp. Shares should be considered highly speculative due to the nature of Fox-Tek's business. Neither Sensor Technologies Corp. nor Fox-Tek has paid dividends nor is it expected that dividends will be paid in the immediate or foreseeable future. Sensor Technologies Corp. is in an expansionary stage of its business and its operations are not of sufficient scale and diversification to mitigate the risks associated with its planned activities. Sensor Technologies Corp. has modest cash available and other assets and is relatively small.

Availability of insurance

Sensor Technologies Corp. has a full range of insurance in place including, but not limited to, key man insurance, health and safety insurance, and directors and officers insurance.

Pricing Models

The competitive market in which Fox-Tek operates may require that prices be reduced. If competitors offer low bids on certain services in an effort to recapture or gain market share, Fox-Tek may be required to lower prices or offer other favourable terms to compete successfully. Any such changes would be likely to reduce margins and could adversely affect operating results. These practices could, over time, limit the prices that Fox-Tek can charge for its services. If Fox-Tek cannot offset price reductions with a corresponding increase in the number of sales or service revenues with lower costs, then the reduced revenue resulting from lower prices would adversely affect margins and operating results.

18. Promoters

N/A

19. Legal Proceedings

N/A

20. Interest of Management and Others in Material Transactions

Other than the amalgamation agreement entered into between Augusta and Sensor Technologies Corp., as disclosed herein, there no material transactions where management has an interest therein.

21. Auditors, Transfer Agents and Registrars

21.1 State the name and address of the auditor of the Issuer.

Wasserman Ramsay, Chartered Accountants
3601 Hwy 7 East, Suite 1008
Markham, Ontario L3R 0M3

21.2 For each class of securities, state the name of any transfer agent, registrar, trustee, or other agent appointed by the Issuer to maintain the securities register and the register of transfers for such securities and indicate the location (by municipality) of each of the offices of the Issuer or transfer agent, registrar, trustee or other agent where the securities register and register of transfers are maintained or transfers of securities are recorded.

Computershare Trust Company of Canada,
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1

22. Material Contracts

22.1 Give particulars of every material contract, other than contracts entered into in the ordinary course of business that was entered into within the two years before the date of Listing Statement by the Issuer or a subsidiary of the Issuer.

Amalgamation agreement entered into between Augusta and Sensor Technologies Corp. pertaining to the sale of Fox-Tek Canada Inc. by Augusta to Sensor Technologies Corp. for an aggregate purchase price of up to $21,500,000 (the "Purchase Price").

$9,500,000 of the Purchase Price will be satisfied through the issuance of an aggregate of 47,500,000 post-consolidated common shares (the "Consideration Shares") in the capital of Sensor Technologies Corp. at a price of $0.20 per Consideration Share. The balance of the Purchase Price, being up to $12,000,000, will be satisfied through a royalty of 15% on all future sales of Fox-Tek's products and a 20% royalty on all future sales of Fox-Tek's services (collectively, the "Royalty"). The Royalty shall be payable until the earlier of (i) the 10 year anniversary of the closing of the acquisition of Fox-Tek, and (ii) the aggregate payment of $12 million.

Pursuant to the amalgamation agreement, Fox-Tek and Sensor Technologies Inc. ("Sensor"), a wholly owned subsidiary of Sensor Technologies Corp., will amalgamate to form a new company ("AmalCo"). Both Augusta and Sensor Technologies Corp. will receive shares in AmalCo as a result of the amalgamation. Augusta will transfer its securities in the capital of AmalCo to Sensor Technologies Corp. in exchange for the Consideration Shares. As a result of the amalgamation, and the issuance of the Consideration Shares, Fox-Tek will be a wholly owned subsidiary of Sensor Technologies Corp..

22.2 If applicable, attach a copy of any co-tenancy, unitholders' or limited partnership agreement.

N/A

23 Interest of Experts

23.1 Disclose all direct or indirect interests in the property of the Issuer or of a Related Person of the Issuer received or to be received by a person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of the Listing Statement or prepared or certified a report or valuation described or included in the Listing Statement.

Other than Wasserman Ramsay, Chartered Accountants, who prepared the auditor's report for Augusta's financial statements, there are no persons or companies whose professional business gives authority to a statement made by the person or company who is named as having prepared or certified a part of this Listing Statement or prepared or certified a report or valuation described in this Listing Statement.

23.2 Disclose the beneficial ownership, direct or indirect, by a person or company referred to in section 23.1 of any securities of the Issuer or any Related Person of the Issuer.

As at the date hereof, partners and associates of Wasserman Ramsay, Chartered Accountants, who are directly involved in services provided to Augusta, do not own, directly or indirectly, any securities of the company. No partner or associate of Wasserman Ramsay, Chartered Accountants, is expected to be elected, appointed or employed as a director, officer or employee of Augusta or of any associate or affiliate of the company.

24. Other Material Facts

24.1 Give particulars of any material facts about the Issuer and its securities that are not disclosed under the preceding items and are necessary in order for the Listing Statement to contain full, true and plain disclosure of all material facts relating to the Issuer and its securities.

N/A

25. Financial Statements

25.1 Provide the following audited financial statement for the Issuer:

Attached hereto as Schedule "A" are the audited financial statements of Fox-Tek for the years ended December 31, 2017, 2016 and 2015

Attached hereto as Schedule "B" are the unaudited pro-forma financial statements

Attached hereto as Schedule "D" are the audited financial statements of Sensor Technologies Corp. for the years ended December 31, 2017, 2016 and 2015

25.2 For Issuers re-qualifying for listing following a fundamental change provide

N/A

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, Sensor Technologies Corp., hereby applies for the listing of the above mentioned securities on the Exchange. The foregoing contains full, true and plain disclosure of all material information relating to Sensor Technologies Corp. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto, Ontario this 23rd day of October, 2018

"Jay Vieira"
Jay Vieira
President

"Allan Myers"
Allan Myers
Chief Financial Officer

Promoter (if applicable)

"Binh Quach"
Binh Quach
Director

"Mumin Demiral"
Mumin Demiral
Director

CERTIFICATE OF THE TARGET

The foregoing contains full, true and plain disclosure of all material information relating to Fox-Tek Canada Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto, Ontario this 23rd day of October, 2018

"Allen Lone"	*"Momen Rahman"*
Allen Lone Chief Executive Officer	Momen Rahman Chief Financial Officer
	"Allen Lone"
Promoter (if applicable)	Allen Lone Director

SCHEDULE "A"
FOX-TEK FINANCIAL STATEMENTS

Fox-Tek Canada, Inc.

FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

For The Years Ended December 31, 2017, 2016 and 2015

Wasserman
Ramsay

Chartered Accountants

3601 Hwy 7 East, Suite 1008, Markham, Ontario L3R 0M3
Tel. 905-948-8637 Fax 905.948.8638
email: wram@wassermanramsay.ca

INDEPENDENT AUDITORS' REPORT

To Augusta Industries Inc.

We have audited the accompanying financial statements of Fox-Tek Canada, Inc., which comprise the statement of financial position as at December 31, 2017 and the statement of loss and comprehensive loss, changes in deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

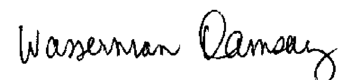
In our opinion, the financial statements present fairly, in all material respects, the financial position of Fox-Tek Canada, Inc. as at December 31, 2017 and the results of its financial performance, changes in deficit and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has a history of operating losses. As at December 31, 2017 the Company as an accumulative deficit of $3,128,509 and a working capital deficiency of $3,131,004. These conditions along with other matters set forth in Note 2(b) 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 comparative financial statements of Fox-Tek Canada Inc. for the years ended December 31, 2016 and 2015 are unaudited.



Markham, Ontario
June 20, 2018

Chartered Accountants
Licensed Public Accountants

FOX-TEK CANADA, INC.
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017, 2016 AND 2015
(Expressed in Canadian dollars)

	Note	December 31, 2017	December 31, 2016	December 31, 2015
			(Unaudited)	(Unaudited)
Assets				
Current Assets				
Cash and cash equivalents		8,739	8,323	6,234
Trade and other accounts receivable		46,299	279,849	125,156
Inventory	6	32,656	110,636	199,732
Tax credits receivable	8	20,489	21,675	35,787
Prepaid expenses and other assets		15,362	16,727	32,932
Total Current Assets		123,545	437,210	399,841
Non-Current Assets				
Equipment	7	2,496	3,866	6,079
Total non-current assets		2,496	3,866	6,079
Total Assets		126,041	441,076	405,920
Liabilities and Equity				
Current Liabilities				
Accounts payable and accrued liabilities		197,189	80,002	153,334
Advances from parent company	13 (c)	3,012,766	3,163,379	3,483,432
Deferred revenue		44,594	248,790	63,814
Total Current Liabilities		3,254,549	3,492,171	3,700,580
Total Liabilities		3,254,549	3,492,171	3,700,580
Shareholders' Deficiency				
Capital stock	10	1	1	1
Deficit		(3,128,509)	(3,051,096)	(3,294,661)
Total Deficiency		(3,128,508)	(3,051,095)	(3,294,660)
Total Liabilities and Equity		126,041	441,076	405,920

Going concern (Note 2(b))
Subsequent event (Note 19)

Approved on behalf of the Board of Directors

"Warren Goldberg, CPA, CA"	**"Allen Lone"**
Director	**Director**

The accompanying notes are an integral part of these financial statements

FOX-TEK CANADA INC.
STATEMENTS OF INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Expressed in Canadian dollars)

	Note	2017	2016	2015
			(Unaudited)	(Unaudited)
Sales		467,234	784,476	509,371
Cost of sales	2(d)(ii), 6	201,568	211,572	199,681
		265,666	572,904	309,690
Reseach and development		148,073	154,667	199,119
Selling		37,885	33,788	48,218
Salaries & short-term benefits		76,315	55,176	78,943
Professional Fees		5,370	3,045	6,272
Rent and occupancy costs		33,041	24,280	35,832
Office expenses		15,109	26,204	22,012
Amortization		1,370	2,213	3,600
Others		20,181	21,492	19,987
		337,344	320,865	413,983
(Loss) income before the undernoted		(71,678)	252,039	(104,293)
Interest and bank charges		(1,924)	(2,719)	(49,372)
Foreign exchange		(3,811)	(5,755)	44,509
(Loss) income for the year		(77,413)	243,565	(109,156)
(Loss) income per common share based on Net (loss) income for the year	10(b)	(774)	2,436	(1,092)
Number of common shares outstanding		100	100	100

The accompanying notes are an integral part of these financial statements

	Share Capital					
	Number		Amount		Deficit		Total (Deficiency)
Balance, December 31, 2014	100	$	1	$	(3,185,505)	$	(3,185,504)
Net loss for the year	-		-		(109,156)		(109,156)
Balance, December 31, 2015	100	$	1	$	(3,294,661)	$	(3,294,660)
Balance, December 31, 2015	100	$	1	$	(3,294,661)	$	(3,294,660)
Net income for the year	-		-		243,565		243,565
Balance, December 31, 2016	100	$	1	$	(3,051,096)	$	(3,051,095)
Balance, December 31, 2016	100	$	1	$	(3,051,096)	$	(3,051,095)
Net loss for the year	-		-		(77,413)		(77,413)
Balance, December 31, 2017	100	$	1	$	(3,128,509)	$	(3,128,508)

The accompanying notes are an integral part of these financial statements.

FOX-TEK CANADA INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(All numbers are in Canadian dollars)

	Year ended December 31,		
	2017	2016	2015
		(Unaudited)	(Unaudited)
CASH FLOWS USED IN OPERATING ACTIVITIES			
Net (loss) income for the year	(77,413)	243,565	(109,156)
Items not involving cash			
Amortization	1,370	2,213	3,600
	(76,043)	245,778	(105,556)
Changes in non-cash working capital			
Trade and other accounts receivable	233,550	(154,693)	(39,692)
Inventory	77,980	89,096	9,470
Prepaid expenses and other assets	1,365	16,205	(1,315)
Tax credit receivable	1,186	14,112	909
Accounts payable and accrued liabilities	117,187	(73,332)	(229,101)
Deferred revenue	(204,197)	184,976	(14,595)
	227,071	76,364	(274,324)
Net cash used in (generated by) operating activities	151,028	322,142	(379,880)
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES			
Repayment of advances from third party	-	-	(129,211)
Repayment of advances from parent company	(150,612)	(320,053)	-
Advances from parent company	-	-	462,186
Net cash (used in) generated from financing activities	(150,612)	(320,053)	332,975
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR	416	2,089	(46,905)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,323	6,234	53,139
CASH AND CASH EQUIVALENTS, END OF YEAR	8,739	8,323	6,234

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS

Fox-Tek Canada, Inc. (the "Company" or "FOX-TEK") was incorporated on December 24, 2009 under the laws of the Province of Ontario with a registered office and a head-office at 2455 Cawthra Road, Unit 75, Mississauga, Ontario L5A 3P1. Canada. FOX-TEK is a wholly-owned subsidiary of Augusta Industries Inc. ("Augusta"), a company which is traded on the TSX Venture Exchange ("TSXV") under the symbol "AAO".

FOX-TEK 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.

These financial statements were approved for issue by the Board of Directors on June 20, 2018.

2. BASIS OF PRESENTATION AND GOING CONCERN

(a) Statement of Compliance

These financial statements have been prepared 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") in effect as of December 31, 2017. These standards are collectively referred to as "IFRS".

(b) Going Concern

The financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

The Company has net loss of $77,413 for the year ended December 31, 2017 (2016 – income of $243,565; 2015 – loss of $109,156), has an accumulated deficit of $3,128,509 (2016 – $3,051,096; 2015 - $3,294,661) from inception and working capital deficiency of $3,131,004 (2016 – $3,054,961; 2015 - $3,300,739). The challenges of securing requisite funding beyond December 31, 2018 and the cumulative operating losses indicate the existence of a material uncertainty which cast significant doubt upon the Company's ability to continue as a going concern. These 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.

(c) Basis of Measurement

The financial statements have been prepared on the historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Critical accounting judgments, estimates and assumptions

The preparation of 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 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 financial statements are as follows:

(i) Allowances for impairment of trade and other accounts receivables

The Company's carrying value of trade and other receivables as at December 31, 2017 was $46,299 (2016 – $279,849; 2015 – 125,156). The policy for allowances for impairment on accounts receivable of the Company is based on the evaluation of collectability and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history. If the financial conditions of the debtors of the Company were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(ii) Impairment of inventory

Inventory is recorded at the lower of cost and net realizable value. The cost of inventory may not be recoverable if their selling prices have declined. The estimate of net realizable value is based on the expected to be sold for less costs of selling. As at December 31, 2017, the carrying amount of inventory is $32,656 (2016 – $110,636; 2015 - $199,732). Included in cost of sales is inventory impairment charge of $85,110 for the year ended December 31, 2017 (2016 – $8,655; 2015 - $50,443).

(iii) 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.

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

(i) Going concern

The Company applies judgment in evaluating the going concern assumption and disclosure. The Company prepares a budget to determine its future cash needs and considers future sources of financing. Refer to Note 2(b) for further details.

(ii) 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. Refer to Note 11 for further details.

(iii) Revenue recognition

Management exercises judgement in determining the fair value of its multiple element arrangements. In making their judgement, management considered the criteria of IAS 18, Revenue, to allocate the consideration received in such arrangements. The consideration allocated to the data monitoring and installation is measured by reference to their fair value – the amount for which the services could be sold separately.

(iv) Classification of financial instruments

The Company applies judgment when selecting the classification of its financial instruments. The Company considered the nature and purpose of each financial asset and liability and selected the classification which aligns with the risk management objectives of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The policies as set out below were consistently applied to all periods presented unless otherwise noted.

(a) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and;

- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from a contract to provide services such as installation and data monitoring is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Installation fees are recognized by reference to the stage of completion of the installation to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- Servicing fees included in the data monitoring products sold are recognised by reference to the proportion of the total cost of providing the service for the product sold; and

- Revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses as incurred.

Revenue from the sale of goods is recognised when title has passed, at which time all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of electric field mapping ("EFM") monitoring systems and Fox-Tek ("FT") systems are accounted for as separately identifiable components and the fair value of the consideration received or receivable is allocated between the goods supplied and the installation and data monitoring sold. The consideration allocated to the data monitoring is measured by reference to their fair value – the amount for which the services could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction – but is deferred and recognized as revenue pro rata over the service period.

(b) Inventory

Inventory consists of raw materials used in the manufacturing of fiber optics sensing systems, work in process and finished goods. Inventory is recorded at the lower of cost and net realizable value. The cost is determined on the weighted average principle and includes expenditures incurred in acquiring the inventories, production or conversion costs and other cost incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(c) 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, 2016 and 2015, the Company had no cash equivalents.

(d) Equipment

Computer hardware, scientific and office equipment, and computer software are stated at cost less accumulated amortization and accumulated impairment losses.

Amortization is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the declining balance method. The estimated useful lives, residual values and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their

estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The amortization rates for equipment are as follows:

	Method	Rate
Computer hadware	Declining balance	30%
Office equipment	Declining balance	20%
Computer software	Declining balance	50%

(e) Research and Development

All research costs are expensed as incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and,
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

As at December 31, 2017, 2016 and 2015, the Company did not have any projects in the development stage.

(f) Impairment of Equipment

At the end of each reporting period, the Company assess whether there is any indication of an impairment loss. If any such indication exists, then the Company will perform an impairment test. The impairment test is to compare the asset's carrying amount and its recoverable amount, where the recoverable amount is defined as the higher of the asset's fair value less costs to sell and its value-in-use. Under the value-in-use calculation, the expected future cash flows from the asset are discounted to their net present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

(g) Foreign Currencies

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

(h) Income (Loss) per Common Share

Basic income (loss) per common share is determined by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted income (loss) per common share is calculated in accordance with the if-converted method and based on the weighted average number of common shares outstanding adjusted for the effects of all dilutive potential shares including convertible securities. The Company does not have any dilutive securities as at December 31, 2017, 2016 and 2015.

(i) Taxation

i. Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the intention is to settle on a net basis, or to realize the asset and settle the liability simultaneously. Current income tax relating to items recognized directly in equity is recognized in equity and not through profit or loss.

ii. Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits, and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the carry forward of unused tax credits and unused tax losses can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. Deferred tax relating to items recognized directly in equity is also recognized in equity and not in the consolidated statement of loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each consolidated statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(j) Tax Credit Receivable

Government assistance and tax credits relating to qualifying expenditures, to the extent that there is reasonable assurance of realization, are accounted for using the cost reduction method, whereby the government assistance and tax credits are recorded as reductions against the related expenses or the carrying value of the related assets. Tax credits are subject to review by the Canada Revenue Agency ("CRA") and any adjustments that may result could reduce the tax credit recorded.

(k) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(l) Financial Assets and Liabilities

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The classification of financial assets and liabilities depends on the nature and purpose of the financial assets or liabilities and is determined at the time of initial recognition.
Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the consolidated statement of loss.

(i) Financial assets

Financial assets that are managed to collect contractual cash flows made up of principal and interest on specified dates are classified as subsequently measured at amortized cost. All other financial assets are designated as at fair value through profit or loss. All financial assets are recognized initially at fair value plus, in the case of financial assets classified as subsequently measured at amortized cost, directly attributable transaction costs.

Financial assets at amortized cost are measured at initial cost plus interest calculated using the effective interest rate method less cumulative repayments and cumulative impairment losses.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred substantially all the risks and rewards of the asset. The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. For amounts deemed to be impaired, the impairment provision is based upon the expected loss.

(ii) 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 for the period.
b) Other financial liabilities – All other financial liabilities except financial liabilities FVTPL.

(iii) Valuation of financial instruments

The determination of fair value requires judgment and is based on market information, where available and appropriate. At the end of each financial reporting period, management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements.

IFRS 13, Fair Value Measurement, establishes a fair value hierarchy that reflects the significance of inputs in measuring fair value as the following:

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

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

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

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

The Company's financial instruments consist of the following:

Financial Instrument	Classification	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The fair values of cash and cash equivalents, trade and other accounts receivable, accounts payable and accrued liabilities and debentures approximate their carrying values due to their short-term nature.

(iv) 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.

(m) Changes in accounting policies

During the year ended December 31, 2017, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included:

(i) IAS 7 – Statement of Cash Flows ("IAS 7") was amended in January 2017 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 statements for the year ended December 31, 2017.

(ii) IAS 12 – Income Taxes ("IAS 12") was amended in January 2017 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 statements for the year ended December 31, 2017.

4. Future 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.

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.

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.

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 recognises 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 recognise 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.

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.

5. FINANCIAL RISK MANAGEMENT

The Company has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Audit Committee which is responsible for developing and monitoring the Company's compliance with risk management policies and procedures. The Audit Committee regularly reports to the Board of Directors on its activities. There have been no material changes in the risks, objectives, policies and procedures during the years ended December 31, 2017, 2016 and 2015.

The Company's risk management program seeks to minimize potential adverse effects on the Company's financial performance and ultimately shareholder value. The Company manages its risks and risk exposures through a combination of insurance, a system of internal and disclosure controls, and sound business practices.

The Company's financial instruments and the nature of the risks which these instruments may be subject to are set out in the following table.

	Risks			
	Credit	Liquidity	Foreign exchange	Market Interest rate
Cash and cash equivalents	Yes	Yes	Yes	Yes
Trade and other accounts receivable	Yes	Yes	Yes	
Advances from parent company		Yes		
Accounts payable and accrued liabilities		Yes	Yes	

(a) Credit risk

Trade and other accounts receivable

Trade and other accounts receivable consists primarily of trade accounts receivable from the sale of equipment, installation and reporting services. The Company's credit risk arises from the possibility that a counterparty which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss to the Company. This risk is mitigated through established credit management techniques, including monitoring counterparty creditworthiness, setting exposure limits and monitoring exposure against these customer credit limits.

The carrying amounts of trade and other accounts receivable are reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the consolidated statement of loss in general and administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Subsequent recoveries of amounts previously written off reduce other expenses in the statement of loss. Historically, trade credit losses have been minimal.

Concentration of credit risk

Three customers represent approximately 77% of sales for the year ended December 31, 2017 (2016 – 81% and 2015 – 61%). The sales from major customers and their respective operational segments are as follows:

	Year ended December 31,		
	2017	2016	2015
Apache	36,194	440,855	-
Enbridge USA	171,600	110,250	86,337
Enbridge Canada	151,927	87,781	102,822
Zamil Group Holding Co.	-	-	122,250
	$ 359,721	**$ 638,886**	**$ 311,409**

Credit risk arises from cash and cash equivalents held with banks and credit exposure to customers, including outstanding accounts receivables. The maximum exposure to credit risk is equal to the carrying value (net of allowances) of the financial assets. The objective of managing counterparty credit

risk is to prevent losses on financial assets. The Company assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors. For many new international clients, the Company demands that equipment costs are prepaid prior to shipment.

