Range Energy Resources Inc.

Condensed Interim Consolidated Financial Statements

As at and for the three month period ended March 31, 2018

Expressed in Canadian dollars

(Unaudited – prepared by management)

RANGE ENERGY RESOURCES INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim 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 financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Range Energy Resources Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

Expressed in Canadian Dollars

	March 31, 2018	December 31, 2017
Current assets		
Cash	$ 274,459	$ 337,909
Loan receivable (note 5)	1	1
Prepaid expenses	29,956	41,936
	304,416	379,846
Non-current assets		
Property and equipment (note 6)	166	180
Long-term investment (note 7)	42,177,000	42,177,000
	42,177,166	42,177,180
Total assets	**$ 42,481,582**	**$ 42,557,026**
Current liabilities		
Accounts payable and accrued liabilities	$ 123,447	$ 142,370
Convertible loans payable (note 9)	17,218,798	16,866,935
	17,342,245	17,009,305
Equity		
Share capital (note 8(a))	49,791,768	49,791,768
Reserves (note 8(b))	23,039,090	23,039,090
Deficit	(47,691,521)	(47,283,137)
	25,139,337	25,547,721
Total liabilities and shareholders' equity	**$ 42,481,582**	**$ 42,557,026**

Nature of operations and going concern (note 1)
Commitment (note 11)
Subsequent event (note 15)

Approved on Behalf of the Board of Directors:

(signed) *Toufic Chahine*
Toufic Chahine

(signed) *Allan Bezanson*
Allan Bezanson

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

Range Energy Resources Inc.
Consolidated Statements of Changes in Equity
(Unaudited)

Expressed in Canadian Dollars

	Share capital		Reserves			Deficit	Total equity
	Number of shares	Amount	Warrants	Contributed surplus	Convertible loans		
Balance - December 31, 2016	856,225,977	$ 49,791,768	$ 9,035,374	$ 12,624,680	$ -	$ (16,199,145)	$ 55,252,677
Warrants expired (note 8(c))	-	-	(1,325)	1,325	-	-	-
Equity component of convertible loans (note 9)	-	-	-	-	164,851	-	164,851
Net loss for the period	-	-	-	-	-	(151,487)	(151,487)
Balance – March 31, 2017	856,225,977	$ 49,791,768	$ 9,034,049	$ 12,626,005	$ 164,851	$ (16,350,632)	$ 55,266,041
Warrants expired (note 8(c))	-	-	(1,125)	1,125	-	-	-
Equity component of convertible loans (note 9)					1,214,185		1,214,185
Net loss for the period	-	-	-	-	-	(30,932,505)	(30,932,505)
Balance - December 31, 2017	856,225,977	$ 49,791,768	$ 9,032,924	$ 12,627,130	$ 1,379,036	$ (47,283,137)	$ 25,547,721
Net loss for the period	-	-	-	-	-	(408,384)	(408,384)
Balance – March 31, 2018	856,225,977	$ 49,791,768	$ 9,032,924	$ 12,627,130	$ 1,379,036	$ (47,691,521)	$ 25,139,337

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

Range Energy Resources Inc.
Condensed Interim Consolidated Statements of Comprehensive Loss
(Unaudited)

Expressed in Canadian Dollars

	For the three months ended March 31, 2018	2017
Expenses		
Consulting (note 10)	$ 11,634	$ 10,600
Depreciation (note 6)	14	19
General and administrative (note 10)	18,278	28,074
Interest on loan payable	351,863	177,377
Legal fees	533	29,454
Management fees (note 10)	27,699	31,421
Transfer agent and filing fees	3,346	3,356
Loss before other item	(413,367)	(280,301)
Foreign exchange gain	4,983	128,814
Net loss and comprehensive loss for period	$ (408,384)	$ (151,487)
Loss per share - basic and diluted	$ (0.00)	$ (0.00)
Weighted average number of common shares outstanding - basic and diluted	856,225,977	856,225,977