Cash

Cash consist of bank balances and petty cash. Credit risk associated with cash is minimized substantially by ensuring that these financial assets are invested in debt instruments of highly rated financial institutions. As at December 31, 2017, the Company had cash of $8,739 (2016 - $8,323; 2015 - $6,234), and does not expect any counterparties to fail to meet their obligations.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's policy is to actively maintain credit facilities to ensure sufficient available funds to meet its obligations as they come due.

The following items are the contractual maturities of financial liabilities:

December 31, 2017	**Carrying amount**	**Contractual cash flows**	**0 to 12 months**	**After 12 months**
Accounts payable and accrued liabilities	$ 197,189	$ 197,189	$ 197,189	$ -
Advances from parent company	3,012,766	3,012,766	3,012,766	-
Non-cash liabilities	44,594	44,594	44,595	-
	$ 3,254,549	**$ 3,254,549**	**$ 3,254,550**	**$ -**

December 31, 2016	**Carrying amount**	**Contractual cash flows**	**0 to 12 months**	**After 12 months**
Accounts payable and accrued liabilities	$ 80,002	$ 80,002	$ 80,002	$ -
Advances from parent company	3,163,379	3,163,379	3,163,379	-
Non-cash liabilities	248,790	248,790	248,790	-
	$ 3,492,171	**$ 3,492,171**	**$ 3,492,171**	**$ -**

December 31, 2015	**Carrying amount**	**Contractual cash flows**	**0 to 12 months**	**After 12 months**
Accounts payable and accrued liabilities	$ 153,334	$ 153,334	$ 153,334	$ -
Advances from parent company	3,483,432	3,483,432	3,483,432	-
Non-cash liabilities	63,814	63,814	63,814	-
	$ 3,700,580	**$ 3,700,580**	**$ 3,700,580**	**$ -**

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the fair value of recognized assets and liabilities or future cash flows or the Company's results of operations. To contend with changes in market prices, the Company constantly reviews its current and planned expenditures to ensure it has adequate resources to continue operations. The Company primarily sells goods in Canada and the United States and attempts to limit its exposure by transacting in the local currency, therefore limiting exposure to foreign exchange rates.

(iii) Foreign exchange

As at December 31, 2017, the Company's US dollar net monetary liabilities totaled $236 (2016 - net monetary assets of $8,539; 2015 – net monetary assets of $19,025). 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 loss would have increased (decreased) by $12 (2016 - $427; 2015 - $951).

6. INVENTORY

Inventory is valued at lower of cost or net realizable value. The breakdown of inventory is comprised as follows:

	December 31, 2017	December 31, 2016	December 31, 2015
Raw materials	$ 32,656	$ 96,125	$ 185,221
Finished goods	-	14,511	14,511
	$ 32,656	**$ 110,636**	**$ 199,732**

The total amount of inventory expensed at cost as cost of sales during the year ended December 31, 2017 was $24,352 (2016 - $127,840; 2015 - $95,566). Cost of sales include inventory impairment expenses during the year ended December 31, 2017 was $85,110 (2016 – $8,655; 2015 - $50,543).

7. EQUIPMENT

	Computer Hardware	Office Equipment	Computer Software	Total
Cost				
Balance at December 31, 2015, 2016 and 2017	**$ 934**	**$ 2,448**	**$ 16,725**	**$ 20,107**
Accumulated amortization				
Balance at December 31, 2014	**$ (649)**	**$ (1,383)**	**$ (8,396)**	**$ (10,428)**
Amortization charge	(75)	(194)	(3,331)	(3,600)
Balance at December 31, 2015	**$ (724)**	**$ (1,577)**	**$ (11,727)**	**$ (14,028)**
Amortization charge	(55)	(159)	(1,999)	(2,213)
Balance at December 31, 2016	**$ (779)**	**$ (1,736)**	**$ (13,726)**	**$ (16,241)**
Amortization charge	(40)	(130)	(1,200)	(1,370)
Balance at December 31, 2017	**$ (819)**	**$ (1,866)**	**$ (14,926)**	**$ (17,611)**
Net Book Value December 31, 2015	**$ 210**	**$ 871**	**$ 4,998**	**$ 6,079**
Net Book Value December 31, 2016	**$ 155**	**$ 712**	**$ 2,999**	**$ 3,866**
Net Book Value December 31, 2017	**$ 115**	**$ 582**	**$ 1,799**	**$ 2,496**

8. TAX CREDITS RECEIVABLE

The Company undertakes research and development activities, the costs of which are eligible for investment tax credits which may be refunded or applied to reduce the income tax payable in the current year and future years.

During the year ended December 31, 2017, the Company recognized $24,411 (2016 - $21,675; 2015 - $35,787) Ontario Investment Tax Credit, which has been deducted from research and development expenses. Investment tax credits for the fiscal year are dependent upon qualification of each individual project under stringent technical criteria and amounts may vary upon further review by the Canada Revenue Agency. Adjustments to the claim, if any, will be accounted for in the year of assessment. Historically, the investment tax credits have been assessed as filed, accordingly the Company has accrued a refundable credit of $20,489 for year ended December 31, 2017 (2016 - $21,675; 2015 - $35,787). As at December 30, 2017, the Company received $25,597 in Ontario Investment Tax Credits against the 2016 receivable.

9. INCOME TAXES

(a) Provision for Income Taxes

Major items causing the Company's income tax rate to differ from the statutory rate in the US of approximately 25% (2016 and 2015 - 25%) are as follows:

	2017	2016	2015
Net income (loss) before income taxes	$ (77,413)	$ 243,565	$ (109,156)
Expected income tax expense (recovery) based on statutory rate	(19,300)	60,800	(27,300)
Adjustment to expected income tax benefit:			
Change in deferred tax assets not recognized	19,300	(60,800)	27,300
Total income tax expense	$ -	$ -	$ -

Significant components of the income tax recovery (expense) are as follows:

	2017	2016	2015
Current income tax provision	$ -	$ -	$ -
Deferred income tax recovery	-	-	-
	$ -	$ -	$ -

(b) Unrecognized Deductible Temporary Differences

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

	2017	2016	2015
Non-capital loss carry-forwards	$ 2,713,000	$ 2,712,000	$ 2,443,000
Research and development tax credit carry-forwards	592,000	552,000	552,000
Other temporary differences	12,000	12,000	12,000
Total	$ 3,317,000	$ 3,276,000	$ 3,007,000

The tax losses expire from 2029 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.

10. SHAREHOLDERS' EQUITY

(a) Share Capital

The Company is authorized to issue and unlimited number common shares (par value of $0.01 per share) of which 100 are outstanding and issued to Augusta.

(b) Basic and diluted loss per common share based on net loss for the years ended December 31, 2017, 2016 and 2015:

Numerator:	Year ended December 31,		
	2017	2016	2015
Net (loss) income for the year	$ (77,413)	$ 243,565	$ (109,156)

Denominator:	Year ended December 31,		
	2017	2016	2015
Number of common shares outstanding	100	100	100

(Loss) income per common share based on (loss) income for the year:	Year ended December 31,		
	2017	2016	2015
Basic	$ (774)	$ 2,436	$ (1,092)

11. REVENUE BY GEOGRAPIC REGION

	Year ended December 31,		
	2017	2016	2015
USA	$ 171,600	$ 110,250	$ 86,337
Canada	238,095	644,463	264,343
Middle East	-	18,900	122,250
Others	57,539	10,863	36,441
Total	**$ 467,234**	**$ 784,476**	**$ 509,371**

12. OPERATING LEASE COMMITMENTS

The Company is committed under operating lease agreements for the rental of its premises and a car lease. Minimum annual future lease payments are approximately as follows:

Year		Lease Commitments
2018		54,486
2019		13,622
	$	**68,108**

13. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, Officers of the Company and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The transactions with related parties were in the normal course of operations and were measured at fair value. Related party transactions not disclosed elsewhere in these interim consolidated statements are as follows:

(a) Included in accounts payable and accrued liabilities as at December 31, 2017 is $21,450 (2016 - $21,450; 2015 - $42,900) owing to the CEO and a company controlled by the CEO.

(b) As at December 31, 2017, $19,882 (2016 - $745; 2015 - $19,671) is owing to other officers of the Company.

(c) The Company's advances from the parent company, Augusta, are non-interest bearing and due on demand. As at December 31, 2017, the Company owed $3,012,766 (2016 - $3,163,379; 2015 - $3,483,432) to Augusta.

14. KEY MANAGEMENT PERSONNEL COMPENSATION

During the year ended December 31, 2017, the Company recognized salaries and short-term benefit expenses of $117,500 (2016 - $117,500; 2015 - $117,500) for its key management personnel, including VP of Operations, and CFO of the Company.

15. CAPITAL MANAGEMENT

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or debt. The Company considers its capital to include advances from parent company and shareholders' deficiency which amounts to a deficit of $115,742 (2016 – capital of $112,283; 2015 – capital of $188,771).

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Company has no commitments to sell or otherwise issue common shares. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company has not changed its approach to capital management during the years ended December 31, 2017, 2016 and 2015.

16. SUBSEQUENT EVENTS

Subsequent to December 31, 2017, Augusta Industries Inc. announced it had signed a letter of intent with Mooncor Oil & Gas Corp (TSXV: "MOO") ("Mooncor") whereby Mooncor would acquire 100% of the shares of FOX-TEK. The transaction is non-arms-length since the Company and Mooncor have common officers and a director. The transaction is subject to the approval of the TSXV and the shareholders of Augusta and the shareholders of Mooncor. There can be no assurance that the transaction will be completed as proposed or at all.

Fox-Tek Canada, Inc.

INTERIM CONDENSED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

For Three Months Ended March 31, 2018

FOX-TEK CANADA INC.

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.

	Note	March 31, 2018	December 31, 2017
Assets			
Current Assets			
Cash and cash equivalents		283	8,739
Trade and other accounts receivable		283,135	46,299
Inventory	6	32,945	32,656
Tax credits receivable	8	25,817	20,489
Prepaid expenses and other assets		16,972	15,362
Total Current Assets		359,152	123,545
Non-Current Assets			
Equipment	7	2,243	2,496
Total non-current assets		2,243	2,496
Total Assets		361,395	126,041
Liabilities and Equity			
Current Liabilities			
Accounts payable and accrued liabilities		203,251	197,189
Advances from parent company	13	3,082,317	3,012,766
Deferred revenue		223,009	44,594
Total Current Liabilities		3,508,577	3,254,549
Total Liabilities		3,508,577	3,254,549
Shareholders' Deficiency			
Capital stock	10	1	1
Deficit		(3,147,183)	(3,128,509)
Total Deficiency		(3,147,182)	(3,128,508)
Total Liabilities and Equity		361,395	126,041

The accompanying notes are an integral part of these interim condensed financial statements

	Note	Three months ended March 31, 2018	2017
Sales		85,225	189,967
Cost of sales	2(d)(ii), 6	10,595	45,067
		74,630	144,900
Reseach and development		39,906	37,381
Selling		6,747	7,225
Salaries & short-term benefits		17,887	21,832
Professional Fees		-	750
Rent and occupancy costs		8,342	8,261
Office expenses		13,403	4,126
Amortization		253	406
Others		4,352	6,110
		90,890	86,090
(Loss) income before the undernoted		(16,260)	58,810
Interest and bank charges		(1,090)	(655)
Foreign exchange		(1,324)	4,041
(Loss) income for the period		(18,674)	62,196
(Loss) income per common share based on			
Net (loss) income for the period	10(b)	(187)	622
Number of common shares outstanding		100	100

The accompanying notes are an integral part of these interim condensed financial statements

FOX-TEK CANADA INC.
INTERIM CONDENSED STATEMENTS OF CHANGES IN DEFICIENCY
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(Expressed in Canadian dollars)

	Share Capital			
	Number	Amount	Deficit	Total (Deficiency)
Balance, December 31, 2016	100	$ 1	$ (3,051,096)	$ (3,051,095)
Net income for the period	-	-	62,196	62,196
Balance, March 31, 2017	100	$ 1	$ (2,988,900)	$ (2,988,899)
Balance, December 31, 2017	100	$ 1	$ (2,988,900)	$ (2,988,899)
Net loss for the period	-	-	(18,674)	(18,674)
Balance, March 31, 2018	100	$ 1	$ (3,007,574)	$ (3,007,573)

The accompanying notes are an integral part of these interim condensed financial statements.

	Three months ended March 31,	
	2018	**2017**
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net (loss) income for the period	(18,674)	62,196
Items not involving cash		
Amortization	253	406
	(18,421)	62,602
Changes in non-cash working capital		
Trade and other accounts receivable	(236,836)	160,023
Inventory	(289)	(5,142)
Prepaid expenses and other assets	(1,610)	(68,159)
Tax credit receivable	(5,328)	(5,289)
Accounts payable and accrued liabilities	6,062	1,437
Deferred revenue	178,415	(182,798)
	(59,586)	(99,928)
Net cash used in operating activities	(78,007)	(37,326)
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES		
Advances from parent company	69,551	45,491
Net cash generated from financing activities	69,551	45,491
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR	(8,456)	8,165
CASH AND CASH EQUIVALENTS, BEGINNING OF period	8,739	8,323
CASH AND CASH EQUIVALENTS, END OF period	283	16,488

The accompanying notes are an integral part of these interim condensed financial statements.

1. NATURE OF OPERATIONS

Fox-Tek Canada, Inc. (the "Company" or "FOX-TEK") was incorporated on December 24, 2009 under the laws of the Province of Ontario with a registered office and a head-office at 2455 Cawthra Road, Unit 75, Mississauga, Ontario L5A 3P1. Canada. FOX-TEK is a wholly-owned subsidiary of Augusta Industries Inc. ("Augusta"), a company which is traded on the TSX Venture Exchange ("TSXV") under the symbol "AAO".

FOX-TEK 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.

These financial statements were approved for issue by the Board of Directors on June 20, 2018

2. BASIS OF PRESENTATION AND GOING CONCERN

(a) Statement of Compliance

These unaudited condensed interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements and as such may not contain all of the disclosure that is required for annual financial statements. These financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2017.

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its unaudited interim condensed financial statements. In addition, the preparation of the financial data requires that the Company's management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company's unaudited condensed interim financial statements are consistent with those applied and disclosed in the Company's financial statements for the year ended December 31, 2017. In addition the accounting policies applied in these unaudited condensed interim financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2017.

The Company's interim results are not necessarily indicative of its results for a full year.

(b) Going Concern

The financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

The Company has net loss of $18,674 for the three months ended March 31, 2018 (2017 – income of $62,196), has an accumulated deficit of $3,147,183 (December 31, 2017 - $3,128,509) from inception and working capital deficiency of $3,149,425 (December 31, 2017 – $3,131,004). The challenges of securing requisite funding beyond December 31, 2018 and the cumulative operating losses indicate the existence of a material uncertainty which cast significant doubt upon the Company's ability to continue as a going concern. These 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.

(c) Basis of Measurement

The financial statements have been prepared on the historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Changes in accounting policies

During the year ended December 31, 2017, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included:

(i) IAS 7 – Statement of Cash Flows ("IAS 7") was amended in January 2017 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 statements for the year ended December 31, 2017.

(ii) IAS 12 – Income Taxes ("IAS 12") was amended in January 2017 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 statements for the year ended December 31, 2017.

(e) Future 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.

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 recognises 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 recognise 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.

3. FINANCIAL RISK MANAGEMENT

The Company has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Audit Committee which is responsible for developing and monitoring the Company's compliance with risk management policies and procedures. The Audit Committee regularly reports to the Board of Directors on its activities. There have been no material changes in the risks, objectives, policies and procedures during the three months ended March 31, 2018.

The Company's risk management program seeks to minimize potential adverse effects on the Company's financial performance and ultimately shareholder value. The Company manages its risks and risk exposures through a combination of insurance, a system of internal and disclosure controls, and sound business practices.

The Company's financial instruments and the nature of the risks which these instruments may be subject to are set out in the following table.

	Risks			
	Credit	Liquidity	Foreign exchange	Market Interest rate
Cash and cash equivalents	Yes	Yes	Yes	Yes
Trade and other accounts receivable	Yes	Yes	Yes	
Advances from parent company		Yes		
Accounts payable and accrued liabilities		Yes	Yes	

(a) Credit risk

Trade and other accounts receivable

Trade and other accounts receivable consists primarily of trade accounts receivable from the sale of equipment, installation and reporting services. The Company's credit risk arises from the possibility that a counterparty which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss to the Company. This risk is mitigated through established credit management techniques, including monitoring counterparty creditworthiness, setting exposure limits and monitoring exposure against these customer credit limits.

The carrying amounts of trade and other accounts receivable are reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the consolidated statement of loss in general and administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Subsequent recoveries of amounts previously written off reduce other expenses in the statement of loss. Historically, trade credit losses have been minimal.

Concentration of credit risk

Two customers represent approximately 96% of sales for the year ended December 31, 2017 (2017 – four customers represent 86% The sales from major customers and their respective operational segments are as follows:

	Three months ended March 31	
	2018	**2017**
Apache	-	33,657
Enbridge Canada	52,400	40,049
Enbridge USA	29,098	32,400
Stork Technical Services	-	57,538
	$ 81,498	**$ 163,644**

Credit risk arises from cash and cash equivalents held with banks and credit exposure to customers, including outstanding accounts receivables. The maximum exposure to credit risk is equal to the carrying value (net of allowances) of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Company assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors. For many new international clients, the Company demands that equipment costs are prepaid prior to shipment.

Cash

Cash consist of bank balances and petty cash. Credit risk associated with cash is minimized substantially by ensuring that these financial assets are invested in debt instruments of highly rated financial institutions. As at March 31, 2018 the Company had a cash and bank balance of $283 (December 31, 2017, cash of $8,739) and does not expect any counterparties to fail to meet their obligations.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's policy is to actively maintain credit facilities to ensure sufficient available funds to meet its obligations as they come due.

The following items are the contractual maturities of financial liabilities:

March 31, 2018	**Carrying amount**	**Contractual cash flows**	**0 to 12 months**	**After 12 months**
Accounts payable and accrued liabilities	$ 203,251	$ 203,251	$ 203,251	$ -
Advances from parent company	3,082,317	3,082,317	3,082,317	-
Non-cash liabilities	223,009	44,594	44,594	-
	$ 3,508,577	**$ 3,330,162**	**$ 3,330,162**	**$ -**

December 31, 2017	**Carrying amount**	**Contractual cash flows**	**0 to 12 months**	**After 12 months**
Accounts payable and accrued liabilities	$ 197,189	$ 197,189	$ 197,189	$ -
Advances from parent company	3,012,766	3,012,766	3,012,766	-
Non-cash liabilities	44,594	44,594	44,594	-
	$ 3,254,549	**$ 3,254,549**	**$ 3,254,549**	**$ -**

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the fair value of recognized assets and liabilities or future cash flows or the Company's results of operations. To contend with changes in market prices, the Company constantly reviews its current and planned expenditures to ensure it has adequate resources to continue operations. The Company primarily sells goods in Canada and the United States and attempts to limit its exposure by transacting in the local currency, therefore limiting exposure to foreign exchange rates.

(d) Foreign exchange

As at March 31, 2018, the Company's US dollar net monetary assets totalled $82,170 (December 31, 2017 – net monetary liabilities of $236). 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 $4,108.

4. INVENTORY

Inventory is valued at lower of cost or net realizable value. The breakdown of inventory is comprised as follows:

		March 31, 2018		December 31, 2017
Raw materials	$	32,945	$	32,656
Finished goods		-		-
	$	**32,945**	**$**	**32,656**

The total amount of inventory expensed at cost as cost of sales during the year ended March 31, 2018 was $955 (2017 - $9,738).

5. EQUIPMENT

		Computer Hardware		Office Equipment		Computer Software		Total
Cost								
Balance at December 31, 2017 and March 31, 2018	**$**	**934**	**$**	**2,448**	**$**	**16,725**	**$**	**20,107**
Accumulated amortization								
Balance at December 31, 2016	**$**	**(779)**	**$**	**(1,736)**	**$**	**(13,726)**	**$**	**(16,241)**
Amortization charge		(40)		(130)		(1,200)		(1,370)
Balance at December 31, 2017	**$**	**(819)**	**$**	**(1,866)**	**$**	**(14,926)**	**$**	**(17,611)**
Amortization charge	**$**	**(9)**	**$**	**(29)**	**$**	**(215)**	**$**	**(253)**
Balance at March 31, 2018	**$**	**(828)**	**$**	**(1,895)**	**$**	**(15,141)**	**$**	**(17,864)**
Net Book Value December 31, 2017	**$**	**115**	**$**	**582**	**$**	**1,799**	**$**	**2,496**
Net Book Value March 31, 2018	**$**	**106**	**$**	**553**	**$**	**1,584**	**$**	**2,243**

6. TAX CREDITS RECEIVABLE

The Company undertakes research and development activities, the costs of which are eligible for investment tax credits which may be refunded or applied to reduce the income tax payable in the current year and future years.

The claim for 2017 has not been assessed by the Canada Revenue Agency ("CRA") and the actual credit may range from $nil to $20,489. Investment tax credits for the fiscal year are dependent upon qualification of each individual project under stringent technical criteria and amounts may vary upon further review by CRA. Adjustments to the claim, if any, will be accounted for in the year of assessment. Historically, the investment tax credits have been assessed as filed, accordingly the Company has accrued a refundable credit of $5,328 for the three months ended March 31, 2018 (2017 - $5,289). As at March 31, 2018, the tax credits receivable totaled $25,817 (December 31, 2017 - $20,489).

7. SHAREHOLDERS' EQUITY

(a) Share Capital

The Company is authorized to issue and unlimited number common shares (par value of $0.01 per share) of which 100 are outstanding and issued to Augusta.

(b) Basic and diluted loss per common share based on net loss for the years ended December 31, 2017, 2016 and 2015:

Numerator:	**Three months ended March 31,**	
	2018	**2017**
Net (loss) income for the period	$ (18,674)	$ 62,196

Denominator:	**Three months ended March 31,**	
	2018	**2017**
Number of common shares outstanding	100	100

(Loss) income per common share based on (loss) income for the period:	**Three months ended March 31,**	
	2018	**2017**
Basic	$ (187)	$ 622

8. REVENUE BY GEOGRAPIC REGION

	Three months ended March 31	
	2018	**2017**
USA	$ 32,631	$ 40,050
Canada	52,594	87,338
Others	-	62,579
Total	**$ 85,225**	**$ 189,967**

9. OPERATING LEASE COMMITMENTS

The Company is committed under operating lease agreements for the rental of its premises and a car lease. Minimum annual future lease payments are approximately as follows:

Year	**Lease Commitments**
2018	3,405
2019	13,622
	$ 17,027

10. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, Officers of the Company and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The transactions with related parties were in the normal course of operations and were measured at fair value. Related party transactions not disclosed elsewhere in these interim consolidated statements are as follows:

(a) Included in accounts payable and accrued liabilities as at March 31, 2018 is $21,450 (December 31, 2017 - $21,450) owing to the CEO and a company controlled by the CEO.

(b) As at March 31, 2018 $9,811 (December 31, 2017, $19,882) is owing to other officers of the Company.

(c) The Company's advances from the parent company, Augusta, are non-interest bearing and due on demand. As at March 31, 2018, the Company owed 3,082,317 (December 31, 2017 - $3,012,766) to Augusta.

11. KEY MANAGEMENT PERSONNEL COMPENSATION

During the year ended March 31, 2018, the Company recognized salaries and short term benefit expenses of $29,375 (2017 - $29,375) for its key management personnel, including VP of Operations, and CFO of the Company.

12. CAPITAL MANAGEMENT

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or debt. The Company considers its capital to include advances from parent company and shareholders' deficiency which amounts to a deficit of $64,865 (December 31, 2017 - $115,742).

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Company has no commitments to sell or otherwise issue common shares. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company has not changed its approach to capital management during the three months ended March 31, 2018.

13. SUBSEQUENT EVENTS

Subsequent to March 31, 2018, Augusta Industries Inc. announced it had signed a letter of intent with Mooncor Oil & Gas Corp (TSXV: "MOO") ("Mooncor") whereby Mooncor would acquire 100% of the shares of FOX-TEK. The transaction is non-arms-length since the Company and Mooncor have common officers and a director. The transaction is subject to the approval of the TSXV and the shareholders of Augusta and the shareholders of Mooncor. There can be no assurance that the transaction will be completed as proposed or at all.

SCHEDULE "B"
FOX-TEK MANAGEMENT DISCUSSION AND ANALYSIS

Fox-Tek Canada Inc.

Management's Discussion and Analysis
For the Years Ended
December 31, 2017, 2016 and 2015

The following Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of FOX-TEK Canada Inc. (the "Company") for the years ended December 31, 2017, 2016 and 2015. It should be read in conjunction with the financial statements for the years ended December 31, 2017, 2016 and 2015. The financial statements for the year ended December 31, 2017 are audited while the statements for the years ended December 31, 2016 and 2015 are unaudited.

References to "we", "our", "FOX-TEK", or "the Company" means FOX-TEK Canada Inc., unless the context requires otherwise.

BASIS OF PRSENTATION

Unless otherwise noted, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS").

All financial information is reported in Canadian dollars and is expressed in thousands except for per share amounts which are expressed in dollars.

The MD&A was approved for issue by the Board of Directors on June 20, 2018

CHANGES IN ACCOUNTING POLICIES

During the year ended December 31, 2017, the Company adopted International Accounting Standards ("IAS") 7 and IAS 12. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

FUTURE 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.

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.

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.

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 recognises 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 recognise 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.

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.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). All statements other than statements of historical fact are forward-looking statements that reflect the Company's present assumptions regarding future events. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance, and/or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements.

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions used by any of the Company's management, are intended to identify forward-looking statements. Such statements reflect the Company's internal projections, expectations, future growth, performance and business prospects and opportunities and are based on information currently available to the Company. Since they relate to the Company's current views with respect to future events, they are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking statements, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking statements contained in this MD&A are provided as of the date hereof and the Company undertakes no obligation to update

publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by applicable securities legislation, regulations or policies. All of the forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

OVERVIEW OF BUSINESS

Corporate Overview

Fox-Tek Canada, Inc. (the "Company" or "FOX-TEK") was incorporated on December 24, 2009 under the laws of the Province of Ontario with a registered office and a head-office at 2455 Cawthra Road, Unit 75, Mississauga, Ontario L5A 3P1. Canada. FOX-TEK is a wholly-owned subsidiary of Augusta Industries Inc. ("Augusta"), a company which is traded on the TSX Venture Exchange ("TSXV") under the symbol "AAO".

FOX-TEK 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.

GOING CONCERN

The financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

The Company has net loss of $77,413 for the year ended December 31, 2017 (2016 – income of $243,565; 2015 – loss of $109,156), has an accumulated deficit of $3,128,509 (2016 – $3,051,096; 2015 - $3,294,661) from inception and working capital deficiency of $3,131,004 (2016 – $3,054,961; 2015 - $3,300,739). The challenges of securing requisite funding beyond December 31, 2018 and the cumulative operating losses indicate the existence of a material uncertainty which cast significant doubt upon the Company's ability to continue as a going concern. These 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.

Principal Business

Fox-Tek is engaged in the development, design, manufacture and supply of systems using fiber optic sensors, related monitoring instruments, and software. Clients buy and operate systems and Fox-Tek handles the installation and reporting of information on an outsourcing basis. Fox-Tek provides support engineering services related to planning, training, on-site installation, and data interpretation and reporting. Fox-Tek's target market includes the monitoring, communication, alarming and prediction of safe/unsafe conditions in structures and facilities.

Fox-Tek's main products are patented non-intrusive asset health monitoring sensor systems for the oil and gas market to help operators track the thinning of pipelines and refinery vessels due to corrosion/erosion, strain due to bending/buckling, and process pressure and temperature.

Fox-Tek's FT fiber optic sensor monitoring systems allow cost-effective, 24/7 remote monitoring capabilities to improve scheduled maintenance operations, avoid unnecessary shutdowns, and prevent accidents and leaks. The FT system uses non-intrusive fiber optic sensors to monitor strain due to settling, movement or buckling of a

variety of civil structures, such as bending, buckling, elongation or compression of pipelines. Movement of soil or foundation footing can also be monitored. Measurements can be made at multiple locations up to 2,000 meters apart.

FT systems are highly sensitive and easy to operate: portable or dedicated FT monitors make continuous or periodic measurements by interrogating multiple permanently mounted sensors. Digital data facilitates semi-automated analysis and prompt reporting. Remote telemetry, long robust lead cables, and maintenance-free sensors enable early warning, or confirmation of effective mitigation solutions such as rebuilding slopes or grades. The non-electrical sensors are very robust and inherently immune to electromagnetic interference. FT sensors can be field-bonded to steel, concrete, composite / FRP structures located underwater, below grade or imbedded during a pour. They safely and efficiently monitor:

- Steel structure degradation due to corrosion;
- Concrete column compression and swelling due to corrosion;
- Composite girder / deck bending strains;
- Frame stability / buckling;
- Piling & anchor movement caused by ground heaving or seismic activity;
- Foundation settling;
- Dam subsidence;
- Tunnel wall and building fascia buckling;
- Storage tank floor / wall integrity

FT systems can be used in a wide array of engineered structures, and for any root cause of stress or degradation. FT sensor measurements combined with standard structural modeling and finite element analysis provide information to optimize maintenance, or institute prevention measures such as load control.

Fox-Tek's Electric Field Mapping ("EFM") System is a continuous, non-intrusive wall thickness monitoring system for pipelines and process piping with a number of breakthrough features:

1. Welded-on or spring-loaded sensor array
2. Rated for direct burial applications
3. Remote telemetry
4. Immediate reporting of alarms
5. Streamlined, objective data processing

Fox-Tek's Data Management and Analysis Tool ("DMAT") platform which was launched in 2011 is the database management and analysis tool for providing analysis and interpretation of the collected data. Data from all channels of FT Monitors, or EFM Monitors is collected and processed into easily understood tabular or graphical formats. It is anticipated that the DMAT Platform will provide additional value to pipeline operators and other stakeholders by allowing such users to easily manage multiple Fox-Tek systems ("FT").

Fox-Tek has been able to enhance the DMAT Platform user interface to facilitate the consistent presentation of data across multiple sites and improve the tools for location comparison and data reporting. In addition, the DMAT Platform now contains an alarm-on-event capability which the customer can customize according to their specific needs and thresholds.

Fox-Tek's Fiber Bragg Grating ("FBG") sensor system is an advanced fiber optic system consisting of many point strain sensors on one sensor string with high dynamic bandwidth. The FBG sensors measure the average local strain using Fox-Tek's FTG-3500 instrument. The system is suitable for static or low to medium frequency

monitoring applications such as continuous in-situ structural health monitoring.

As an all-fiber optic sensor, FBG sensors possess some unique advantages, compared to conventional electrical sensors. They are immune to electromagnetic interference, and being light powered, they are intrinsically safe, making them ideal for deployment in hazardous or flammable environments.

The sensor itself is made from conventional single-mode optical fiber, with a diameter of 250 microns. This small diameter allows the sensor to be embedded inside the structure being monitored with minimal intrusive effect. The sensors are also available in various ruggedized packaged configurations, for easy installations.

BUSINESS DEVELOPMENT

The Company is constantly working to improve its position in terms of intellectual property and what it offers to its customers. In fiscal 2017 the Company continued to focused on continuous improvements to its technology in markets with the highest perceived potential payoff, particularly in the oil and gas sectors.

Fox-Tek continues to support its independent sales agents and distributors primarily outside of North America with the intent of utilizing their local contacts and established relationships within the oil and gas industry to expedite the distribution of Fox-Tek's products in the local jurisdictions. Fox-Tek has also streamlined its production process to meet the higher demand of our systems. In addition, we have an ongoing goal of significant reductions in overhead expenses, to provide greater potential towards corporate profitability.

The Company will continue to work closely with its existing clients to ensure their needs are met in order to strengthen and preserve the relationship in addition to developing new relationships with new clients.

After a very successful first introductory trip to India, FOX-TEK has provide a number of technical proposals and bids on a number of different projects – based on a number of our technologies. One of the more interested oil companies has requested a bid for 2 large EFM systems to be placed on vessels within a refinery. The client has provided a sample plate for testing purposes that would lead to a custom design for that specific material. The Company is also working on introducing our leak detection technology for long distance applications in India.

The Company has initiated talks Ontario Centres of Excellence (OCE) to supplement a number of high quality personnel (HQP) within the organization. This includes having a Post Doctorate Fellow to come in and provide a full assessment on our data analysis techniques and to look at ways to better manage our large database of data.
Through OCE, FOX-TEK with the McMaster University's Centre of Opportunity, will be developing an innovative constant current source. This will be used across all of our EFM products, providing our existing and new clients with a better quality of analysis – with the use of a high precision constant current source A full prototype demonstrator has been completed.

The Company has been working to fulfill its obligations toward the Engineering and field services to meet the requirements of the contract announced on July 10th 2017 with one of our largest and long standing clients in North America.

The Company is still working closely with The Trans Africa Pipeline project ("T.A.P.") to provide non-intrusive sensing equipment which will verify the integrity of the pipeline composite at key locations. In addition to the non-intrusive sensing equipment, Fox-Tek will provide optical based sensing technology which would allow T.A.P. to monitor the right of way zones from possible third-party intrusions. The last update was that partial financing is completed and the site survey will be concluded for the Desalination Plant will be underway later in

2018.

The company is continuing to qualify with Petrobras as a supplier of corrosion detection monitoring systems, optical strain/pressure/temperature sensors & leak detection technology.

The Company is working with FiBos on two separate applications to monitor pressure in injectors. These injectors are critical to the plant operations since failures of these could lead to slowdowns or shutdowns of operations, A proof of concept was successfully completed and we are current working Phase 2

Sales of EFM Corrosion Monitoring Systems

Company has successfully completed 3 site surveys for one of our largest and long standing clients in North America and negotiating a contract with the client to convert of the competitor's technology to Fox-Tek's EFM technology. Company is currently awaiting a contract

The Company has been working closely with engineering firms and major oil and gas companies in the Middle East, England, in addition to all the major Canadian companies. There have been increased interest the Company's products from a number of overseas markets including India and the UK. The Company entered into a contract in 2016 with a company in the U.K. for the supply of a custom built EFM system for a laboratory. This system was shipped out in the first quarter of 2017 and installed in the second quarter of 2017. The Company is confident this could lead to future orders for more portable and mobile systems that could be used for periodic monitoring for less critical applications.

The Company is also negotiating a contract for sale of another EFM unit to another of our clients.

DMAT Platform

The Company continues to enhance the DMAT platform (Data Management and Analysis Tool). Response from customers utilizing the DMAT service has been very positive. For DMAT, the revenue stream is guaranteed when a customer acquires the hardware. The Company has successfully negotiated new contracts with several clients, for Engineering services and Data Analysis, for the 2017 fiscal year and beyond.

Leak Detection Technology

Fox-Tek's leak detection technology has the potential of becoming a disrupting technology within the oil and gas sector due to its ability to detect minute amounts of volatile organic compounds present in hydrocarbon leaks. Due to the nature of the technology, it will likely have fewer false alerts unlike a number of competing technologies.

1. The Company has received a contract for a system to detect oil on water in a drainage culvert.
2. The Company has been invited to be part of an onsite technical review for the use of our technology to monitor leaks in a pipe, within a tank farm. A budgetary/technical proposal was provided to the client. The pipe is estimated to be about 500 meters long. A site survey will be conducted end of April followed by contract negotiations
3. FOX-TEK has successfully completed an evaluation of its leak detection technology by a large consortium consisting of a number of oil & gas companies.
4. FOX-TEK is working closely with CANMETon the development of a new sensor technology (RFID corrosion sensor) to be used as a way to determine the damage of time on pipeline coatings. A letter of Interest submitted to a government initiative. We have been selected to phase 2 - LOI Technical review.

The company has an additional 5 bids for a number of applications utilizing a number of our technologies (EFM, FBG, & Leak detection.)

SELECTED FINANCIAL AND OPERATING RESULTS

Statement of Financial Position

As at December 31, 2017, the Company has a working capital deficiency of $3,131,004 (2016 – $3,054,960 and 2015 - $3,300,739). As at December 31, 2017, the Company had total assets of $126,041 (2016 –$441,076 and 2015 - $405,920).

Total assets decreased by $315,035 during the year ended December 31, 2017 compared to the previous year as trade and other accounts receivable decreased by $233,550 as Company discontinued its policy of invoicing for monitoring services in advance following discussions with customers. In 2017, inventory fell by $77,980 to $32,656 largely because of a write-down of $85,110 of inventory due to impairment. In December 31, 2015, the inventory level was unusually high at $199,732 because of finished goods in transit of $81,708. These finished goods in transit were delivered in 2016 and inventory levels came down to a more normal level of $110,636 in December 31, 2016.

As at December 31, 2017, the Company had total liabilities of $3,254,549 (2016 – $3,492,171 and 2015 - $3,700,580). Accounts payable and accrued liabilities increased in 2017 by $117,187 compared to 2016 while advances from parent company decreased $150,612 – both due to the assumption of liabilities of $104,280 and subsequent payment by Fox-Tek to Collins Barrow, former auditors of Augusta on behalf of Augusta. In 2015, advances from parents were used to pay down accounts payable and accrued liabilities (which reduced by $229,110) and to repay advances to a third party taken in 2014.

Total deficiency was $3,128,509 in 2017 (2016 – 3,051,095 and 2015 - $3,294,660)

Results of Operations

The following is a summary of the Company's three most recently completed financial years:

	2017	2016	2015
		(Unaudited)	(Unaudited)
Sales	467,234	784,476	509,371
Cost of sales	201,568	211,572	199,681
	265,666	572,904	309,690
Reseach and development	148,073	154,667	199,119
Selling	37,885	33,788	48,218
Salaries & short-term benefits	76,315	55,176	78,943
Professional Fees	5,370	3,045	6,272
Rent and occupancy costs	33,041	24,280	35,832
Office expenses	15,109	26,204	22,012
Amortization	1,370	2,213	3,600
Others	20,181	21,492	19,987
	337,344	320,865	413,983
(Loss) income before the undernoted	(71,678)	252,039	(104,293)
Interest and bank charges	(1,924)	(2,719)	(49,372)
Foreign exchange	(3,811)	(5,755)	44,509
(Loss) income for the year	(77,413)	243,565	(109,156)
(Loss) income per common share based on Net (loss) income for the year	(774)	2,436	(1,092)
Number of common shares outstanding	100	100	100

Sales in 2017 were lower by $317,242 compared to 2016 mainly because of hardware sale of 5 units to a customer in 2016. This was an unusually high number of hardware sales and the 2017 and 2015 sales figures are more typical.

Cost of sales include inventory impairment expenses during the year ended December 31, 2017 was $85,110 (2016 – $8,655; 2015 - $50,543).

Total operating expenses for the year ended December 31, 2017 were $337,344 (2016 - $320,865 and 2015 - $413,983). The main expense is research development costs which are net of investment tax credits. In 2016, there were fewer engineers working on research and development compared to 2015. Salaries in 2017 was

$76,315 (2016 - $55176 and 2015 - $78,943). Salaries in 2016 were lower again because of less employees for a period of time. Selling expenses were $37,885 in 2017 (2016 - $33,788 and 2015 - $48,218). Selling expenses were high in 2016 because more trade shows were attended.

Interest and bank charges were $1,924 in 2017 (2016 - $2,719 and 2015 - $49,372). In 2015, $46,545 interest was charged on the inter-company balances with an associated company, Marcon International Inc, a subsidiary of Augusta. In 2016, the Company decided to channel all associate company transactions through the parent company.

During the year ended December 31, 2017, the Company recognized $24,411 (2016 - $21,675; 2015 - $35,787) Ontario Investment Tax Credit, which has been deducted from research and development expenses. Investment tax credits for the fiscal year are dependent upon qualification of each individual project under stringent technical criteria and amounts may vary upon further review by the Canada Revenue Agency. Adjustments to the claim, if any, will be accounted for in the year of assessment. Historically, the investment tax credits have been assessed as filed, accordingly the Company has accrued a refundable credit of $20,489 for year ended December 31, 2017 (2016 - $21,675; 2015 - $35,787). As at December 30, 2017, the Company received $25,597 in Ontario Investment Tax Credits against the 2016 receivable.

Summary of Consolidated Quarterly Results

The following is a summary of results for the Company's eight most recently completed interim financial periods:

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Total Revenue	$502,363	$106,050	$85,453	$90,610	$189,967	$100,542	$85,797	$90,927
Net income or loss	279,615	(9,380)	(10,698)	(15,970)	62,196	(11,168)	(21,440)	(107,001)
Basic and diluted income/(loss) per share	2,796	(94)	(107)	(160)	622	(112)	(214)	(1,070)
Total Assets	831,508	600,153	321,462	441,076	367,462	410,662	257,351	126,041

Gross profit analysis

For the eight quarters, the gross profit margin fluctuated within a range of negative 25% to 79%, which was mainly due to the fluctuation of the sales mix between Fox-Tek data monitoring services and hardware and inventory impairment charges. In the fourth quarter of 2017, cost of sales included $85,110 of inventory impairment charges and that explains the gross loss. Without the inventory impairment charges, the gross profit would have been 68%. Fox-Tek has an average of about 59% gross profit margins.

Gross profit (loss) for Fox-Tek

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Sales	$502,363	$106,050	$85,453	$90,610	$189,967	$100,542	$85,797	$90,927
Cost of sales	107,737	26,560	17,852	59,423	45,066	22,311	20,229	113,962
Gross profit (loss)	**$394,626**	**$79,490**	**$67,601**	**$31,187**	**$144,901**	**$78,231**	**$65,568**	**($23,035)**
Gross profit (loss) %	**79%**	**75%**	**79%**	**34%**	**76%**	**78%**	**76%**	**-25%**

The Company's revenue continues to be difficult to forecast and is likely to fluctuate significantly from period to period. In addition, the Company's operating results do not follow any past trends. The factors affecting the Company's revenue and results of operations include:

- competitive conditions in the industrial sensing industry, including new products, product announcements and special pricing offered by competitors of the Company;
- market acceptance of the Company's products;
- ability to hire, train and retain sufficient sales and professional services staff;
- ability to complete its service obligations related to product sales in a timely manner;
- varying size, timing and contractual terms of product orders, which may delay the recognition of revenue;
- ability to maintain existing relationships and to create new relationships to assist with sales and marketing efforts;
- the length and variability of the sales cycles for the Company's products;
- strategic decisions by the Company or its competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- general weakening of the oil and gas industry resulting in a decrease in the overall demand for the products and services offered by the Company or otherwise affecting its customers' capital investment levels in workforce management software;
- changes in the Company's pricing policies and the pricing policies of its competitors;
- timing of product development and new product initiatives; and
- changes in the mix of revenue attributable to substantially lower-margin service revenue as opposed to higher-margin product license revenue.

Since the Company's revenue will be dependent upon a relatively small number of transactions, even minor variations in the rate and timing of conversion of sales prospects into revenue could cause the Company to plan or budget inaccurately. Such variations could adversely affect the Company's financial results. Delays and reductions in the amount of, or cancellations of, customers' purchases would adversely affect the Company's revenue, results of operations and financial condition.

Historically, the Company's revenues and net results have not been affected by seasons. Seasonal fluctuations will become more significant as the weighting of sales to the oil and gas field increases, since business activity is generally greater in the winter for this sector.

Performance Indicators

In order to evaluate the Company's performance and generate long-term value for its shareholders, the Company has identified the following financial and non-financial performance indicators:

- Distribution, sales, and long-term recurring revenues;
- Products and innovation;
- Short-term financial performance and cash flows;
- Strategic acquisitions and development of new projects.

Revenue by Geographic Region

	Year ended December 31,		
	2017	**2016**	**2015**
USA	$ 171,600	$ 110,250	$ 86,337
Canada	238,095	644,463	264,343
Middle East	-	18,900	122,250
Others	57,539	10,863	36,441
Total	**$ 467,234**	**$ 784,476**	**$ 509,371**

LIQUIDITY AND CASH RESOURCES

Net cash provided by operating activities was $151,028 during the year ended December 31, 2017 (2016 - $322,142 and 2015 – cash used $379,880). Trade and other accounts receivable decreased by $233,550 (2016 – increase of $154,693 and 2015 – increase of $39,692) due to the fact that in 2016 the Company invoiced the 2017 DMAT in advance to expedite collections but advance invoicing was not done in 2017. The advance invoicing in 2016 is also reflected in a higher deferred revenue in 2016 and which fell by $204,197 in 2017.

In 2017, inventory fell by $77,980 to $32,656 largely because of a write-down of $85,110 of inventory due to impairment. In December 31, 2015, the inventory level was unusually high at $199,732 because of finished goods in transit of $81,708. These finished goods in transit were delivered in 2016 and inventory levels came down to a more normal level of $110,636 in December 31, 2016.

Accounts payable and accrued liabilities increased in 2017 by $117,187 compared to 2016 while advances from parent company decreased $150,612 – both due to the assumption of liabilities of $104,280 and subsequent payment to Collins Barrow, former auditors of Augusta on behalf of Augusta. In 2015, advances from parents were used to pay down accounts payable and accrued liabilities (which reduced by $229,110) and to repay advances to a third party taken in 2014.

For the year ended December 31, 2017, there was a net increase in the cash and cash equivalents of $416 (2016 - $2,089 and 2015 – decrease of $46,904). As a result, as at December 31, 2017, the Company had cash and cash equivalents balance of $8,739 (2016 - $8,323 and 2015 - $6,234).