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

Range Energy Resources Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

Expressed in Canadian Dollars

	For the three months ended March 31, 2018	2017
Operating activities		
Net loss for the period	$ (408,384)	$ (151,487)
Depreciation	14	19
Accrued interest	351,863	177,377
	(56,507)	25,909
Changes in non-cash working capital items:		
Prepaid expenses	11,981	18,635
Accounts payable and accrued liabilities	(18,923)	(34,711)
Cash provided by (used in) operating activities	(63,449)	9,833
Investing activity		
Cash call payments to New Age Al Zarooni 2 Limited (note 7)	-	(4,483,150)
Cash used in investing activity	-	(4,483,150)
Financing activity		
Convertible loans received (note 9)	-	4,802,861
Cash provided by financing activity	-	4,802,861
Increase (decrease) in cash	(63,449)	329,544
Cash - beginning of period	337,908	63,096
Cash - end of period	$ 274,459	$ 392,640

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

1. Nature of operations and going concern

Range Energy Resources Inc. (the "Company") was incorporated under the laws of British Columbia, Canada on March 1, 2005. On October 24, 2006, the Company's common shares were listed and called for trading on the Canadian Securities Exchange ("CSE") and its current symbol is RGO. On February 12, 2007, the Company listed on the Frankfurt Stock Exchange. The Company's corporate head office is located at Suite 810, 789 West Pender Street, Vancouver, BC V6C 1H2. The Company is a development stage company engaged in investing in entities involved in the acquisition, exploration and development of oil and gas properties. As at March 31, 2018, the Company's principal asset is an indirect investment in an oil and gas property referred to as the Khalakan Block, which is domiciled in the Kurdistan Region of Iraq.

These consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the three months ended March 31, 2018, the Company incurred a net loss totalling $408,384. As at March 31, 2018, the Company has a working capital deficiency of $17,037,829 (December 31, 2017 - deficiency of $16,629,459) and an accumulated deficit of $47,691,521. There is a material uncertainty related to these conditions that may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The ability of the Company to meet its commitments and ongoing operating expenses will depend upon the following:

- The ability to raise further funds through the issue of equity or debt financing; and,
- The sale of assets in the ordinary course of business.

Although the Company has been successful in obtaining the necessary financing to continue operations in the past, there can be no assurance that it will be able to continue to do so in the future.

If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying values of assets, liabilities, the reported income and expenses and the consolidated statement of financial position classifications used. Such adjustments could be material.

Based on the financial position at March 31, 2018, available funds are not considered adequate to meet requirements for fiscal 2018 based on budgeted expenditures for operations and project exploration and investigation. To meet working capital requirements, the Company will have to access financial resources through equity placements or by incurring debt. There can be no assurances that such funds will be available and/or on terms acceptable by the Company.

2. Basis of preparation

(a) Statement of Compliance

These condensed interim consolidated financial statements are prepared in accordance with International Financial Standard 34, Interim Financial Reporting, of the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Committee ("IFRIC"). Accordingly, these condensed interim consolidated financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting process.

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Company's audited financial statements for the year ended December 31, 2017. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued as of the date the Board of Directors approved the financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2017.

These consolidated financial statements have been authorized for release by the Company's Board of Directors on May 29, 2018.

2. Basis of preparation – continued

(b) Basis of measurement

The condensed interim consolidated financial statements have been prepared on an accrual basis and are on a historical cost basis, except for certain financial instruments, which are measured at fair value.

These condensed interim consolidated financial statements are prepared in Canadian dollars. The functional currency of the Company and its subsidiaries is the Canadian dollar.

(c) Basis of consolidation

These condensed interim consolidated financial statements consolidate the accounts of the Company and its wholly-owned subsidiary, Faucon Hec Resources Ltd. (formerly Range Oil & Gas (North Iraq) Inc.). All intercompany transactions and balances are eliminated on consolidation. Faucon Hec Resources Ltd. had no transactions or activity for the three months ended March 31, 2018 and 2017.