The Company is committed under operating lease agreements for the rental of its premises and a car lease. Minimum annual future lease payments are approximately as follows:

Year		Lease Commitments
2018		54,486
2019		13,622
	$	**68,108**

Management will continue to work on maintaining an optimal inventory level and the timely collection of accounts receivable to minimize its working capital requirements.

The Company uses its capital to finance marketing expense, research and development activities, administrative charges, working capital and capital assets. Historically, the Company has financed activities through advances from the parent company, Augusta. These advances are non-interest bearing and due on demand. As at December 31, 2017, the Company owed $3,012,766 (2016 - $3,163,379; 2015 - $3,483,432) to Augusta.

SHARE CAPITAL

100 shares of voting common stocks were issued and outstanding as at December 31, 2017 and as of the date of this MD&A (December 31, 2016 and 2015 – 100).

OFF-BALANCE SHEET ARANGEMENTS

Company does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. All amounts owing to related parties are unsecured, non-interest bearing and due on demand unless otherwise noted. Related party transactions are as follows:

(a) Included in accounts payable and accrued liabilities as at December 31, 2017 is $21,450 (2016 - $21,450; 2015 - $42,900) owing to the CEO and a company controlled by the CEO.

(b) As at December 31, 2017, $19,882 (2016 - $745; 2015 - $19,671) is owing to other officers of the Company.

(c) The Company's advances from the parent company, Augusta, are non-interest bearing and due on demand. As at December 31, 2017, the Company owed $3,012,766 (2016 - $3,163,379; 2015 - $3,483,432) to Augusta.

KEY MANAGEMENT PERSONNEL COMPENSATION

During the year ended December 31, 2017, the Company recognized salaries and short term benefit expenses of $117,500 (2016 - $117,500; 2015 - $117,500) for its key management personnel, including VP of Operations, and CFO of the Company.

RISKS AND UNCERTAINTIES

High Degree of Product Concentration

Substantially all of the Company's currently anticipated revenues will be derived from a limited number of products and services. Consequently, the Company's performance will depend on establishing market acceptance of these products and services in a single market, as well as enhancing the performance of such products and services to meet the evolving needs of customers. The Company, like other entities involved in a rapidly evolving new industry, faces the risk that the Company's products and services may not prove to be commercially successful or may be rendered obsolete by further scientific and technological developments. There can be no assurances that the Company will establish and maintain a position at the forefront of emerging technological trends. Any reduction in anticipated future demand or anticipated future sales of these products or any increase in competition could have a material adverse effect on the Company's business prospects, operating results or financial condition.

Competition

The Company has experienced, and expects to continue to experience, competition from a number of companies. The Company's competitors may announce new products, services or enhancements that better meet the needs of customers or changing industry standards. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on the Company's business, results of operations and financial condition.

Many of the competitors and potential competitors of the Company have significantly greater financial, technical, marketing and/or service resources than does the Company. Many of these companies also have a larger installed base of users, longer operating histories or greater name recognition than the Company. Customers of the Company are particularly concerned that their suppliers will continue to operate and provide upgrades and maintenance over a long-term period. The Company's smaller size and short operating history may be considered negatively by prospective customers. Even if competitors of the Company provide products with more limited system functionality than those of the Company, these products may incorporate other capabilities of interest to some customers and may be appealing due to a reduction in the number of different types of systems used to operate such customers' businesses. Further, competitors of the Company may be able to respond more quickly than the Company to changes in customer requirements and devote greater resources to the enhancement, promotion and sale of their products.

Market Uncertainty

The Company's success depends to a significant degree on its ability to develop the market and gain acceptance for its products and services. There is no assurance that a significant market will develop for the Company's principal products and services. Implementation and adoption of its products have been slow to develop and may continue to be subject to delays. There can be no assurances that the additional commercial applications and markets for the Company's products will develop as currently contemplated.

The market for the Company's products is just beginning to develop and the Company's business plan will continue to require significant marketing efforts and working capital. To manage such development, the Company must continue to expand its existing resources and management information systems and must attract, train, and motivate qualified marketing, management, technical and administrative personnel. There can be no assurance that the Company will be able to achieve these goals.

Labour and Key Personnel

The Company depends on the services of its engineers, technical employees, and key management personnel. The loss of one of these people could have a significant unfavorable impact on the Company, its operating results, and its financial position. The success of the Company is largely dependent upon its ability to identify, hire train, motivate, and retain highly skilled management employees, engineers, technical employees, and sales and marketing personnel. Competition for its employees can be intense, and the Company cannot ensure that it will be able to bring in and retain highly skilled technical and management personnel in the future. Its ability to bring in and retain management and technical personnel and the necessary sales and marketing employees could have unfavorable impact on its growth and future profitability. The Company may be obligated to increase the compensation paid to current or new employees, which could substantially increase operating expenses.

Growth Management and Market Development

There is no guarantee that the Company can develop its market significantly, thus affecting its profitability. The Company expected growth might create significant pressure on management, operations, and technical resources. In order to manage its growth, FOX-TEK may need to increase the size of its technical and operational staff and manage its personnel while maintaining many effective relationships with third parties.

Pricing Policies

The competitive market in which FOX-TEK operates could force it to reduce its prices. If its competitors offer large discounts on certain products and services in order to gain market shares or sell products and services, the Company may need to lower its prices and offer other favorable terms in order to compete successfully. Such changes could reduce profit margins and have an unfavorable impact on its operating results. Some of FOX-TEK's competitors could offer products and services that compete with theirs for promotional purposes or as part of a long-term pricing strategy or offer price guarantees or product implementation. With time, these practices could limit the prices FOX-TEK may charge for its products and services. If FOX-TEK cannot offset these price reductions with a corresponding increase in sales volume or decreased expense, the decreased revenues from products and services could unfavorable affect its profit margins and operating results.

Product Failures and Mistakes

FOX-TEK products are complex and therefore may contain failures and mistakes that could be detected at any time in a product's life cycle. Failures and mistakes in its products could have a significant unfavorable impact on its reputation, open it up to significant costs, delay product launch dates, and harm its ability to sell its products in the future. The costs of correcting a failure or mistake in one of these products could be significant and could negatively affect its operating margins. Although FOX-TEK expects to continue to test products to detect failure and mistakes and to work with customers through its support and maintenance services in order to find and correct failure and mistakes, they could appear in its products in the future. FOX-TEK is exposed to warranty expenses, product recalls and other claims, particularly if the products prove to be defective, which would harm business development and the Company's reputation. FOX-TEK provides one year warranty for its products.

Technological Obsolescence

Competitors and new companies could launch new products. In order to remain on the cutting edge of technology, FOX-TEK may need to launch a new generation of fiber optic sensors and develop its related products and services. Whether it is competition from development companies and /or marketing of fiber optic sensors or a merger or acquisition of existing companies, competition within certain fiber optic sensor industry sectors offering solutions similar to what FOX-TEK offers is vigorous and could increase. Some of FOX-TEK's competitors have significantly greater financial, technical, distribution, and marketing resources than FOX-TEK. Technological progress and product development could make FOX-TEK products obsolete or reduce their value.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments include cash, trade and other accounts receivable, bank indebtedness, accounts payable and accrued liabilities and advances.

The Company doesn't have any other instruments that will be settled by the delivery of non-financial assets.

The fair value of financial instruments

The Company has estimated the fair value of its financial instruments as follows:

- Cash is carried at its stated value;
- The carrying value of trade and other accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and advances approximate their fair values due to the short-term nature of these instruments;

The classification and measurement base of financial instruments

The classification and measurement base for the Company's financial instruments as follows:

Financial Instrument	Classification	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

FINANCIAL RISK MANAGEMENT

The Company has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Audit Committee which is responsible for developing and monitoring the Company's compliance with risk management policies and procedures. The Audit Committee regularly reports to the Board of Directors on its activities.

The Company's risk management program seeks to minimize potential adverse effects on the Company's financial performance and ultimately shareholder value. The Company manages its risks and risk exposures through a combination of insurance, a system of internal and disclosure controls, and sound business practices.

Cash

Cash consists of bank balances and petty cash. Credit risk associated with cash and bank is minimized substantially by ensuring that these financial assets are invested in debt instruments of highly rated financial institutions. As at December 31, 2017, the Company held cash of $8,739 (2016 - $8,323 and 2015 - $6,234).

Trade and Other Accounts Receivable

Accounts receivable consists primarily of trade accounts receivable from the sale of equipment, installation and reporting services. The Company's credit risk arises from the possibility that a counterparty which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss to the Company. This risk is mitigated through established credit management techniques, including monitoring counterparty creditworthiness, setting exposure limits and monitoring exposure against these customer credit limits.

The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the statement of loss in expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Subsequent recoveries of amounts previously written off reduce general and administrative expenses in the statement of loss. Historically, trade credit losses have been minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has working capital deficiency of $3,131,004 (2016 - $3,054,960 and 2015 – $3,300,739).

The following items are the contractual maturities of financial liabilities:

December 31, 2017	Carrying amount	Contractual cash flows	0 to 12 months	After 12 months
Accounts payable and accrued liabilities	$ 197,189	$ 197,189	$ 197,189	$ -
Advances from parent company	3,012,766	3,012,766	3,012,766	-
Non-cash liabilities	44,594	44,594	44,595	-
	$ 3,254,549	**$ 3,254,549**	**$ 3,254,550**	**$ -**

December 31, 2016	Carrying amount	Contractual cash flows	0 to 12 months	After 12 months
Accounts payable and accrued liabilities	$ 80,002	$ 80,002	$ 80,002	$ -
Advances from parent company	3,163,379	3,163,379	3,163,379	-
Non-cash liabilities	248,790	248,790	248,790	-
	$ 3,492,171	**$ 3,492,171**	**$ 3,492,171**	**$ -**

December 31, 2015	Carrying amount	Contractual cash flows	0 to 12 months	After 12 months
Accounts payable and accrued liabilities	$ 153,334	$ 153,334	$ 153,334	$ -
Advances from parent company	3,483,432	3,483,432	3,483,432	-
Non-cash liabilities	63,814	63,814	63,814	-
	$ 3,700,580	**$ 3,700,580**	**$ 3,700,580**	**$ -**

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the fair value of recognized assets and liabilities or future cash flows or the Company's results of operations. To contend with changes in market prices, the Company constantly reviews its current and planned expenditures to ensure it has adequate resources to continue operations. The Company primarily sells goods in Canada and the United States and attempts to limit its exposure by transacting in the local currency and therefore limiting exposure to foreign exchange rates.

Foreign Exchange

As at December 31, 2017, the Company's US dollar net monetary liabilities totaled $236 (2016 - net monetary assets of $8,539; 2015 – net monetary assets of $19,025). 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 loss would have increased (decreased) by $12 (2016 - $427; 2015 - $951).

Capital Management

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or debt. The Company considers its capital to include advances from parent company and shareholders' deficiency which amounts to a deficit of $115,742 (2016 – capital of $112,283; 2015 – capital of $188,771).

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Company has no commitments to sell or otherwise issue common shares. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company has not changed its approach to capital management during the years ended December 31, 2017, 2016 and 2015.

Subsequent Events

Subsequent to December 31, 2017, Augusta Industries Inc. announced it had signed a letter of intent with Mooncor Oil & Gas Corp (TSXV: "MOO") ("Mooncor") whereby Mooncor would acquire 100% of the shares of FOX-TEK. The transaction is non-arms-length since the Company and Mooncor have common officers and a director. The transaction is subject to the approval of the TSXV and the shareholders of Augusta and the shareholders of Mooncor. There can be no assurance that the transaction will be completed as proposed or at all.
1.

Fox-Tek Canada Inc.

Management's Discussion and Analysis
For Three Months Ended March 31, 2018

The following Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of FOX-TEK Canada Inc. (the "Company") for three months ended March 31, 2018. It should be read in conjunction with the financial statements for three months ended March 31, 2018.

References to "we", "our", "FOX-TEK", or "the Company" means FOX-TEK Canada Inc., unless the context requires otherwise.

BASIS OF PRSENTATION

Unless otherwise noted, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS").

All financial information is reported in Canadian dollars and is expressed in thousands except for per share amounts which are expressed in dollars.

The MD&A was approved for issue by the Board of Directors on June 20, 2018.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). All statements other than statements of historical fact are forward-looking statements that reflect the Company's present assumptions regarding future events. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance, and/or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements.

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions used by any of the Company's management, are intended to identify forward-looking statements. Such statements reflect the Company's internal projections, expectations, future growth, performance and business prospects and opportunities and are based on information currently available to the Company. Since they relate to the Company's current views with respect to future events, they are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking statements, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking statements contained in this MD&A are provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by applicable securities legislation, regulations or policies. All of the forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

OVERVIEW OF BUSINESS

Corporate Overview

Fox-Tek Canada, Inc. (the "Company" or "FOX-TEK") was incorporated on December 24, 2009 under the laws of the Province of Ontario with a registered office and a head-office at 2455 Cawthra Road, Unit 75, Mississauga, Ontario L5A 3P1. Canada. FOX-TEK is a wholly-owned subsidiary of Augusta Industries Inc. ("Augusta"), a company which is traded on the TSX Venture Exchange ("TSXV") under the symbol "AAO".

FOX-TEK 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.

GOING CONCERN

The financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

The Company has net loss of $18,674 for the three months ended March 31, 2018 (2017 – income of $62,196), has an accumulated deficit of $3,147,183 (December 31, 2017 - $3,128,509) from inception and working capital deficiency of $3,149,425 (December 31, 2017 – $3,131,004). The challenges of securing requisite funding beyond December 31, 2018 and the cumulative operating losses indicate the existence of a material uncertainty which cast significant doubt upon the Company's ability to continue as a going concern. These 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.

Principal Business

Fox-Tek is engaged in the development, design, manufacture and supply of systems using fiber optic sensors, related monitoring instruments, and software. Clients buy and operate systems and Fox-Tek handles the installation and reporting of information on an outsourcing basis. Fox-Tek provides support engineering services related to planning, training, on-site installation, and data interpretation and reporting. Fox-Tek's target market includes the monitoring, communication, alarming and prediction of safe/unsafe conditions in structures and facilities.

Fox-Tek's main products are patented non-intrusive asset health monitoring sensor systems for the oil and gas market to help operators track the thinning of pipelines and refinery vessels due to corrosion/erosion, strain due to bending/buckling, and process pressure and temperature.

Fox-Tek's FT fiber optic sensor monitoring systems allow cost-effective, 24/7 remote monitoring capabilities to improve scheduled maintenance operations, avoid unnecessary shutdowns, and prevent accidents and leaks. The FT system uses non-intrusive fiber optic sensors to monitor strain due to settling, movement or buckling of a variety of civil structures, such as bending, buckling, elongation or compression of pipelines. Movement of soil or foundation footing can also be monitored. Measurements can be made at multiple locations up to 2,000 meters apart.

FT systems are highly sensitive and easy to operate: portable or dedicated FT monitors make continuous or periodic measurements by interrogating multiple permanently mounted sensors. Digital data facilitates semi-automated analysis and prompt reporting. Remote telemetry, long robust lead cables, and maintenance-free sensors enable early warning, or confirmation of effective mitigation solutions such as rebuilding slopes or grades. The non-electrical sensors are very robust and inherently immune to electromagnetic interference. FT sensors can be field-bonded to steel, concrete, composite / FRP structures located underwater, below grade or imbedded during a pour. They safely and efficiently monitor:

- Steel structure degradation due to corrosion;
- Concrete column compression and swelling due to corrosion;
- Composite girder / deck bending strains;
- Frame stability / buckling;
- Piling & anchor movement caused by ground heaving or seismic activity;
- Foundation settling;
- Dam subsidence;
- Tunnel wall and building fascia buckling;
- Storage tank floor / wall integrity

FT systems can be used in a wide array of engineered structures, and for any root cause of stress or degradation. FT sensor measurements combined with standard structural modeling and finite element analysis provide information to optimize maintenance, or institute prevention measures such as load control.

Fox-Tek's Electric Field Mapping ("EFM") System is a continuous, non-intrusive wall thickness monitoring system for pipelines and process piping with a number of breakthrough features:

1. Welded-on or spring-loaded sensor array
2. Rated for direct burial applications
3. Remote telemetry
4. Immediate reporting of alarms
5. Streamlined, objective data processing

Fox-Tek's Data Management and Analysis Tool ("DMAT") platform which was launched in 2011 is the database management and analysis tool for providing analysis and interpretation of the collected data. Data from all channels of FT Monitors, or EFM Monitors is collected and processed into easily understood tabular or graphical formats. It is anticipated that the DMAT Platform will provide additional value to pipeline operators and other stakeholders by allowing such users to easily manage multiple Fox-Tek systems ("FT").

Fox-Tek has been able to enhance the DMAT Platform user interface to facilitate the consistent presentation of data across multiple sites and improve the tools for location comparison and data reporting. In addition, the DMAT Platform now contains an alarm-on-event capability which the customer can customize according to their specific needs and thresholds.

Fox-Tek's Fiber Bragg Grating ("FBG") sensor system is an advanced fiber optic system consisting of many point strain sensors on one sensor string with high dynamic bandwidth. The FBG sensors measure the average local strain using Fox-Tek's FTG-3500 instrument. The system is suitable for static or low to medium frequency monitoring applications such as continuous in-situ structural health monitoring.

As an all-fiber optic sensor, FBG sensors possess some unique advantages, compared to conventional electrical sensors. They are immune to electromagnetic interference, and being light powered, they are intrinsically safe, making them ideal for deployment in hazardous or flammable environments.

The sensor itself is made from conventional single-mode optical fiber, with a diameter of 250 microns. This small diameter allows the sensor to be embedded inside the structure being monitored with minimal intrusive effect. The sensors are also available in various ruggedized packaged configurations, for easy installations.

BUSINESS DEVELOPMENT

The Company is constantly working to improve its position in terms of intellectual property and what it offers to its customers. In fiscal 2018 the Company continued to focused on continuous improvements to its technology in markets with the highest perceived potential payoff, particularly in the oil and gas sectors.

Fox-Tek continues to support its independent sales agents and distributors primarily outside of North America with the intent of utilizing their local contacts and established relationships within the oil and gas industry to expedite the distribution of Fox-Tek's products in the local jurisdictions. Fox-Tek has also streamlined its production process to meet the higher demand of our systems. In addition, we have an ongoing goal of significant reductions in overhead expenses, to provide greater potential towards corporate profitability.

The Company will continue to work closely with its existing clients to ensure their needs are met in order to strengthen and preserve the relationship in addition to developing new relationships with new clients.

After a very successful first introductory trip to India, FOX-TEK has provide a number of technical proposals and bids on a number of different projects – based on a number of our technologies. One of the more interested oil companies has requested a bid for 2 large EFM systems to be placed on vessels within a refinery. The client has provided a sample plate for testing purposes that would lead to a custom design for that specific material. The Company is also working on introducing our leak detection technology for long distance applications in India.

The Company has initiated talks Ontario Centres of Excellence (OCE) to supplement a number of high quality personnel (HQP) within the organization. This includes having a Post Doctorate Fellow to come in and provide a full assessment on our data analysis techniques and to look at ways to better manage our large database of data.
Through OCE, FOX-TEK with the McMaster University's Centre of Opportunity, will be developing an innovative constant current source. This will be used across all of our EFM products, providing our existing and new clients with a better quality of analysis – with the use of a high precision constant current source A full prototype demonstrator has been completed.

The Company has been working to fulfill its obligations toward the Engineering and field services to meet the requirements of the contract announced on July 10th 2017 with one of our largest and long standing clients in North America.

The Company is still working closely with The Trans Africa Pipeline project ("T.A.P.") to provide non-intrusive sensing equipment which will verify the integrity of the pipeline composite at key locations. In addition to the non-intrusive sensing equipment, Fox-Tek will provide optical based sensing technology which would allow T.A.P. to monitor the right of way zones from possible third-party intrusions. The last update was that partial financing is completed and the site survey will be concluded for the Desalination Plant will be underway later in 2018.

The company is continuing to qualify with Petrobras as a supplier of corrosion detection monitoring systems, optical strain/pressure/temperature sensors & leak detection technology.

The Company is working with FiBos on two separate applications to monitor pressure in injectors. These injectors are critical to the plant operations since failures of these could lead to slowdowns or shutdowns of operations, A proof of concept was successfully completed and we are current working Phase 2

Sales of EFM Corrosion Monitoring Systems

Company has successfully completed 3 site surveys for one of our largest and long standing clients in North America and negotiating a contract with the client to convert of the competitor's technology to Fox-Tek's EFM technology. Company is currently awaiting a contract

The Company has been working closely with engineering firms and major oil and gas companies in the Middle East, England, in addition to all the major Canadian companies. There have been increased interest the Company's products from a number of overseas markets including India and the UK. The Company entered into a contract in 2016 with a company in the U.K. for the supply of a custom built EFM system for a laboratory. This system was shipped out in the first quarter of 2017 and installed in the second quarter of 2017. The Company is confident this could lead to future orders for more portable and mobile systems that could be used for periodic monitoring for less critical applications.

The Company is also negotiating a contract for sale of another EFM unit to another of our clients.

DMAT Platform

The Company continues to enhance the DMAT platform (Data Management and Analysis Tool). Response from customers utilizing the DMAT service has been very positive. For DMAT, the revenue stream is guaranteed when a customer acquires the hardware. The Company has successfully negotiated new contracts with several clients, for Engineering services and Data Analysis, for the 2017 fiscal year and beyond.

Leak Detection Technology

Fox-Tek's leak detection technology has the potential of becoming a disrupting technology within the oil and gas sector due to its ability to detect minute amounts of volatile organic compounds present in hydrocarbon leaks. Due to the nature of the technology, it will likely have fewer false alerts unlike a number of competing technologies.

1. The Company has received a contract for a system to detect oil on water in a drainage culvert.
2. The Company has been invited to be part of an onsite technical review for the use of our technology to monitor leaks in a pipe, within a tank farm. A budgetary/technical proposal was provided to the client. The pipe is estimated to be about 500 meters long. A site survey will be conducted end of April followed by contract negotiations
3. FOX-TEK has successfully completed an evaluation of its leak detection technology by a large consortium consisting of a number of oil & gas companies.
4. FOX-TEK is working closely with CANMETon the development of a new sensor technology (RFID corrosion sensor) to be used as a way to determine the damage of time on pipeline coatings. A letter of Interest submitted to a government initiative. We have been selected to phase 2 - LOI Technical review.

The company has an additional 5 bids for a number of applications utilizing a number of our technologies (EFM, FBG, & Leak detection.)

SELECTED FINANCIAL AND OPERATING RESULTS

Statement of Financial Position

As at March 31, 2018 the Company has a working capital deficiency of $3,149,425 (December 31, 2017 - $3,131,004). As at, the Company had total assets of $361,395 (December 31, 2017 - $126,041).