3. Significant accounting policies

The significant accounting policies that have been used in the preparation of these condensed interim consolidated financial statements are summarized in the Company's annual audited consolidated financial statements for the year ended December 31, 2017.

(a) Changes in accounting policies

<u>IFRS 9 – Financial Instruments</u>

The Company adopted IFRS 9, which replaced IAS 39 – Financial Instruments: Recognition and Measurement, in its financial statements beginning January 1, 2018. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, however it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9 there are three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and lost ("FVTPL"). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measure at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The adoption of IFRS 9 did not have a material impact on the Company's financial statements.

<u>IFRS 15 – Revenue from contracts with customers</u>

On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. IFRS15 is effective for reporting periods beginning on or after January 1, 2018 with early application permitted. Since the Company has no revenues, there was no material impact on the Company's financial statements upon adoption of this standard.

3. Significant accounting policies – continued

(b) Accounting standards and amendments issued but not yet adopted

The standard is effective for annual periods beginning on or after January 1, 2019:

<u>IFRS 16 – Leases</u>

In June 2016, the IASB issued IFRS 16 – Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

The extent of the impact of adoption of IFRS 16 on the consolidated financial statements of the Company has not been determined.

4. Significant accounting estimates and judgments

The preparation of the condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

The Company has identified the following areas where significant judgments, estimates and assumptions are made, where actual results may differ from these estimates and this may materially affect the Company's financial results or consolidated statement of financial position in future periods.

Significant areas requiring the use of management estimates include the valuation of loan receivable, valuation of the long-term investment, carrying value of convertible loans given the requirement to determine an appropriate discount rate based on similar instruments with no conversion features, valuation of warrants and share-based payments, recognition of deferred income tax assets, and deferred income tax rates.

Significant areas requiring management judgement include:

Going concern

Assessment of the Company's ability to continue as a going concern requires estimates of future cash flows and includes the consideration of other factors, the outcomes of which are uncertain.

Impairment assessment of loan receivable

Application of the factors of impairment to the facts and circumstances pertaining to the loan receivable requires a significant amount of management judgement.

Utilization of deferred income tax assets

Deferred tax assets require management judgement in order to determine the amounts to be recognized and the likelihood that there will be future taxable income for which the deferred tax assets can be utilized. This includes assessing the timing of the reversal of temporary differences to which deferred income tax rates are applied.

4. Significant accounting estimates and judgments – continued

Impairment assessment of long-term investment

Application of the factors of impairment to the facts and circumstances pertaining to the long-term investment requires a significant amount of management judgement. At each reporting date, in making its assessment as to whether there is any objective evidence of impairment in accordance with IAS 39 Financial Instruments: Recognition and Measurement, management obtains financial information of the entity underlying its long-term investment including financial information of entities in which this entity has itself invested in, to determine if there has been a material adverse change in the financial condition of such based on operational results, forecasts, and other developments.

The Company has an indirect interest in an entity (GPK – note 7), whose principal activity is exploration, development, and production of oil and gas, the primary assets of which are comprised of property, plant, and equipment in accordance with IAS 36 Impairment of Assets. An assessment of recoverable amount is required when indicators of impairment are identified for property, plant, and equipment. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

An asset's value in use is determined based on discounted cash flow models (and other valuation techniques) using assumptions considered to be reasonable and consistent with those that would be applied by a market participant. The determination of assumptions used in assessing the fair value of assets is subjective and the use of different valuation assumptions could have a significant impact on financial results. Expected future cash flows, which are used in discounted cash flow models, are inherently uncertain and could change materially over time. They are affected by a number of factors including estimates of oil and gas reserves and resources, together with economic factors such as commodity prices, discount rates, exchange rates, estimates of production costs and future capital expenditure.

Accounting for long-term investment

Management applies judgment in determining whether the Company has significant influence over an investee in which it holds, directly or indirectly, 20 per cent or more of the voting power of the investee. Management does not consider the Company to have significant influence over the entity underlying its long-term investment (note 7).