Total assets increased by $235,354 during the three months ended March 31, 2018 compared to December 31, 2017 as trade and other accounts receivable increased by $236,836 as the Company invoiced the major customers for monitoring services for the year 2018 in advance. This also had an effect of increasing deferred revenue by $178,415 during this period.

As at March 31, 2018, the Company had total liabilities of $3,508,577 (December 31, 2017 - $3,254,549) – an increase of $254,028. Deferred revenue went up by $178,415 due to the advance invoicing as mentioned above. Advances from parent company increased by $69,551 to finance the cash used in operating activities.

Total deficiency was $3,147,182 as at March 31, 2018 (December 31, 2017 - $3,128,508).

Results of Operations

	Three months ended March 31,	
	2018	**2017**
Sales	85,225	189,967
Cost of sales	10,595	45,067
	74,630	144,900
Reseach and development	39,906	37,381
Selling	6,747	7,225
Salaries & short-term benefits	17,887	21,832
Professional Fees	-	750
Rent and occupancy costs	8,342	8,261
Office expenses	13,403	4,126
Amortization	253	406
Others	4,352	6,110
	90,890	86,090
(Loss) income before the undernoted	(16,260)	58,810
Interest and bank charges	(1,090)	(655)
Foreign exchange	(1,324)	4,041
(Loss) income for the period	(18,674)	62,196
(Loss) income per common share based on		
Net (loss) income for the period	(187)	622
Number of common shares outstanding	100	100

Sales in the 1st quarter of 2018 was lower by $104,472 compared to the 1st quarter of 2017. This was mainly due to sale of a hardware unit in 2017 for $57,540 and installation fees on 2 units for $29,304. There were no hardware sales or installation in 2017. The gross margin for the 1st quarter of 2018 was 87.5% compared to 76.7% in the 1st quarter of 2017. This is because DMAT margins are higher than hardware an installation margins. The 2017 revenue, as mentioned above, includes hardware and installation while the 2018 sales were largely DMAT.

Total operating expenses for the 1st quarter of 2018 were $90,890 (2017 - $86,090). The expenses in 2018 were reasonably consistent with 2017 except for offices expense that are higher by 9,277 due to a consulting fee paid to McMaster University of $9,210 The main expense is research development costs which are net of investment tax credits.

Interest and bank charges were $1,090 in 2018 (2017 - $655).

The Company undertakes research and development activities, the costs of which are eligible for investment tax credits which may be refunded or applied to reduce the income tax payable in the current year and future years. The claim for 2017 has not been assessed by the Canada Revenue Agency ("CRA") and the actual credit may range from $nil to $20,489. Investment tax credits for the fiscal year are dependent upon qualification of each individual project under stringent technical criteria and amounts may vary upon further review by CRA. Adjustments to the claim, if any, will be accounted for in the year of assessment. Historically, the investment tax credits have been assessed as filed, accordingly the Company has accrued a refundable credit of $5,328 for the three months ended March 31, 2018 (2017 - $5,289). As at March 31, 2018, the tax credits receivable totaled $25,817 (December 31, 2017 - $20,489).

Summary of Consolidated Quarterly Results

The following is a summary of results for the Company's eight most recently completed interim financial periods:

	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Total Revenue	$106,050	$85,453	$90,610	$189,967	$100,542	$85,797	$90,927	$85,225
Net income or loss	(9,380)	(10,698)	(15,970)	62,196	(11,168)	(21,440)	(107,001)	(18,674)
Basic and diluted income/(loss) per share	(94)	(107)	(160)	622	(112)	(214)	(1,070)	(187)
Total Assets	600,153	321,462	441,076	367,462	410,662	257,351	126,041	359,242

Gross profit analysis

For the eight quarters, the gross profit margin fluctuated within a range of negative 25% to 88%, which was mainly due to the fluctuation of the sales mix between Fox-Tek data monitoring services and hardware and inventory impairment charges. In the fourth quarter of 2017, cost of sales included $85,110 of inventory impairment charges and that explains the gross loss. Without the inventory impairment charges, the gross profit would have been 68%. Fox-Tek has an average of about 60% gross profit margins.

Gross profit (loss) for Fox-Tek

	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Sales	$106,050	$85,453	$90,610	$189,967	$100,542	$85,797	$90,927	$85,225
Cost of sales	26,560	17,852	59,423	45,066	22,311	20,229	113,962	10,595
Gross profit (loss)	**$79,490**	**$67,601**	**$31,187**	**$144,901**	**$78,231**	**$65,568**	**($23,035)**	**$74,630**
Gross profit (loss) %	**75%**	**79%**	**34%**	**76%**	**78%**	**76%**	**-25%**	**88%**

The Company's revenue continues to be difficult to forecast and is likely to fluctuate significantly from period to period. In addition, the Company's operating results do not follow any past trends. The factors affecting the Company's revenue and results of operations include:

- competitive conditions in the industrial sensing industry, including new products, product announcements and special pricing offered by competitors of the Company;
- market acceptance of the Company's products;

- ability to hire, train and retain sufficient sales and professional services staff;
- ability to complete its service obligations related to product sales in a timely manner;
- varying size, timing and contractual terms of product orders, which may delay the recognition of revenue;
- ability to maintain existing relationships and to create new relationships to assist with sales and marketing efforts;
- the length and variability of the sales cycles for the Company's products;
- strategic decisions by the Company or its competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- general weakening of the oil and gas industry resulting in a decrease in the overall demand for the products and services offered by the Company or otherwise affecting its customers' capital investment levels in workforce management software;
- changes in the Company's pricing policies and the pricing policies of its competitors;
- timing of product development and new product initiatives; and
- changes in the mix of revenue attributable to substantially lower-margin service revenue as opposed to higher-margin product license revenue.

Since the Company's revenue will be dependent upon a relatively small number of transactions, even minor variations in the rate and timing of conversion of sales prospects into revenue could cause the Company to plan or budget inaccurately. Such variations could adversely affect the Company's financial results. Delays and reductions in the amount of, or cancellations of, customers' purchases would adversely affect the Company's revenue, results of operations and financial condition.

Historically, the Company's revenues and net results have not been affected by seasons. Seasonal fluctuations will become more significant as the weighting of sales to the oil and gas field increases, since business activity is generally greater in the winter for this sector.

Performance Indicators

In order to evaluate the Company's performance and generate long-term value for its shareholders, the Company has identified the following financial and non-financial performance indicators:

- Distribution, sales, and long-term recurring revenues;
- Products and innovation;
- Short-term financial performance and cash flows;
- Strategic acquisitions and development of new projects.

Revenue by Geographic Region

	Three months ended March 31	
	2018	**2017**
USA	$ 32,631	$ 40,050
Canada	52,594	87,338
Others	-	62,579
Total	**$ 85,225**	**$ 189,967**

LIQUIDITY AND CASH RESOURCES

Net cash used operating activities was $78,007 during the three months ended March 31, 2018 (2017 - $37,326). Trade and other accounts receivable increased by $236,836 while deferred revenue also increased by $178,415. In the 1st quarter of 2018 the Company invoiced major customers DMAT for the entire year. This increased both accounts receivable and deferred revenue as at March 31, 2018.

Advances from parent company went up by $69,551 during the three months ended March 31, 2018 mainly to finance the net cash used in operating activities.

For the three months ended March 31, 2018, there was a net decrease in the cash and cash equivalents of $8,456 and as a result, the Company had cash and cash equivalents balance of $283.

The Company is committed under operating lease agreements for the rental of its premises and a car lease. Minimum annual future lease payments are approximately as follows:

Year		Lease Commitments
2018		3,405
2019		13,622
	$	**17,027**

Management will continue to work on maintaining an optimal inventory level and the timely collection of accounts receivable to minimize its working capital requirements.

The Company uses its capital to finance marketing expense, research and development activities, administrative charges, working capital and capital assets. Historically, the Company has financed activities through advances from the parent company, Augusta. These advances are non-interest bearing and due on demand. As at March 31, 2018, the Company owed $3,082,317 (December 31, 2017 - $3,012,766) to Augusta.

SHARE CAPITAL

100 shares of voting common stocks were issued and outstanding as at December 31, 2017 and as of the date of this MD&A.

OFF-BALANCE SHEET ARANGEMENTS

Company does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. All amounts owing to related parties are unsecured, non-interest bearing and due on demand unless otherwise noted. Related party transactions are as follows:

(a) Included in accounts payable and accrued liabilities as at March 31, 2018 is $21,450 (December 31, 2017 - $21,450) owing to the CEO and a company controlled by the CEO.

(b) As at March 31, 2018 $9,811 (December 31, 2017, $19,882) is owing to other officers of the Company.

(c) The Company's advances from the parent company, Augusta, are non-interest bearing and due on demand. As at March 31, 2018, the Company owed 3,082,317 (December 31, 2017 - $3,012,766) to Augusta.

KEY MANAGEMENT PERSONNEL COMPENSATION

During the year ended March 31, 2018, the Company recognized salaries and short term benefit expenses of $29,375 (2017 - $29,375) for its key management personnel, including VP of Operations, and CFO of the Company.

RISKS AND UNCERTAINTIES

High Degree of Product Concentration

Substantially all of the Company's currently anticipated revenues will be derived from a limited number of products and services. Consequently, the Company's performance will depend on establishing market acceptance of these products and services in a single market, as well as enhancing the performance of such products and services to meet the evolving needs of customers. The Company, like other entities involved in a rapidly evolving new industry, faces the risk that the Company's products and services may not prove to be commercially successful or may be rendered obsolete by further scientific and technological developments. There can be no assurances that the Company will establish and maintain a position at the forefront of emerging technological trends. Any reduction in anticipated future demand or anticipated future sales of these products or any increase in competition could have a material adverse effect on the Company's business prospects, operating results or financial condition.

Competition

The Company has experienced, and expects to continue to experience, competition from a number of companies. The Company's competitors may announce new products, services or enhancements that better meet the needs of customers or changing industry standards. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on the Company's business, results of operations and financial condition.

Many of the competitors and potential competitors of the Company have significantly greater financial, technical, marketing and/or service resources than does the Company. Many of these companies also have a larger installed base of users, longer operating histories or greater name recognition than the Company. Customers of the Company are particularly concerned that their suppliers will continue to operate and provide upgrades and maintenance over a long-term period. The Company's smaller size and short operating history may be considered negatively by prospective customers. Even if competitors of the Company provide products with more limited

system functionality than those of the Company, these products may incorporate other capabilities of interest to some customers and may be appealing due to a reduction in the number of different types of systems used to operate such customers' businesses. Further, competitors of the Company may be able to respond more quickly than the Company to changes in customer requirements and devote greater resources to the enhancement, promotion and sale of their products.

Market Uncertainty

The Company's success depends to a significant degree on its ability to develop the market and gain acceptance for its products and services. There is no assurance that a significant market will develop for the Company's principal products and services. Implementation and adoption of its products have been slow to develop and may continue to be subject to delays. There can be no assurances that the additional commercial applications and markets for the Company's products will develop as currently contemplated.

The market for the Company's products is just beginning to develop and the Company's business plan will continue to require significant marketing efforts and working capital. To manage such development, the Company must continue to expand its existing resources and management information systems and must attract, train, and motivate qualified marketing, management, technical and administrative personnel. There can be no assurance that the Company will be able to achieve these goals.

Labour and Key Personnel

The Company depends on the services of its engineers, technical employees, and key management personnel. The loss of one of these people could have a significant unfavorable impact on the Company, its operating results, and its financial position. The success of the Company is largely dependent upon its ability to identify, hire train, motivate, and retain highly skilled management employees, engineers, technical employees, and sales and marketing personnel. Competition for its employees can be intense, and the Company cannot ensure that it will be able to bring in and retain highly skilled technical and management personnel in the future. Its ability to bring in and retain management and technical personnel and the necessary sales and marketing employees could have unfavorable impact on its growth and future profitability. The Company may be obligated to increase the compensation paid to current or new employees, which could substantially increase operating expenses.

Growth Management and Market Development

There is no guarantee that the Company can develop its market significantly, thus affecting its profitability. The Company expected growth might create significant pressure on management, operations, and technical resources. In order to manage its growth, FOX-TEK may need to increase the size of its technical and operational staff and manage its personnel while maintaining many effective relationships with third parties.

Pricing Policies

The competitive market in which FOX-TEK operates could force it to reduce its prices. If its competitors offer large discounts on certain products and services in order to gain market shares or sell products and services, the Company may need to lower its prices and offer other favorable terms in order to compete successfully. Such changes could reduce profit margins and have an unfavorable impact on its operating results. Some of FOX-TEK's competitors could offer products and services that compete with theirs for promotional purposes or as part of a long-term pricing strategy or offer price guarantees or product implementation. With time, these practices could limit the prices FOX-TEK may charge for its products and services. If FOX-TEK cannot offset these price reductions with a corresponding increase in sales volume or decreased expense, the decreased revenues from products and services could unfavorable affect its profit margins and operating results.

Product Failures and Mistakes

FOX-TEK products are complex and therefore may contain failures and mistakes that could be detected at any time in a product's life cycle. Failures and mistakes in its products could have a significant unfavorable impact on its reputation, open it up to significant costs, delay product launch dates, and harm its ability to sell its products in the future. The costs of correcting a failure or mistake in one of these products could be significant and could negatively affect its operating margins. Although FOX-TEK expects to continue to test products to detect failure and mistakes and to work with its customers through its support and maintenance services in order to find and correct failure and mistakes, they could appear in its products in the future. FOX-TEK is exposed to warranty expenses, product recalls and other claims, particularly if the products prove to be defective, which would harm business development and the Company's reputation. FOX-TEK provides one year warranty for its products.

Technological Obsolescence

Competitors and new companies could launch new products. In order to remain on the cutting edge of technology, FOX-TEK may need to launch a new generation of fiber optic sensors and develop its related products and services. Whether it is competition from development companies and /or marketing of fiber optic sensors or a merger or acquisition of existing companies, competition within certain fiber optic sensor industry sectors offering solutions similar to what FOX-TEK offers is vigorous and could increase. Some of FOX-TEK's competitors have significantly greater financial, technical, distribution, and marketing resources than FOX-TEK. Technological progress and product development could make FOX-TEK products obsolete or reduce their value.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments include cash, trade and other accounts receivable, bank indebtedness, accounts payable and accrued liabilities and advances.

The Company doesn't have any other instruments that will be settled by the delivery of non-financial assets.

The fair value of financial instruments

The Company has estimated the fair value of its financial instruments as follows:

- Cash is carried at its stated value;
- The carrying value of trade and other accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and advances approximate their fair values due to the short-term nature of these instruments;

The classification and measurement base of financial instruments

The classification and measurement base for the Company's financial instruments as follows:

Financial Instrument	Classification	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

FINANCIAL RISK MANAGEMENT

The Company has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Audit Committee which is responsible for developing and monitoring the Company's compliance with risk management policies and procedures. The Audit Committee regularly reports to the Board of Directors on its activities.

The Company's risk management program seeks to minimize potential adverse effects on the Company's financial performance and ultimately shareholder value. The Company manages its risks and risk exposures through a combination of insurance, a system of internal and disclosure controls, and sound business practices.

Cash

Cash consists of bank balances and petty cash. Credit risk associated with cash and bank is minimized substantially by ensuring that these financial assets are invested in debt instruments of highly rated financial institutions. As at March 31, 2018, The Company held cash and bank balances of $253 (December 31, 2017 - $8,739).

Trade and Other Accounts Receivable

Accounts receivable consists primarily of trade accounts receivable from the sale of equipment, installation and reporting services. The Company's credit risk arises from the possibility that a counterparty which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss to the Company. This risk is mitigated through established credit management techniques, including monitoring counterparty creditworthiness, setting exposure limits and monitoring exposure against these customer credit limits.

The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the statement of loss in expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Subsequent recoveries of amounts previously written off reduce general and administrative expenses in the statement of loss. Historically, trade credit losses have been minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has working capital deficiency of $3,149.425 (December 31, 2017 - $3,131,004).

The following items are the contractual maturities of financial liabilities:

March 31, 2018	Carrying amount	Contractual cash flows	0 to 12 months	After 12 months
Accounts payable and accrued liabilities	$ 203,251	$ 203,251	$ 203,251	$ -
Advances from parent company	3,082,317	3,082,317	3,082,317	-
Non-cash liabilities	223,009	44,594	44,594	-
	$ 3,508,577	**$ 3,330,162**	**$ 3,330,162**	**$ -**

December 31, 2017	Carrying amount	Contractual cash flows	0 to 12 months	After 12 months
Accounts payable and accrued liabilities	$ 197,189	$ 197,189	$ 197,189	$ -
Advances from parent company	3,012,766	3,012,766	3,012,766	-
Non-cash liabilities	44,594	44,594	44,594	-
	$ 3,254,549	**$ 3,254,549**	**$ 3,254,549**	**$ -**

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the fair value of recognized assets and liabilities or future cash flows or the Company's results of operations. To contend with changes in market prices, the Company constantly reviews its current and planned expenditures to ensure it has adequate resources to continue operations. The Company primarily sells goods in Canada and the United States and attempts to limit its exposure by transacting in the local currency and therefore limiting exposure to foreign exchange rates.

Foreign Exchange

As at March 31, 2018, the Company's US dollar net monetary assets totalled $82,170 (December 31, 2017 – net monetary liabilities of $236). 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 $4,108.

Capital Management

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or debt. The Company considers its capital to include advances from parent company and shareholders' deficiency which amounts to a deficit of $64,865 (December 31, 2017 - $115,742)

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Company has no commitments to sell or otherwise issue common shares. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company has not changed its approach to capital management during the three months ended March 31, 2018.

Subsequent Events

Subsequent to March 31, 2018, Augusta Industries Inc. announced it had signed a letter of intent with Mooncor Oil & Gas Corp (TSXV: "MOO") ("Mooncor") whereby Mooncor would acquire 100% of the shares of FOX-TEK. The transaction is non-arms-length since the Company and Mooncor have common officers and a director. The transaction is subject to the approval of the TSXV and the shareholders of Augusta and the shareholders of Mooncor. There can be no assurance that the transaction will be completed as proposed or at all.

1.

SCHEDULE “B”
PRO FORMA FINANCIAL STATEMENTS

Unaudited Pro Forma Financial Statements

MOONCOR OIL & GAS CORP.

Statement of Financial Position as at March 31, 2018

MOONCOR OIL 7 GAS CORP.
PRO FORMA STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018
(In CDN Dollars) (Unaudited)

	FOX-TEK March 31, 2018	MOONCOR March 31, 2018	COMBINED March 31, 2018	Adj 1 Note 3(3)	Adj 2 Note 3(3)	Adj 3 Note 3(2)	Adj 4 Note 3(6,7)	PROFORMA March 31, 2018
ASSETS								
Current Assets								
Cash and cash equivalents	283	1,626	1,909	1,000,000	(100,000)			901,909
Trade and other accounts receivable	283,135	10,548	293,683					293,683
Inventory	32,945	-	32,945					32,945
Tax credits receivable	25,817	-	25,817					25,817
Prepaid expenses and other assets	16,972	13,118	30,090					30,090
Total Current Assets	359,152	25,292	384,444					1,284,444
Non-Current Assets								
Oil and gas property interests	-	509,279	509,279					509,279
Deposits	-	253,578	253,578					253,578
Equipment	2,243	-	2,243					2,243
Total non-current assets	2,243	762,857	765,100					765,100
Total Assets	361,395	788,149	1,149,544					2,049,544
LIABILITIES & EQUITIES								
Current Liabilities								
Accounts payable and accrued liabilities	203,251	849,999	1,053,250			(782,239)		271,011
Advances	-	217,761	217,761			(217,761)		0
Advances from parent company	3,082,317	-	3,082,317					3,082,317
Deferred revenue	223,009	-	223,009					223,009
Total Current Liabilities	3,508,577	1,067,760	4,576,338					3,576,337
Long term liabilities								
Reclamation and decommissioning obligation	-	89,229	89,229					89,229
Total long term liabilities:	-	89,229	89,229					89,229
Total Liabilities	3,508,577	1,156,989	4,665,566					3,665,565
Shareholders' Deficiency								
Capital stock	1	20,586,793	20,586,794	1,000,000	(100,000)	1,000,000	(21,586,793) 3,006,521	3,906,522
Contributed surplus	-	1,897,322	1,897,322				(1,897,322)	-
Warrants	-	41,100	41,100				(41,100)	-
Foreign currency translation reserve	-	1,249	1,249				(1,249)	0
Deficit	(3,147,183)	(22,895,304)	(26,042,487)				22,895,304 (2,375,361)	(5,522,544)
Total Deficiency	(3,147,182)	(368,840)	(3,516,022)					(1,616,022) -
TOTAL LIABILITIES & DEFICIENCY	361,395	788,149	1,149,544					2,049,544

The attached notes and assumptions form an integral part of these proforma financial statements

1. Basis of presentation and assumptions

Mooncor Oil & Gas Corp. (TSXV: MOO) ("Mooncor") announced that they have entered into letter of intent (the "LOI") with Augusta Industries Inc. (TSXV: AAO) ("Augusta") pertaining to the sale of FOX-TEK Canada Inc. ("FOX-TEK") by Augusta to Mooncor for an aggregate purchase price of up to $21,500,000 (the "Purchase Price"). $9,500,000 of the Purchase Price will be satisfied through the issuance of an aggregate of 47,500,000 post-consolidated common shares (the "Consideration Shares") in the capital of Mooncor at a price of $0.20 per Consideration Share. The balance of the Purchase Price, being up to $12,000,000, will be satisfied through a royalty of 15% on all future sales of FOXTEK's products and a 20% royalty on all future sales of FOX-TEK's services (collectively, the "Royalty"). The Royalty shall be payable until the earlier of (i) the 10 year anniversary of the closing of the acquisition of FOX-TEK, and (ii) the aggregate payment of $12 million.

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 substantial commercial production.The Company is a public company trading on the TSX Venture Exchange ("TSXV") under the symbol "MOO". The Company is domiciled in the Province of Ontario and its head office is located at 2455 Cawthra Road, Suite 75, Mississauga, Ontario, Canada. Mooncor's financial statements include the accounts of the Company and its wholly owned subsidiaries, Mooncor Energy Inc., an Alberta Corporation, DRGN Energy Inc., an Ontario Corporation, and Primary Petroleum Company USA Inc, a Montana, USA Corporation, and its wholly owned subsidiaries, Primary Petroleum Company LLC, a Montana, USA Corporation and AP Petroleum Company LLC, a Montana, USA Corporation, collectively ("Primary").

Fox-Tek Canada, Inc. (the "Company" or "FOX-TEK") was incorporated on December 24, 2009 under the laws of the Province of Ontario with a registered office and a head-office at 2455 Cawthra Road, Unit 75, Mississauga, Ontario L5A 3P1. Canada. FOX-TEK is a wholly-owned subsidiary of Augusta Industries Inc. ("Augusta"), a company which is traded on the TSX Venture Exchange ("TSXV") under the symbol "AAO".

The accompanying unaudited pro forma consolidated financial statements as at March 31, 2018 of Mooncor have been prepared by management of Mooncor using information derived from:

1. Interim condensed financial statements of Mooncor Oil & Gas Corporation for three months ended March 31, 2018;
2. Internal financial statements of FOX-TEK Canada Inc. for three months ended March 31, 2018;

The pro forma consolidated financial statements have been prepared for inclusion in the Filing Statement of Mooncor Oil & Gas Corp. as on June 26, 2018.

Accounting policies used in the preparation of the pro forma financial statements are in accordance with those disclosed in the audited financial statements of the companies mentioned above which were all prepared in accordance with International Financial Reporting Standards ("IFRS").

These pro forma financial statements should be read in conjunction with the financial statements of Mooncor and FOX-TEK for the applicable periods noted, including the notes thereto and the related Filing Statement of XX.

The pro forma consolidated statement of financial position gives effect to the proposed transaction described above as if it occurred on March 30, 2018. Mooncor and FOX-TEK have fiscal year ends of December 31. For purposes of the pro forma financial statements, it is assumed that the period end is March 31, 2018.

The pro forma consolidated financial statements are not intended to be indicative of the financial position of the Company which would have actually resulted had the proposed transactions described above and other pro forma adjustments occurred as assumed. Furthermore, the pro forma financial statements are not necessarily indicative of the financial position and results that may be achieved in the future.

2. Proposed transaction

Pursuant to the LOI, FOX-TEK and Sensor Technologies Inc. ("Sensor"), a wholly owned subsidiary of Mooncor, will enter into an amalgamation agreement (the "Agreement") whereby FOX-TEK will amalgamate with Sensor to form a new company ("AmalCo"). Both Augusta and Mooncor will receive shares in AmalCo as a result of the amalgamation. Augusta will transfer its securities in the capital of AmalCo to Mooncor in exchange for the Consideration Shares. As a result of the amalgamation, and the issuance of the Consideration Shares, FOX-TEK will be a wholly owned subsidiary of Mooncor. It is the intention of Augusta to distribute a portion of the Consideration Shares to its shareholders at a later date.

The transaction between Augusta and Mooncor is a non arm's length transaction as Allen Lone is a director and officer of both Augusta and Mooncor. Mr. Lone owns, directly and indirectly, 6,920,000 common shares (4.13%) in the capital of Mooncor and 76,754,264 common shares (29.97%) in the capital of Augusta. As such it is a related party transaction subject to Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("MI 61-101"). Pursuant to MI 61-101, Augusta and Mooncor may be required to obtain disinterested shareholder approval and a valuation of FOX-TEK.

3. Pro forma adjustments and assumptions

The pro forma consolidated financial statements have been prepared as if the transactions described above occurred on March 31, 2018 following completion of the qualifying transactions:

1. Mooncor will be calling a special meeting of its shareholders to approve, among other things, the Agreement and the consolidation of its issued and outstanding common shares on the basis of up to twenty (20) common shares for each existing common share. It is anticipated that Mooncor will file an application with the TSX Venture Exchange to approve the issuance of the Consideration Shares to Augusta pursuant to the Agreement.
2. Mooncor will convert $1,000,000 of debt into common shares at 20 cents per share. (Adjustment 3).
3. Financing in the form of a private placement of subscription receipts to raise gross proceeds of $1,000,000 (6,666,667 new common shares at 15 cents each) will be issued immediately before the closing of the qualifying transaction. In connection with the financing, share issuance costs are expected to be $100,000. Net proceeds are estimated to be $900,000. (Adjustment 1 and 2).
4. $9,500,000 of the Purchase Price will be satisfied through the issuance of an aggregate of 47,500,000 post-consolidated common shares (the "Consideration Shares") in the capital of Mooncor at a price of $0.20 per Consideration Share.
5. After the above transactions, existing Mooncor shareholders will own 20,043,476 shares (30%) and the prior shareholder of FOX-TEK (Augusta) will own 47,500,000 shares (70%) (see table below). As such, the transaction is considered a reverse-takeover of Mooncor by FOX-TEK.

	Number of shares	%	Common Stock ($)
Current Outstanding	**167,536,185**		**20,586,793**
Roll back current outstanding 20:1	**8,376,809**		**20,586,793**
Sensor Tech, raises $1,000,000 @ 15 cents	**6,666,667**		**1,000,000**
Before acquisition	**15,043,476**		**21,586,793**
Converting of debt to equity $1,000,000 @ 20 cents	**5,000,000**		**1,000,000**
Mooncor shareholders after acquisition	**20,043,476**	**30%**	**22,586,793**
Fox-Tek shareholder (Augusta) - Sensor Tech issues $9,500,000 @ 20 cents for Fox-Tek (see below for valuation)	**47,500,000**	**70%**	**3,006,521**
Elimination of Mooncor share capital prior to acquisition			**(21,586,793)**
Transaction costs	**-**		**(100,000)**
	67,543,476	**100%**	**3,906,521**

6. Under RTO accounting the purchase price is determined by the fair value of shares that would have had to been issued as if FOX-TEK were the acquirer. This number has been determined to be 20,043,476 FOX-TEK shares. The value of these shares has been calculated as $3,006,521 using the per share value of the shares issued in the private placement that took place prior to closing. This amount was $0.15 per share. (Adjustment 4)

Using value of shares issued in financing of $0.15	$ 3,006,521
Less costs incurred	-
	$ 3,006,521

7. As Mooncor's operations are not considered to constitute a business under IFRS, the amount paid over and above the net book value of the Company is considered an expense of acquiring a public listing. As a result of the RTO, the pro-forma consolidated statement of financial position has been adjusted for the elimination of Mooncor`s share capital and accumulated deficit within shareholders equity. As a result of this acquisition, a cost of public listing expense of $2,375,361 (purchase price paid in excess of net book value) has been recorded. (Adjustment 4)
8. In accordance with reverse acquisition accounting, the assets and liabilities of FOX-TEK are included in the pro-forma consolidated statement of financial position at their carrying values while the net assets of Mooncor are included at their fair value.
9. The listing expense of $2,375,361 was determined as follows:

Value of shares issued to Mooncor shareholders		$ 3,006,521
Less: Net Book Value of Mooncor after $1,000,000 financing		
Financing raised	1,000,000	
Total deficiency	(368,840)	
		(631,160)
Cost of public listing		$ 2,375,361

The above-noted acquisition price allocation and share valuations are preliminary. The final net assets and valuation of consideration will be calculated at the closing date of the RTO.

Total cash transaction costs which are expected to be incurred for the reverse asset acquisition amounts to $100,000 which includes exchange fees, professional and consulting fees.

4. Pro-forma statutory income tax rate

The pro forma effective statutory income tax rate of the combined companies will be 26.5%.

SCHEDULE "D"
MOONCOR FINANCIAL STATEMENTS

MOONCOR OIL & GAS CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Prepared in Canadian dollars)

For The Years Ended December 31, 2017 and 2016

Wasserman
Ramsay

Chartered Accountants

3601 Hwy 7 East, Suite 1008, Markham, Ontario L3R 0M3
Tel. 905-948-8637 Fax 905.948.8638
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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

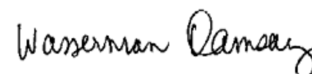
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mooncor Oil & Gas Corp. and its subsidiaries as at December 31, 2017 and their financial performance and cash flows for the year then ended in accordance with International Financial 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) 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 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) <u>Oil and Natural Gas Interests (Montana (USA))</u>

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.

MOONCOR OIL & GAS CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Prepared in Canadian dollars)

For The Years Ended December 31, 2016 and 2015

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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, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in (deficiency) equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

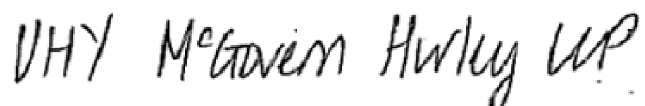
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mooncor Oil & Gas Corp. and its subsidiaries as at December 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that Mooncor Oil & Gas Corp. had a cumulative deficit and negative working capital as at December 31, 2016. 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 ability of Mooncor Oil & Gas Corp. to continue as a going concern.

UHY McGovern Hurley LLP



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 21, 2017

MOONCOR OIL & GAS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in Canadian Dollars)

	Note	December 31, 2016	December 31, 2015
ASSETS			
Current Assets:			
Cash		$ 49,520	$ 19,499
Investments	4	-	99,000
Sundry receivables		8,615	63,889
Prepaid expenses		13,171	4,880
Total current assets		71,306	187,268
Non-current assets:			
Oil and gas property interests	5	515,692	515,692
Deposits	10	486,393	481,919
Total non-current assets		1,002,085	997,611
Total assets		$ 1,073,391	$ 1,184,879
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	8	$ 1,211,801	$ 1,079,554
Reclamation and decommissioning obligation - current portion	7	5,796	-
Advances	17	102,663	-
Total current liabilities		1,320,260	1,079,554
Long term liabilities			
Reclamation and decommissioning obligation	7	112,452	117,665
Total long term liabilities:		112,452	117,665
Total liabilities		1,432,712	1,197,219
SHAREHOLDERS' DEFICIENCY			
Capital stock	6	20,586,793	20,175,578
Contributed surplus	6	1,897,322	1,897,322
Warrants	6	41,100	452,315
Foreign currency translation reserve		(4,552)	(7,150)
Deficit		(22,879,984)	(22,530,405)
Total shareholders' deficiency		(359,321)	(12,340)
Total liabilities and shareholders' deficiency		$ 1,073,391	$ 1,184,879
Nature and continuance of operations	1		
Commitments and contingencies	5,10		
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 LOSS AND COMPREHENSIVE LOSS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in Canadian Dollars)

	Note	Year ended December 31, 2016	2015
Interest income		$ 7,073	$ 514
Total revenue		$ 7,073	$ 514
Expenses			
Professional fees and disbursements		$ 40,061	$ 138,838
Exploration expenses	12	29,487	166,615
Finance costs		2,663	-
Office and general	13	222,461	190,695
Travel		-	3,766
Insurance		35,496	27,733
Total expenses		$ 330,168	$ 527,647
Loss before undernoted		**(323,095)**	**(527,133)**
Excess of fair value over net assets acquired	11	-	15,996
(Loss) gain on foreign exchange		(1,012)	4,882
Unrealized (loss) gain on investments		(27,000)	268,648
Net realized gain (loss) on sale of investments	4	1,528	(262,485)
Net (loss) for the year		**(349,579)**	**(500,092)**
Other comprehensive income/(loss)			
Exchange differences on translation of foreign operations		2,598	(7,150)
Total comprehensive (loss) for the year		**$ (346,981)**	**$ (507,242)**
Weighted average shares outstanding - basic and diluted	6	167,536,185	167,536,185
Net loss per share based on net loss for the year - basic and diluted	6	$ (0.00)	$ (0.00)

See accompanying notes to the consolidated financial statements.

MOONCOR OIL & GAS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN (DEFICIENCY) EQUITY
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in Canadian Dollars)

	Number of Shares	Capital Stock	Contributed Surplus	Warrants	Foreign currency translation reserve	Deficit	Total Equity/(Deficiency)
Balance at December 31, 2014	167,536,185	$ 20,175,578	$ 1,897,322	$ 452,315	$ -	$ (22,030,313)	$ 494,902
Net loss for the year	-	-	-	-	-	(500,092)	(500,092)
Exchange differences on translation of foreign operations	-	-	-	-	(7,150)	-	(7,150)
Balance at December 31, 2015	167,536,185	$ 20,175,578	$ 1,897,322	$ 452,315	$ (7,150)	$ (22,530,405)	$ (12,340)
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)

See accompanying notes to the consolidated financial statements.

MOONCOR OIL & GAS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in Canadian Dollars)

	Year ended December 31,	
	2016	**2015**
Cash flows used in operating activities		
Net loss for the year	$ (349,579)	$ (500,092)
Net realized (gain) loss on sale of investments	(1,528)	262,485
Net change in unrealized loss (gain) on investments	27,000	(268,648)
Excess of fair value over net assets acquired	-	(15,996)
Accrued interest on advances	2,663	-
Settlement of reclamation and decommissioning obligation	-	(22,421)
Accretion of reclamation and decommissioning obligation	583	1,663
	(320,861)	(543,009)
Changes in non-cash working capital balances		
Sundry receivables	55,274	(51,372)
Prepaid expenses	(8,291)	1,644
Accounts payable and accrued liabilities	132,247	269,393
Cash flows used in operations	(141,631)	(323,344)
Cash flows from investing activities		
Proceeds on sale of investments	73,528	54,515
Increase in deposits	(4,474)	(26,108)
Cash flows from investing activities	69,054	28,407
Cash flows from investing activities		
Proceeds from advances	100,000	-
Cash flows from financing activities	100,000	-
Net increase (decrease) in cash	27,423	(294,937)
Effect of changes in foreign exchange rate	2,598	(8,212)
Cash, beginning of year	19,499	322,648
Cash, end of year	$ 49,520	$ 19,499
Supplemental Information		
Non-cash purchase of investments	$ -	$ 72,000

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 on April 21, 2017.

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, 2016, the Company has a working capital deficiency in the amount of $1,248,954 (2015 - $892,286) and has a deficit in the amount of $22,879,984 (2015 - $22,530,405). 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, 2016 will not be sufficient to meet the Company's potential capital and operating expenditures through December 31, 2017. 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 10.

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 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, 2016 and 2015, 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 statement of 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, 2016 and 2015, 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.

Loss per share

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

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

Share-based payments

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

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

Revenue recognition

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

Financial instruments

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

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

Financial assets

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

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

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

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

discounted at the Company's original effective interest rate. The impairment losses are recognized in the statement of loss.

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

Financial liabilities

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

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

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

Classification of financial instruments

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

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

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

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

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

The Company's financial instruments consist of the following:

Financial Instrument	**Classification**	**Measurement**
Cash	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, 2016 and 2015, 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 loss.

(iii) Foreign currency transactions

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

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2017. 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.

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. Earlier adoption is permitted.

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. Earlier adoption is permitted.

3. 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.

4. 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.

5. IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22") was issued in December 2016 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.

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

Accounting changes

During 2016, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 7, IFRS 11, and IAS 1. These new standards and changes did not have any material impact on the Company's financial statements.

4. INVESTMENTS

(a) Investment in Pinetree Capital Ltd.:

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

During the year ended December 31, 2014, the Company sold 300,000 Pinetree shares for proceeds of $60,220 resulting in a loss on disposal of the investment of $122,780.

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

(b) Investment in Keek Inc.:

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

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, 2016 and 2015 consist of:

		Alberta (a)
Balance, December 31, 2016, 2015 and 2014	**$**	**515,692**

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

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

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

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

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

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

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

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

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

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

Mooncor's working interest will be 70% of the Property except for the spacing drilled by a major U.S. based industry partner 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.

Management does not intend on renewing leases and certain leases expired in 2016.

6. SHAREHOLDERS' EQUITY

Capital Stock

At December 31, 2016 and 2015, the authorized share capital comprised an unlimited number of common shares with no par value.

	# of Common Shares		Amount
Balance, December 31, 2015 and 2014	**167,536,185**	**$**	**20,175,578**
Expired warrants transferred to capital stock	-		411,215
Balance, December 31, 2016	**167,536,185**	**$**	**20,586,793**

Warrants

Details of warrant transactions for the years ended December 31, 2016 and 2015 are as follows:

	# of Warrants		Amount		Weighted Average Exercise Price
Balance, December 31, 2015 and 2014	**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, 2016	**11,448,492**	**$**	**41,100**	**$**	**0.10**

The following table summarizes information about warrants outstanding as at December 31, 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, 2016 or 2015.

The following table summarizes information about the options outstanding and exercisable as at December 31, 2016 and 2015:

# of Options Outstanding and Exercisable	Exercise Price		Expiry Date	Remaining Contractual Life (years)
270,000	$	0.25	November 19, 2020	3.89
75,000		0.20	April 8, 2021	4.27
67,500		0.23	May 4, 2021	4.34
211,250		0.14	November 29, 2021	4.92
623,750	**$**	**0.20**		**4.33**

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

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

Numerator:		**2016**		2015
Net loss for the year	**$**	**(349,579)**	$	(500,092)
Denominator:		**2016**		2015
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 year:		**2016**		2015
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, 2016 (2015 – 29,673,907 shares).

7. RECLAMATION AND DECOMMISSIONING OBLIGATION

The Company provided $118,248 as at December 31, 2016 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 (2015 - $81,000). Assumptions, including an inflation rate of 1.26% and a discount rate of 1.79%, have been made which management believes are a reasonable basis upon which to estimate the future liability.

The Company provides for the estimated future cost of reclamation and abandonment work on its oil and gas leases relating to the properties in Montana. The reclamation and decommissioning obligation represents the present value of estimated future reclamation costs, which are expected to be incurred in 2017 and 2018. The estimated undiscounted cash flows used to estimate the liability is $29,955. Assumptions, including an inflation rate of 1.03% and a discount rate of 0.49%, have been made which management believes are a reasonable basis upon which to estimate the future liability.

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, 2016 and 2015 are as follows:

	Alberta	Montana	Total
Balance, December 31, 2014	**$ 84,223**	**$ -**	**$ 84,223**
Accretion expense	1,508	155	1,663
Addition	-	48,577	48,577
Decommissioning incurred	-	(22,429)	(22,429)
Foreign currency translation	-	5,631	5,631
Balance, December 31, 2015	**$ 85,731**	**$ 31,934**	**$ 117,665**
Accretion expense	1,536	180	1,716
Foreign currency translation	-	(1,133)	(1,133)
Balance, December 31, 2016	**$ 87,267**	**$ 30,981**	**$ 118,248**

$5,796 of the Montana reclamation costs are expected to be incurred in 2017 and $25,185 in 2018 while the Alberta costs are expected to be incurred in 2024.

8. RELATED PARTY TRANSACTIONS

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

a. Included in professional fees for the year ended December 31, 2016 is $3,043 (year ended December 31, 2015 – $19,787) for legal fees and disbursements owing to a law firm in which an officer, Robbie Grossman, is a partner. Included in accounts payable and accrued liabilities on December 31, 2016 is $52,817 (December 31, 2015 - $52,228) owing to this law firm.

b. Included in accounts payable and accrued liabilities at December 31, 2016 is $42,536 (December 31, 2015 - $41,999) for legal fees and disbursements owing to a law firm (Garfinkle Biderman LLP) of which an officer of the Company, Robbie Grossman, was a former partner.

c. At December 31, 2016, $277,224 (December 31, 2015 - $175,000) has been included in accounts payable and accrued liabilities for remuneration of the Company's Chief Executive Officer and director, Allen Lone.

d. During the year ended December 31, 2016, the Company paid $9,000 (year ended December 31, 2015 - $12,000) of rent to Fox-Tek Inc., a company in which Allen Lone, CEO is an officer and director. At December 31, 2016, $10,170 (December 31, 2015 - $nil) has been included in accounts payable and accrued liabilities.

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

f. Gerry Feldman, a director of the Company was an officer of Pinetree at the time of the Company's acquisition of the common shares of Pinetree. See note 4.

g. At December 31, 2016 and 2015, $39,818 is included in accounts payable and accrued liabilities, relating to services provided by a former director and officer (Nick Tsimidis).

h. At December 31, 2016 and 2015, $10,625 is included in accounts payable and accrued liabilities due to a former officer (Darell Brown).

i. At December 31, 2016 and 2015, $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).

j. $4,000 is included in accounts payable and accrued liabilities at December 31, 2016 and 2015 to directors of the Company.

k. Included in professional fees for the year ended December 31, 2016 is $791 for taxation services provided by Alan Myers and Associates, an accounting firm in which Alan Myers, the CFO, is a partner (2015 – $791). At December 31, 2016, $1,582 (2015 - $791) has been included in accounts payable and accrued liabilities for Alan Myers and Associates.

l. During the year ended December 31, 2016, the Company paid $9,778 (the year end December 31, 2015 - $22,509) to a company controlled by an officer of the Company, Tony Boogmans, for consulting fees and disbursements. At December 31, 2016, $6,365 (December 31, 2015 - $5,578) has been included in accounts payable and accrued liabilities.

m. During the year ended December 31, 2016, the Company signed promissory notes and received $75,000 (2015 - $nil) from related parties (directors and a company controlled by an officer of the Company). The loans are due between February 15, 2017 and April 26, 2017. The loans bear interest at 12% per annum. Of the total $25,000 is secured against the assets of the Company and $50,000 is unsecured. Included in finance costs in the consolidated statements of loss for the year ended December 31, 2016 was interest expense of $2,219 (2015 - $nil) relating to these loans. See note 17.

n. Included in office and general expenses for the year ended December 31, 2016 is $2,200 for accounting services provided by Binh Quach, a director of the Company during the year. At December 31, 2016, $14,930 has been included in accounts payable and accrued liabilities for Binh Quach.

o. Included in professional fees for the year ended December 31, 2016 is $1,271 for taxation services provided by DNTW Toronto LLP, an accounting firm in which Gerry Feldman, a director, is a partner (2015 – $nil). At December 31, 2016, $1,271 (2015 - $nil) has been included in accounts payable and accrued liabilities for DNTW Toronto LLP.

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.

	Years ended December 31,	
	2016	**2015**
Short-term compensation	$ 100,000	$ 100,000

These transactions are in the normal course of operations.

9. INCOME TAXES

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 25.75% (2015 - 25.75%) were as follows:

	2016	2015
	$	$
Loss before income taxes	349,579	500,092
Expected income tax recovery based on statutory rate	90,000	129,000
Adjustment to expected income tax benefit:		
Non-deductible expenses and other	(2,000)	(1,181,000)
Change in tax and exchange rates	(3,000)	20,000
Tax assets acquired on business combination	-	133,000
Change in deferred tax assets not recognized	(85,000)	899,000
Deferred income tax	-	-

b) Deferred Income Tax

	2016	2015
	$	$
Recognized deferred tax assets and liabilities:		
Non-capital loss carry-forwards	110,000	114,000
Exploration and evaluation	(110,000)	(111,000)
Investments	-	(3,000)
Deferred income tax liability	-	-

Unrecognized Deferred Tax Assets (Liabilities)

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

	2016	2015
Non-capital loss carry-forwards	14,184,000	13,856,000
Capital loss carry-forwards	2,463,000	2,464,000
Other temporary differences	41,000	43,000
Total	16,688,000	16,363,000

The Canadian non-capital losses of $14,180,000 (2015 - $13,884,000) expire from 2026 to 2036. The U.S. non-capital losses of $433,000 (2015 - $416,000) expire from 2020 to 2024. The other temporary differences do not expire under current legislation.

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

10. COMMITMENTS & CONTINGENCIES

Gross overriding royalties

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

As part of the purchase of a database of technical information 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. 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 $419,258 (December 31, 2015 - $412,719) with the Alberta Energy Resource Conservation Board as required by legislation. The Company has also lodged a drilling deposit of US$50,000 ($67,135) (December 31, 2015 - US$50,000 ($69,200)) 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.

11. ACQUSITION OF PRIMARY PETROLEUM COMPANY USA INC.

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

Details of the acquisition of Primary is as follows:

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

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

12. EXPLORATION EXPENSES

The exploration costs during the years ended December 31, 2016 and 2015 were as follows:

	Years ended December 31,			
		2016		2015
Annual lease renewal costs	$	21,339	$	97,773
Land management		5,576		53,283
Others		2,572		15,559
	$	29,487	$	166,615

13. OFFICE AND GENERAL EXPENSES

The office and general expenses during the years ended December 31, 2016 and 2015 were as follows:

	Years ended December 31,	
	2016	**2015**
Accounting services	$ 49,938	$ 26,575
Management salary	100,000	100,000
Corporate services	17,818	9,191
Rent expense	29,160	29,160
Computer expenses	8,479	12,020
Telephone expense	2,597	1,757
Transfer agent	12,091	2,992
Others	2,378	9,000
	$ 222,461	$ 190,695

14. CAPITAL DISCLOSURES

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

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

The Company considers its capital to be equity, which comprises capital stock, contributed surplus, warrants, foreign currency translation reserve and deficit, which at December 31, 2016 was a deficiency of $359,321 (2015 – $12,340).

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, 2016 and 2015.

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, 2016, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

15. RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions in relation to the Company's activities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant price, credit, liquidity, 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, 2016 and 2015.

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, 2016, the Company had cash of $49,520 (2015 – $19,499) to settle current liabilities of $1,320,260 (2015 - $1,079,554). The Company has a working capital deficiency of $1,248,954 at December 31, 2016 (2015 - $892,286).

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, 2016, the Company's US dollar net monetary liabilities totaled $47,632. Accordingly a 5% change in the US dollar exchange rate as at December 31, 2016 on this amount would have resulted in an exchange gain or loss and therefore net loss would have increased (decreased) by $2,382.

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.

16. SEGMENTED INFORMATION

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

As of December 31, 2016

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

As of December 31, 2015

	Canadian Operation	US Operation	Total
Total assets	$ 1,065,692	$ 119,187	$ 1,184,879
Oil and gas property interests	$ 515,692	$ -	$ 515,692

17. ADVANCES

During the year ended December 31, 2016, the Company signed promissory notes and received $100,000 (2015 - $nil). Of the total, $75,000 were from related parties (directors and a company controlled by an officer of the Company). The loans are due between February 15, 2017 and May 7, 2017. The loans bear interest at 12% per annum. Of the total $50,000 is secured against the assets of the Company and $50,000 is unsecured. Included in finance costs in the consolidated statements of loss for the year ended December 31, 2016 was interest expense of $2,663 (2015 - $nil) relating to these loans.

18. SUBSEQUENT EVENT

Subsequent to December 31, 2016, the Company signed promissory notes and received $50,000 from related parties (directors and a company controlled by an officer of the Company). The loans are due between August 15, 2017 and September 30, 2017. The loans bear interest at 12% per annum and are secured against the assets of the Company.

SCHEDULE "E"
MOONCOR MANAGEMENT DISCUSSION AND ANALYSIS

MOONCOR OIL & GAS CORP.

Management's Discussion and Analysis
For the Years Ended
December 31, 2017 and 2016

Date of report: April 27, 2018

This management's discussion and analysis of the financial condition and results of operation ("MD&A") of Mooncor Oil & Gas Corp. ("Mooncor" or the "Company") should be read in conjunction with Mooncor's audited consolidated financial statements and notes thereto as at and for the years ended December 31, 2017 and 2016 (the "consolidated financial statements").

Unless indicated otherwise, all financial data in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All dollar amounts in this MD&A are reported in Canadian dollars unless otherwise indicated.

Caution Regarding Forward-Looking Information:

Certain information contained in this MD&A constitutes forward-looking information, which is information relating to future events or the Company's future performance and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, but is not limited to the Company's expectations regarding its exploration and development activities, including expectations regarding the timing, costs and results of seismic acquisition, drilling and other activities, and future production volumes and sales, receipt of regulatory and governmental approvals, the Company's future working capital requirements, including its ability to satisfy such requirements, the exposure of its financial instruments to various risks and its ability to manage those risks, the Company's ability to use tax resource pools and loss carry-forwards, fees to be incurred by foreign subsidiaries and changes in accounting policies.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to oil and gas exploration activities generally, including the availability and cost of seismic, drilling and other equipment; our ability to complete our capital programs; geological, technical, drilling and processing problems, including the availability of equipment and access to properties; our ability to secure adequate transportation for our products; potential losses which would stem from any disruptions in production, including work stoppages or other labour difficulties, or disruptions in the transportation network on which we are reliant; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; our ability and the ability of our partners to attract and retain the necessary labour required to explore and develop our projects; potential conflicting interests with our joint venture partners; our failure or the failure of the holder(s) of licenses or leases to meet specific

requirements of such licenses or leases; the failure by counterparties to make payments or perform their operational or other obligations in compliance with the terms of contractual arrangements between us and such counterparties; adverse claims made in respect of our properties or assets; operating hazards and other difficulties inherent in the exploration for and production and sale of crude oil and natural gas; political and economic conditions in the countries in which our property interests are located; obtaining the necessary financing for operations, our ability to generate taxable income from operations, fluctuations in the value of our portfolio investments due to market conditions and/or company-specific factors, fluctuations in prices of commodities underlying our interests and portfolio investments, and other risks included elsewhere in this MD&A under the heading "Risk Management" and in the Company's public disclosure documents filed with certain Canadian securities regulatory authorities and available under the Company's profile at www.sedar.com.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

About Mooncor:

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 a public company trading on the TSX Venture Exchange ("TSXV") under the symbol "MOO". The Company is domiciled in the Province of Ontario and its head office is located at 2455 Cawthra Road, Suite 75, Mississauga, Ontario, Canada. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Mooncor Energy Inc., an Alberta Corporation, DRGN Energy Inc., an Ontario Corporation, and Primary Petroleum Company USA Inc, a Montana, USA Corporation, and its wholly owned subsidiaries, Primary Petroleum Company LLC, a Montana, USA Corporation and AP Petroleum Company LLC, a Montana, USA Corporation, collectively ("Primary").

Summary of activities

The Company has conducted field operations at the Company's two Lloydminster wells and these two wells were placed into production and produced 2,064 barrels of oil during the year ended December 31, 2017. Prior to the production, the two wells had a long shut-in period that required intensive work on both the wells - the 03-28 well still requires a new bottom hole pump or an upgrade to handle all the sand. The Company will continue to work on these wells and anticipates that they will resume sustained production shortly. The Company has spent $232,918 (2016 - $nil) on these two wells and generated revenue of $77,143 during the year ended December 31, 2017.

In the meantime, the Company, through its wholly owned subsidiary, Primary Petroleum Company USA, Inc., is still actively working with American Geophysical Corporation ("AGC") to market the Company's 3D Seismic. So far, numerous parties have approached AGC regarding Primary Petroleum's seismic database and AGC is reaching out to various parties that are interested in the Company's 3D Seismic. The Company's goal is to license its 3D Seismic leading to future opportunities for potential joint ventures, partnerships or farm-in agreements.

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

Going concern

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.

The challenges of securing requisite funding and the continued estimated operating losses indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor 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.

Property interests

Oil and gas property interests as at December 31, 2017 totaled $509,279 (2016 – $515,692).

(a) 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.

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) In 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.

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) which have up to eight years remaining on the Leases. Mooncor will be the operator of the working interests. Mooncor's working interest will be 70% in all the Property except for the spacing drilled by a major U.S. based industry partner (the "JV Partner") in which case Mooncor's working interest will be 30%. As consideration for the Property, the vendor is entitled to a 1% gross overriding royalty.

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.

Income Statements

The Company's income statements for the most recent three years are:

	Year Ended December 31,		
	2017	**2016**	**2015**
Revenue	$ 77,143	$ -	$ -
Interest Income	3,864	7,073	514
Total revenue	$ 81,007	$ 7,073	$ 514
EXPENSES			
Operational expenses	$ 232,918	$ -	$ -
Depletion of oil and gas interest	6,413	-	-
Professional fees and disbursements	16,186	$ 40,061	$ 138,838
Exploration expenses	80,476	29,487	166,615
Office and general	(325,011)	222,461	190,695
Finance costs	19,450	2,663	-
Travel	-	-	3,766
Insurance	30,070	35,496	27,733
Total expenses	$ 60,502	$ 330,168	$ 527,647
Income (loss) before undernoted	**20,505**	**(323,095)**	**(527,133)**
Excess of fair value over net assets acquired	-	-	15,996
(Loss) gain on foreign exchange	(2,487)	(1,012)	4,882
Unrealized (loss) gain on investments	-	(27,000)	268,648
Net realized gain (loss) on sale of investments	-	1,528	(262,485)
Net income (loss) for the year	**18,018**	**(349,579)**	**(500,092)**
Other comprehensive income (loss)			
Exchange differences on translation of foreign operations	5,890	2,598	(7,150)
Total comprehensive income (loss) for the year	**$ 23,908**	**$ (346,981)**	**$ (507,242)**
Weighted average shares outstanding - basic and diluted	167,536,185	167,536,185	167,536,185
Earnings (loss) per common share based on net income (loss) for the year	$ 0.00	$ (0.00)	$ (0.00)

Results of Operations:

The Company's selected quarterly results for the eight most recently completed interim financial periods are as follows:

	Q/E Dec 31, 2017	Q/E Sept 30, 2017	Q/E June 30, 2017	Q/E March 31, 2017	Q/E Dec 31, 2016	Q/E Sept 30, 2016	Q/E June 30, 2016	Q/E March 31, 2016
Total revenue	$1,671	$26,795	$30,842	$21,699	$7,073	$nil	$nil	$nil
Net profit/(loss) for the period	$350,108	($29,376)	($115,651)	($187,063)	($102,655)	($59,399)	($84,166)	($103,359)
Total comprehensive profit/(loss) for the period	$347,049	($24,711)	($112,598)	($185,832)	($105,520)	($61,111)	($83,360)	($96,990)
Net profit/(loss)loss per share based on net loss for the period - basic and diluted	$0.00	($0.00)	($0.00)	($0.00)	($0.00)	($0.00)	($0.00)	$0.00

As previously discussed, the Company has conducted field operations at the Company's two Lloydminster wells and the two wells have produced 2,064 barrels of oil during the year ended December 31, 2017. The revenue generated from selling the oil produced from the wells was $77,143 (2016 - $nil). The depletion of oil and gas property interests during the year ended December 31, 2017 was $6,413 (2016 - $nil).

Total expenses for the year ended December 31, 2017 were $60,502 (2016 - $330,168). An increase of costs relating to the two Lloydminster wells that were brought into production were off-set by a reversal of old payables (some accrued for over five years) of $512,458. Finance charges on advances to the Company were $19,450 during the year ended December 31, 2017 (2016 - $2,663), relating to interest on advances, primarily from related parties.

Exploration expenses were $80,476 for the year ended December 31, 2017 (2016 – 29,487) and includes annual lease cost renewals of $25,222 (2016 - $21,339) and land management fees were $54,495 (2016 - $5,576). In 2017, Sinopec Daylight Energy was paid $53,986 for land management.

Professional expenses for the year ended December 31, 2017 were $16,186 (2016 - $40,061) and primarily comprise of accruals for audit fees ($12,240), land management services ($645) and engineering consulting and disbursements ($13,689) and there was a reversal of $11,582 following a settlement with a vendor.

For the year ended December 31, 2017, there was a credit of $325,011 in office and general (2016 - expenses of $222,461). The credit was primarily due to the reversal of old payables of $512,458 as mentioned above offset by accrued salary to the CEO ($100,000), accounting services ($46,425) and rent ($19,260).

Insurance charges for the year ended December 31, 2017 were $30,070 (2016 - $35,496) including for Montana assets.

Finance costs for year ended December 31, 2017 were $19,450 (2016 - $2,663l) was for the interest expense on the cash advances to the Company.

2017 Fourth Quarter Results

For the three months ended December 31, 2017, there was a net credit for expenses of $348,318 (2016 – expenses of $110,423), relating to the reversal of old accrued liabilities.

The Company has conducted field operations at the Company's two Lloydminster wells during the year ended December 31, 2017. The cost of production and the cost of repairs during the three months ended December 31, 2017 were $7,563. No oil was produced during the fourth quarter of 2017 and accordingly there was no depletion of oil and gas interests.

Professional expenses were $3,123 (2016 – $9,395) and comprise of accruals for audit fees ($765) and engineering consulting and disbursements ($1,531), tax accounting fees of $750. Exploration expenses were $63,601 (2016 – $15,170), primarily comprise of land management fee paid to Sinopec Daylight Energy ($53,226). Office and general expenses were a credit of $437,834 (2016 - $74,868) primarily due to the reversal of old accounts payables of $483,750. Some of the major office and general expenses were accrued salary for the CEO $25,000, rent of $5,040 and accounting services of $12,650. Corporate services were a credit of $18,194 in the fourth quarter of 2017 due to a write-back of an accrued liability of $21,500 no longer considered necessary.

Insurance charges for the period were $9,482 including the Montana assets (2016 - $8,327).

Finance costs for fourth quarter of 2017 were $5,747 (2016 - $2,663l) was for the interest expense on the cash advances to the Company.

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

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

Operational expenses

The operational expenses relating to the wells in Alberta during 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

Cash Flow

During the year ended December 31, 2017 the Company used cash of $270,750 (2016 - $144,294) in operating activities. For the year ended December 31, 2017 sundry receivables increased by $14,833 (2016 – decreased by $55,274) while accounts payable and accrued expenses increased by $227,030 (2016 - increased by $132,247).

During the year ended December 31, 2017, net cash generated in investing activities was $170,903 (2016 - $69,054) as Alberta Energy Board refunded a deposit of $169,760 as two of the wells were put into operation. Proceeds on disposal of investments during the year ended December 31, 2017 was $nil (2016 - $73,528).

During the year ended December 31, 2017, the Company received $90,000 (2016 - $100,000) as advances in the form of promissory notes in financing activities.

For the year ended December 31, 2017, the Company had a net increase in cash of $9,603 (2016 - 27,423). For the year ended December 31, 2017, the Company also had a gain from the exchange rate changes on its foreign operations' cash balances of $5,890 (2016 –$2,598) leaving a cash balance of $65,013 as at December 31, 2017 (2016 – $49,520).

Liquidity and Capital Resources

Consolidated statements of financial position highlights	December 31, 2017	December 31, 2016
Cash	$ **65,013**	$ 49,520
Oil and gas property interests	**509,279**	515,692
Total assets	**920,850**	1,073,391
Total liabilities	**1,256,263**	1,432,712
Share capital, warrants and contributed surplus	**22,525,215**	22,525,215
Foreign currency translation reserve	**1,338**	(4,552)
Deficit	**(22,861,966)**	(22,879,894)
Working capital deficiency	**(1,071,351)**	(1,248,954)

Currently, the Company does not generate any revenue from its exploration and evaluation assets, as all wells are shut-in while the Company works on the wells to bring them back to production. Accordingly, it does not have any cash flows from operations to fund past liabilities or current obligations as they become due. In prior years, the Company raised funds for exploration, development and general overhead and other expenses through equity and debt financings.

The Company has a working capital deficiency of $1,071,351 as at December 31, 2017 (2016 - $1,248,954) and its cash balance is not sufficient to meet the Company's liabilities. The Company is using its current cash and cash equivalents to fund required payments to keep the Company in good standing and to pay the expenses associated with being a reporting issuer listed on the TSXV, until it can raise funds to pay its remaining creditors. There is no assurance that the Company can raise sufficient capital to continue as a going concern.

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 is 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.

Management of capital

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

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

The Company considers its capital to be equity, which comprises capital stock, contributed surplus, warrants and deficit, which at December 31, 2017, totaled to 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 were no changes in the Company's approach to managing capital during the year ended December 31, 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 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.

Off- Balance Sheet arrangements

As at December 31, 2017, the Company has deposits totaling $315,490 (2016 -$486,393) which is used as collateral for its oil and gas property interests associated with the Company's interest in Alberta, Canada, and Montana, USA

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 from the previous year.

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 a cash balance of $65,013 (2016 – $49,250) which is not sufficient to settle current liabilities of $1,167,432 (2016 - $1,320,260). The Company has a working capital deficiency of $1,071,351 at December 31, 2017 (2016 – $1,248,954). See "Going Concern" section elsewhere in this MD&A.

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.

Other risks

The Company's financial condition, results of operation and business are subject to certain risks, which may negatively affect them. Certain of these risks are described below in addition to elsewhere in this MD&A.

(a) Exploration and Development

The business of exploring for, developing and producing oil and gas involves a high degree of risk. Oil and gas reserves may never be found or, if discovered, may not be result in production at reasonable costs or profitability. The business of exploring, developing and producing is also capital intensive and, to the extent that cash flows from operating activities and external sources become limited or unavailable, the ability of Mooncor and of its operating partners to meet their respective financial obligations which are necessary to maintain their interests in the underlying properties could be impaired, resulting in those of the interests.

(b) Investment Risks

The Company acquires securities of public and private companies from time to time, which are primarily junior or small-cap resource companies. The market values of these securities can experience significant fluctuations in the short and long term due to factors beyond the Company's control. Market value can be reflective of the actual or anticipated operating results of the companies and/or the general market conditions that affect the oil and gas sector as a whole, such as fluctuations in commodity prices and global political and economical conditions. The Company's investments are carried at fair value, and unrealized gains/losses on the securities and realized losses on the securities sold could have a material adverse impact on the Company's operating results. The recent decline in stock

prices of the types of companies in which the Company invests have been very significant and such prices might take an extended time, to recover if they do at all.

(c) Environmental

The Company's oil and gas operations are subject to environmental regulations in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which will likely require stricter standards and enforcement, increased costs, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds interests which are presently unknown to the Company and which have been caused by previous or existing owners or operators of the properties or by illegal mining activities.

(d) Governmental

Government approvals and permits are often generally required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be delayed or prohibited from proceeding with planned exploration or development of properties. Amendments to current laws, regulations and permits governing operations and activities of oil and gas companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or require abandonment or delays in development of new properties. Although the governments of the various countries in which Mooncor operates have been stable recently, there is no assurance that political and economic conditions will remain stable. Political and economic instability may impede the Company's ability to continue its exploration activities in the manner currently contemplated.

(e) Fluctuations in Crude Oil, Natural Gas, and Natural Gas Liquid Prices

The price of the Company's common shares, and consolidated financial results and exploration, development and other oil and gas activities may in the future be significantly and adversely affected by declines in the price of crude oil, natural gas, and/or natural gas liquid (collectively "oil and gas"). The price of oil and gas fluctuates widely and is affected by numerous factors beyond the Company's control, such as interest rates, exchange rates, inflation or deflation, fluctuation in the value of the US dollar and foreign currencies, global and regional supply and demand, the political and economic conditions and production costs of major oil and gas producing countries throughout the world, and the cost of substitutes, inventory levels and carrying charges. Future material price declines could cause continued development of and commercial production from the properties in which the Company holds an interest to be impracticable. Depending on the price of oil and gas, cash flow from the Company's operations may not be sufficient and the Company could be forced to discontinue production and may lose the Company's interest in, or may be forced to sell, some of the Company's properties. Future production from the Company's properties is dependent upon the price of oil and gas being adequate to make these properties economic.

(f) Dependence on management

The Company is dependent upon the efforts, skill and business contacts of key members of management, for among other things, during the normal course of their activities and the synergies which exist amongst their various fields of expertise and knowledge. Accordingly, the Company's success will depend upon the continued service of these individuals who are not obligated to remain employed with Mooncor. A loss of key personnel - members of management in particular - could impair our ability to execute our strategy and implement our operational objectives, all of which would have a material adverse effect on the Company.

Share Data:

Capital Stock

Common shares outstanding as of the date of the MD&A, December 31, 2017 and 2016, are as follows;

	# 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

Warrants outstanding as of the date of the MD&A and December 31, 2017 are as follows;

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

The following table summarizes information about the options outstanding and exercisable as at the date of the MD&A are as follows:

# 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**

Segmented Information

The Company currently operates in one reportable segment, being the acquisition, exploration and evaluation of oil and gas interests. Total assets and exploration and evaluation 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

Critical accounting estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Critical accounting estimates used in the preparation of the Company's audited financial statements include the Company's estimate of recoverable fair value on exploration assets, the valuation related to the Company's taxes and deferred taxes, and the Company's estimation of decommissioning and restoration costs and the timing of expenditure.

Impairment of exploration and evaluation assets

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

economics can result in an impairment of the carrying amounts of the Company's exploration and evaluation.

There were no impairment charges during the years ended December 31, 2017 and 2016.

Taxes, income taxes and deferred taxes

The Company is subject to income and other taxes in various jurisdictions. 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 and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. 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 filings are subject to 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. Any estimates for value added and withholding taxes have been included in accounts payable and accrued liabilities.

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.

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.

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. Earlier adoption is permitted.

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. Earlier adoption is permitted.

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. Earlier adoption is permitted.

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

New accounting policies:

During 2017, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IAS7 and IAS 12. These new standards and changes did not have any material impact on the Company's financial statements.

Investor relations:

The Company's management performed its own investor relations duty for the year ended December 31, 2017.

Additional information:

Additional information relating to Mooncor may be found under the Company's profile on SEDAR at www.sedar.com or otherwise accessible on the Company's website, www.mooncoroil.com.

Subsequent event:

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

Date of report: April 21, 2017

This management's discussion and analysis of the financial condition and results of operation ("MD&A") of Mooncor Oil & Gas Corp. ("Mooncor" or the "Company") should be read in conjunction with Mooncor's audited consolidated financial statements and notes thereto as at and for the years ended December 31, 2016 and 2015 ("consolidated financial statements").

Unless indicated otherwise, all financial data in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All dollar amounts in this MD&A are reported in Canadian dollars unless otherwise indicated.

Caution Regarding Forward-Looking Information:

Certain information contained in this MD&A constitutes forward-looking information, which is information relating to future events or the Company's future performance and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, but is not limited to the Company's expectations regarding its exploration and development activities, including expectations regarding the timing, costs and results of seismic acquisition, drilling and other activities, and future production volumes and sales, receipt of regulatory and governmental approvals, the Company's future working capital requirements, including its ability to satisfy such requirements, the exposure of its financial instruments to various risks and its ability to manage those risks, the Company's ability to use tax resource pools and loss carry-forwards, fees to be incurred by foreign subsidiaries and changes in accounting policies.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to oil and gas exploration activities generally, including the availability and cost of seismic, drilling and other equipment; our ability to complete our capital programs; geological, technical, drilling and processing problems, including the availability of equipment and access to properties; our ability to secure adequate transportation for our products; potential losses which would stem from any disruptions in production, including work stoppages or other labour difficulties, or disruptions in the transportation network on which we are reliant; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; our ability and the ability of our partners to attract and retain the necessary labour required to explore and develop our projects;

potential conflicting interests with our joint venture partners; our failure or the failure of the holder(s) of licenses or leases to meet specific requirements of such licenses or leases; the failure by counterparties to make payments or perform their operational or other obligations in compliance with the terms of contractual arrangements between us and such counterparties; adverse claims made in respect of our properties or assets; operating hazards and other difficulties inherent in the exploration for and production and sale of crude oil and natural gas; political and economic conditions in the countries in which our property interests are located; obtaining the necessary financing for operations, our ability to generate taxable income from operations, fluctuations in the value of our portfolio investments due to market conditions and/or company-specific factors, fluctuations in prices of commodities underlying our interests and portfolio investments, and other risks included elsewhere in this MD&A under the heading "Risk Management" and in the Company's public disclosure documents filed with certain Canadian securities regulatory authorities and available under the Company's profile at www.sedar.com.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

About Mooncor:

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 a public company trading on the TSX Venture Exchange ("TSXV") under the symbol "MOO". The Company is domiciled in the Province of Ontario and its head office is located at 2455 Cawthra Road, Suite 75, Mississauga, Ontario, Canada. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Mooncor Energy Inc., an Alberta Corporation, DRGN Energy Inc., an Ontario Corporation, and Primary Petroleum Company USA Inc, a Montana, USA Corporation, and its wholly owned subsidiaries, Primary Petroleum Company LLC, a Montana, USA Corporation and AP Petroleum Company LLC, a Montana, USA Corporation, collectively ("Primary").

Summary of activities

During 2016, the Company spent $29,487 (2015 – $166,615) on exploration expenses and $nil (2015 - $22,429) on settlement of reclamation and decommissioning of exploration and evaluation assets. As at December 31, 2016, the Company had accrued $118,248 (2015 - $117,665) for reclamation and decommissioning obligations.

The Company has worked on the 2 Lloydminster wells in the 1st quarter of 2017 and they are now both operational, generating approximately 30 barrels a day since the end of February 2017.

The Company is also marketing the 3D seismic data and looking for opportunities to partner up or JV with interested parties to take advantage of the hydrocarbon potential in secondary horizons of the existing Montana wells.

In 2017, the Company will continue to explore opportunities in and around its properties and weigh the options on future exploration once the commodity prices recover and the Company is able to raise capital to execute an exploration program.

Going concern

The 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, 2016, the Company has a working capital deficiency in the amount of $1,248,954 (2015 - $892,286) and has a deficit in the amount of $22,879,984 (2015 - $22,530,405).

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, 2016 will not be sufficient to meet the Company's potential capital and operating expenditures through December 31, 2017. 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.

The challenges of securing requisite funding and the continued estimated operating losses indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor 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.

Property interests

Oil and gas property interests as at December 31, 2016 and 2015 totaled $515,692.

(a) 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.

In the first quarter of 2017, the Company has worked on the two Lloydminster wells and have reactivated the wells from the end of February 2017. The wells are generating approximately 30 barrels of oil a day.

(b) In 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.

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) which have up to eight years remaining on the Leases. Mooncor will be the operator of the working interests. Mooncor's working interest will be 70% in all the Property except for the spacing drilled by a major U.S. based industry partner (the "JV Partner") in which case Mooncor's working interest will be 30%. As consideration for the Property, the vendor is entitled to a 1% gross overriding royalty.

During the year ended December 31, 2016, the Company spent $29,487 (2015 - $166,615) on exploration expenses for operating leases which was expensed in the consolidated statements of loss and comprehensive loss.

Management does not intend on renewing leases and certain leases expired in 2016.

Income Statements

The Company's income statements for the most recent three years are:

	Years Ended December 31,		
	2016	**2015**	**2014**
Interest income	$ 7,073	$ 514	$ 7,228
Total revenue	$ 7,073	$ 514	$ 7,228
EXPENSES			
Professional fees and disbursements	$ 40,061	$ 138,838	$ 55,373
Exploration expenses	29,487	166,615	(8,716)
Clean up expenses	-	-	32,246
Office and general	222,461	190,695	128,776
Finance costs	2,663	-	-
Travel	-	3,766	2,319
Insurance	35,496	27,733	27,104
Total expenses	$ 330,168	$ 527,647	$ 237,102
Loss before undernoted	**(323,095)**	**(527,133)**	**(229,874)**
Excess of fair value over net assets acquired	-	15,996	-
(Loss) gain on foreign exchange	(1,012)	4,882	-
Unrealized (loss) gain on investments	(27,000)	268,648	(241,648)
Net realized gain (loss) on sale of investments	1,528	(262,485)	(122,780)
Net loss for the year	**(349,579)**	**(500,092)**	**(594,302)**
Other comprehensive income (loss)			
Exchange differences on translation of foreign operations	2,598	(7,150)	-
Total comprehensive loss for the year	**$ (346,981)**	**$ (507,242)**	**$ (594,302)**
Weighted average shares outstanding - basic and diluted	167,536,185	167,536,185	159,093,232
Net loss per share based on net loss - basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)

Results of Operations:

The Company's selected quarterly results for the eight most recently completed interim financial periods are as follows:

	Q/E Dec 31, 2016	Q/E Sept 30, 2016	Q/E June 30, 2016	Q/E March 31, 2016	Q/E Dec 31, 2015	Q/E Sept 30, 2015	Q/E June 30, 2015 (Restated)	Q/E March 31, 2015 (Restated)
Revenue	$7,073	$nil	$nil	$nil	$514	$nil	$nil	$nil
Net profit/(loss) for the period	($102,655)	($59,399)	($84,166)	($103,359)	($255,738)	$6,769	($149,822)	($101,301)
Total comprehensive profit/(loss) for the period	($105,520)	($61,111)	($83,360)	($96,990)	($266,994)	$10,632	($149,579)	($101,301)
Net profit/(loss)loss per share based on net loss for the period - basic and diluted	($0.00)	($0.00)	($0.00)	($0.00)	($0.00)	$0.00	($0.00)	($0.00)

The Company plans to keep operating expenses at minimum levels to conserve its cash until the general capital markets for resource financing improves.

For the years ended December 31, 2016 and 2015, the Company had no revenue from test production at its Lloydminster wells. As noted above, these well have been reactivated in the first quarter of 2017.

Overall, total expenses for the year ended December 31, 2016 decreased by $197,479 to $330,168 (2015 - $527,647). Professional expenses of $40,061 (2015 - $138,838) primarily comprise of accruals for legal fees and disbursements of $2,705 (2015 - $24,416) and audit fees $15,740 (2015 - $22,300), accounting fees of $2,900 (2015 - $10,250), reserve report, engineering, consulting and disbursements, land management and map services of $18,716 (2015 - $81,872). Exploration expenses were $29,487 (2015 – $166,615) comprising primarily of lease renewal costs of $21,339 (2015 - $97,773), land management costs of $5,576 (2015 - $53,283) and other costs of $2,572 (2015 - $15,559).

Office and general expenses were $222,461 (2015 - $190,695) and primarily comprise of accrued salary for Allen Lone, the Company's chief executive officer ("CEO") of $100,000 (2015 - $100,000), corporate services of $17,818 (2015 - $9,191) and transfer agents fees of $12,091 (2015 - $2,992), rent of $29,160 (2015 - $29,160), land management computer license of $8,478 (2015 - $12,020) and accounting fees of $49,938 (2015 - $26,575). Travel costs were $nil (2015 - $3,766). Insurance charges for the year were $35,496 (2015 - $27,733).

During the year ended December 31, 2016, the Company sold its remaining investments in Keek Inc. for net proceeds of $73,528 resulting in a realized gain on disposal of investments of $1,528 and a net change in unrealized loss in investments of $27,000 which have been reflected in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2016.

2016 Fourth Quarter Results

Total expenses for the three months ended December 31, 2016 were $110,423 (2015 - $259,878). Professional expenses were $9,395 (2015 - $61,613) comprising primarily of $1,800 for taxation services, $2,358 for reserve report and $2,562 for consulting and disbursements. Exploration expenses were $15,170 (2015 – $133,145) which primarily comprises of lease renewal costs of $13,652 and land management costs of $1,518. Office and general expenses were $74,868 (2015 - $57,507) and primarily comprises of accrued salary for the CEO $25,000, rent of $14,040, transfer agent fees of $9,771, corporate services of $9,593 and accounting fees of $12,838. Insurance charges for the year were $8,327 (2015 - $5,613).

Exploration Expenses

The exploration costs during the years ended December 31, 2016 and 2015 were as follows:

	Years ended December 31,	
	2016	**2015**
Annual lease renewal costs	$ 21,339	$ 97,773
Land management	5,576	53,283
Others	2,572	15,559
	$ 29,487	$ 166,615

Office and general expenses

The office and general expenses during the years ended December 31, 2016 and 2015 were as follows:

	Years ended December 31,	
	2016	**2015**
Accounting services	$ 49,938	$ 26,575
Management salary	100,000	100,000
Corporate services	17,818	9,191
Rent expense	29,160	29,160
Computer expenses	8,479	12,020
Telephone expense	2,597	1,757
Transfer agent	12,091	2,992
Others	2,378	9,000
	$ 222,461	$ 190,695

Cash Flow

During the year ended December 31, 2016 the Company used cash of $141,631 (2015 - $323,344) in operating activities. The unrealized loss on sale of investments of $27,000, realized gains on investments of $1,528, accrued interest on advances of $2,663 and accretion of reclamation and decommissioning costs of $583 did not involve any flow of funds.

For the year ended December 31, 2016 sundry receivables decreased by $55,274 (2015 – increased by $51,372), accounts payable and accrued expenses increased by $132,247 (2015 - $269,393).

During the year ended December 31, 2016, net cash generated in investing activities was $69,054 as compared to $28,407 for the year ended December 31, 2015. Proceeds on disposal of investments during the year ended December 31, 2016 was $73,528 (2015 - $54,515) while deposits increased by $4,474 (2015 - $26,108).

During the year ended December 31, 2016, the Company received $100,000 (2015 - $nil) as advances in the form of promissory notes in financing activities.

For the year ended December 31, 2016, the Company had a net increase in cash of $27,423 as compared to a decrease of $294,937 for the year ended December 31, 2015. For the year ended December 31, 2016, the Company also had a gain from the exchange rate changes on its foreign operations' cash balances of $2,598 (2015 – loss of $8,212) leaving a cash balance of $49,520 as at December 31, 2016 as compared to $19,499 as at December 31, 2015.

Liquidity and Capital Resources

Consolidated statements of financial position highlights		December 31, 2016		December 31, 2015
Cash	**$**	**49,520**	$	19,499
Property interests		**515,692**		515,692
Total assets		**1,073,391**		1,184,879
Total liabilities		**1,432,712**		1,197,219
Share capital, warrants and contributed surplus		**22,525,215**		22,525,215
Foreign currency translation reserve		**(4,552)**		(7,150)
Deficit		**(22,879,894)**		(22,530,405)
Working capital deficiency		**(1,248,954)**		(892,286)

Currently, the Company does not generate any revenue from its exploration and evaluation assets, as all wells are shut-in. Accordingly, it does not have any cash flows from operations to fund past liabilities or current obligations as they become due. In prior years, the Company raised funds for exploration, development and general overhead and other expenses through equity and debt financings.

The Company has a working capital deficiency of $1,248,954 as at December 31, 2016 and its cash balance is not sufficient to meet the Company's liabilities. The Company is using its current cash and cash equivalents to fund required payments to keep the Company in good standing and to pay the expenses associated with being a reporting issuer listed on the TSXV, until it can raise funds to pay its remaining creditors. There is no assurance that the Company can raise sufficient capital to continue as a going concern.

During the year ended December 31, 2015, Keek Inc., a publicly-traded online social media app developer (TSXV:KEK) issued 300,000 of its common shares to the Company as settlement of the amount owed to the Company for certain payables assumed by the Company related to Keek expenditures prior to the acquisition. These shares were booked by the Company based on the quoted market price at the time of receipt at $72,000. As at December 31, 2015, the fair value of the investment in Keek Inc. was $99,000 resulting in an unrealized gain of $27,000 which has been reflected in the consolidated statements of loss. During the year ended December 31, 2016, the Company sold all 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 and comprehensive loss for the year ended December 31, 2016.

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 professional fees for the year ended December 31, 2016 is $3,043 (year ended December 31, 2015 – $19,787) for legal fees and disbursements owing to a law firm in which an officer, Robbie Grossman, is a partner. Included in accounts payable and accrued liabilities on December 31, 2016 is $52,817 (December 31, 2015 - $52,228) owing to this law firm.

b. Included in accounts payable and accrued liabilities at December 31, 2016 is $42,536 (December 31, 2015 - $41,999) for legal fees and disbursements owing to a law firm (Garfinkle Biderman LLP) of which an officer of the Company, Robbie Grossman, was a former partner.

c. At December 31, 2016, $277,224 (December 31, 2015 - $175,000) has been included in accounts payable and accrued liabilities for remuneration of the Company's Chief Executive Officer and director, Allen Lone.

d. During the year ended December 31, 2016, the Company paid $9,000 (year ended December 31, 2015 - $12,000) of rent to Fox-Tek Inc., a company in which Allen Lone, CEO is an officer and director. At December 31, 2016, $10,170 (December 31, 2015 - $nil) has been included in accounts payable and accrued liabilities.

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

f. Gerry Feldman, a director of the Company was an officer of Pinetree at the time of the Company's acquisition of the common shares of Pinetree in 2014.

g. At December 31, 2016 and 2015, $39,818 is included in accounts payable and accrued liabilities, relating to services provided by a former director and officer (Nick Tsimidis).

h. At December 31, 2016 and 2015, $10,625 is included in accounts payable and accrued liabilities due to a former officer (Darell Brown).

i. At December 31, 2016 and 2015, $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).

j. $4,000 is included in accounts payable and accrued liabilities at December 31, 2016 and 2015 to directors of the Company.

k. Included in professional fees for the year ended December 31, 2016 is $791 for taxation services provided by Alan Myers and Associates, an accounting firm in which Alan Myers,

the CFO, is a partner (2015 – $791). At December 31, 2016, $1,582 (2015 - $791) has been included in accounts payable and accrued liabilities for Alan Myers and Associates.

l. During the year ended December 31, 2016, the Company paid $9,778 (the year end December 31, 2015 - $22,509) to a company controlled by an officer of the Company, Tony Boogmans, for consulting fees and disbursements. At December 31, 2016, $6,365 (December 31, 2015 - $5,578) has been included in accounts payable and accrued liabilities.

m. During the year ended December 31, 2016, the Company signed promissory notes and received $75,000 (2015 - $nil) from related parties (directors and a company controlled by an officer of the Company). The loans are due between February 15, 2017 and April 26, 2017. The loans bear interest at 12% per annum. Of the total $25,000 is secured against the assets of the Company and $50,000 is unsecured. Included in finance costs in the consolidated statements of loss for the year ended December 31, 2016 was interest expense of $2,219 (2015 - $nil) relating to these loans.

n. Included in office and general expenses for the year ended December 31, 2016 is $2,200 for accounting services provided by Binh Quach, a director of the Company during the year. At December 31, 2016, $14,930 has been included in accounts payable and accrued liabilities for Binh Quach.

o. Included in professional fees for the year ended December 31, 2016 is $1,271 for taxation services provided by DNTW Toronto LLP, an accounting firm in which Gerry Feldman, a director, is a partner (2015 – $nil). At December 31, 2016, $1,271 (2015 - $nil) has been included in accounts payable and accrued liabilities for DNTW Toronto LLP.

Acquisition of Primary Petroleum Company USA Inc.

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

Details of the acquisition of Primary are as follows:

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

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

Key Management Compensation

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

	Year ended December 31,			
		2016		2015
Short-term compensation	$	100,000	$	100,000

These transactions are in the normal course of operations.

Management of capital

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

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

The Company considers its capital to be equity, which comprises capital stock, contributed surplus, warrants and deficit, which at December 31, 2016, totaled to a deficiency of $359,321 (2015 – $12,340).

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 were no changes in the Company's approach to managing capital during the year ended December 31, 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, 2016, 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.

Off- Balance Sheet arrangements

The Company has no off balance sheet arrangements as at December 31, 2016.

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 from the previous year.

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, 2016, the Company had a cash balance of $49,520 (2015 – $19,499) which is not sufficient to settle current liabilities of $1,320,260 (2015 - $1,079,554). The Company has a working capital deficiency of $1,248,954 at December 31, 2016 (December 31, 2015 – $892,286). See "Going Concern" section elsewhere in this MD&A.

Foreign exchange

The Company operates primarily in Canada and the United States.

The presentation currency is Canadian dollar and the functional currency of the parent company is Canadian dollars. As at December 31, 2016, the Company's US dollar net monetary liabilities totaled $47,632. Accordingly a 5% change in the US dollar exchange rate as at December 31, 2016 on this amount would have resulted in an exchange loss or gain and therefore net loss would have increased (decreased) by $2,382.

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.

Other risks

The Company's financial condition, results of operation and business are subject to certain risks, which may negatively affect them. Certain of these risks are described below in addition to elsewhere in this MD&A.

(a) Exploration and Development

The business of exploring for, developing and producing oil and gas involves a high degree of risk. Oil and gas reserves may never be found or, if discovered, may not be result in production at reasonable costs or profitability. The business of exploring, developing and producing is also capital intensive and, to the extent that cash flows from operating activities and external sources become limited or unavailable, the ability of Mooncor and of its operating partners to meet their respective financial obligations which are necessary to maintain their interests in the underlying properties could be impaired, resulting in those of the interests.

(b) Investment Risks

The Company acquires securities of public and private companies from time to time, which are primarily junior or small-cap resource companies. The market values of these securities can experience significant fluctuations in the short and long term due to factors beyond the Company's control. Market value can be reflective of the actual or anticipated operating results of the companies and/or the general market conditions that affect the oil and gas sector as a whole, such as fluctuations in commodity prices and global political and economical conditions. The Company's investments are carried at fair value, and unrealized gains/losses on the securities and realized losses on the securities sold could have a material adverse impact on the Company's operating results. The recent decline in

stock prices of the types of companies in which the Company invests have been very significant and such prices might take an extended time, to recover if they do at all.

(c) Environmental

The Company's oil and gas operations are subject to environmental regulations in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which will likely require stricter standards and enforcement, increased costs, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds interests which are presently unknown to the Company and which have been caused by previous or existing owners or operators of the properties or by illegal mining activities.

(d) Governmental

Government approvals and permits are often generally required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be delayed or prohibited from proceeding with planned exploration or development of properties. Amendments to current laws, regulations and permits governing operations and activities of oil and gas companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or require abandonment or delays in development of new properties. Although the governments of the various countries in which Mooncor operates have been stable recently, there is no assurance that political and economic conditions will remain stable. Political and economic instability may impede the Company's ability to continue its exploration activities in the manner currently contemplated.

(e) Fluctuations in Crude Oil, Natural Gas, and Natural Gas Liquid Prices

The price of the Company's common shares, and consolidated financial results and exploration, development and other oil and gas activities may in the future be significantly and adversely affected by declines in the price of crude oil, natural gas, and/or natural gas liquid (collectively "oil and gas"). The price of oil and gas fluctuates widely and is affected by numerous factors beyond the Company's control, such as interest rates, exchange rates, inflation or deflation, fluctuation in the value of the US dollar and foreign currencies, global and regional supply and demand, the political and economic conditions and production costs of major oil and gas producing countries throughout the world, and the cost of substitutes, inventory levels and carrying charges. Future material price declines could cause continued development of and commercial production from the properties in which the Company holds an interest to be impracticable. Depending on the price of oil and gas, cash flow from the Company's operations may not be sufficient and the Company could be forced to discontinue production and may lose the Company's interest in, or may be forced to sell, some of the Company's properties. Future production from the Company's properties is dependent upon the price of oil and gas being adequate to make these properties economic.

Share Data:

Capital Stock

Common shares outstanding as of the date of the MD&A, December 31, 2016 and December 31, 2015, are as follows;

	# of Common Shares		Amount
Balance, December 31, 2015 and 2014	**167,536,185**	**$**	**20,175,578**
Expired warrants transferred to capital stock	-		**411,215**
Balance, December 31, 2016	**167,536,185**	**$**	**20,586,793**

Warrants

Warrants outstanding as of the date of the MD&A and December 31, 2016 are as follows;

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

The following table summarizes information about the options outstanding and exercisable as at the date of the MD&A are as follows:

# of Options Outstanding and Exercisable		Exercise Price	Expiry Date	Remaining Contractual Life (years)
270,000	$	0.25	November 19, 2020	3.89
75,000		0.20	April 8, 2021	4.27
67,500		0.23	May 4, 2021	4.34
211,250		0.14	November 29, 2021	4.92
623,750	**$**	**0.20**		**4.33**

Segmented Information

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

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

As of December 31, 2015	Canadian Operation	US Operation	Total
Total assets	$ 1,065,692	$ 119,187	$ 1,184,879
Oil and gas property interests	$ 515,692	$ -	$ 515,692

Critical accounting estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Critical accounting estimates used in the preparation of the Company's audited financial statements include the Company's estimate of recoverable fair value on exploration assets, the valuation related to the Company's taxes and deferred taxes, and the Company's estimation of decommissioning and restoration costs and the timing of expenditure.

Impairment of exploration and evaluation assets

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

oil reserves or adverse current economics can result in an impairment of the carrying amounts of the Company's exploration and evaluation.

There were no impairment charges during the years ended December 31, 2016 and 2015.

Taxes, income taxes and deferred taxes

The Company is subject to income and other taxes in various jurisdictions. 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 and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. 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 filings are subject to 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. Any estimates for value added and withholding taxes have been included in accounts payable and accrued liabilities.

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.

During the year ended December 31, 2016, the Company recorded $583 in decommissioning expenses.

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, 2017. 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.

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. Earlier adoption is permitted.

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. Earlier adoption is permitted.

3. 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.

4. 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.

5. IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22") was issued in December 2016 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.

6. IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition

depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

New accounting policies:

During 2016, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 7, IFRS 11, and IAS 1. These new standards and changes did not have any material impact on the Company's financial statements.

Investor relations:

The Company's management performed its own investor relations duty for the year ended December 31, 2016.

Additional information:

Additional information relating to Mooncor may be found under the Company's profile on SEDAR at www.sedar.com.

Subsequent event:

Subsequent to December 31, 2016, the Company signed promissory notes and received $50,000 from related parties (directors and a company controlled by an officer of the Company). The loans are due between August 15, 2017 and September 30, 2017. The loans bear interest at 12% per annum and are secured against the assets of the Company.