Convertible loans

In accordance with the substance of the contractual arrangement, convertible loans are compound financial instruments that are accounted for separately by their financial liability and equity instrument components. The identification of convertible loan components is based on interpretations of the substance of the underlying contractual arrangement and therefore requires management's judgment. The separation of the components affects the initial recognition of the convertible loans at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount factors, and the presence of any derivative financial instruments.

Modification versus extinguishment of financial liability

Management's judgment is required in applying IAS 39 Financial Instruments: Recognition and Measurement, in determining whether the amended and/or restated terms of existing loan agreements are a substantial modification of an existing financial liability and whether such should be accounted for as an extinguishment of the original financial liability.

Share-based payments

The fair value of stock options granted is calculated using the Black-Scholes Option Pricing Model and requires the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

(Expressed in Canadian Dollars)

5. Loan receivable

On March 3, 2012, the Company entered into a Letter of Intent ("LOI") with Blackstairs Energy PLC ("Blackstairs") whereby the Company proposed to acquire 100% of the issued share capital of Blackstairs subject to a number of conditions set out in the LOI, including, satisfactory completion by the Company of its due diligence review of Blackstairs on or before April 30, 2012, entering into a Definitive Agreement and obtaining requisite regulatory and shareholders' approvals, if required. Under the terms of the LOI, the Company loaned Blackstairs US$500,000 for working capital purposes. As security for this loan, certain shares in Blackstairs were pledged to the Company. As the structure of a Definitive Agreement could not be agreed upon, the LOI was terminated on March 29, 2012 and as such, the loan became repayable within 180 days from April 30, 2012, bearing interest at the rate of US prime plus 1.5% per annum compounded monthly until repayment.

Blackstairs failed to repay the loan when due. The Company subsequently took the steps necessary to cause the pledged shares to be transferred to the Company and registered in the name of the Company on Blackstairs' share register.

By letter dated December 22, 2014, the Company was informed that Deloitte & Touche was appointed liquidator of Blackstairs.

On December 21, 2015, the annual general meeting of Blackstairs's creditors was held. The Blackstairs liquidator disclosed at that meeting that the liquidation process is continuing. On December 20, 2016, the liquidator's lawyer wrote a letter to the Company's lawyer stating that the liquidator concluded that Blackstairs's sale of its only asset—a production sharing contract with the government of Senegal—to New Horizon Oil and Gas Limited (trading a T5 Oil and Gas) and the consideration received for that sale represented the best price achievable for this asset. The letter also said that the liquidator has sought court relief under applicable law from its duties as liquidator.

The Company continues to consider what, if any, actions it may take to obtain recovery out of Blackstairs's assets of all or some portion of the outstanding principal of, and accrued and unpaid interest on, the loan.

As the fair value of the pledged shares is indeterminable, the loan receivable was written down by $575,347 to a nominal amount during the year ended December 31, 2013. As at March 31, 2018, total principal of US$500,000 and accrued interest of US$40,944, is due to the Company.

6. Property and equipment

	Computer hardware and software		
	Cost	Accumulated depreciation	Net book value
Balance – December 31, 2016	$ 4,639	$ (4,382)	$ 257
Depreciation	-	(77)	(77)
Balance – December 31, 2017	$ 4,639	$ (4,459)	$ 180
Depreciation	-	(14)	(14)
Balance – March 31, 2018	$ 4,639	$ (4,473)	$ 166

7. Long-term investment

On November 6, 2009, the Company entered into a share acquisition agreement with a privately held company (the "Vendor") under which the Company purchased 49.9% of the common shares of New Age Al Zarooni 2 Limited ("NAAZ2"), a company domiciled in Jersey, Channel Islands. The consideration paid for the shares was as follows:

(a) $16,862,774 (US$16,367,000) cash;
(b) 2,000,000 common shares of the Company with an estimated fair value of $400,000 measured on the date of issuance;
(c) 1,500,000 warrants to purchase 1,500,000 common shares of the Company exercisable for a term of five years at a price of $0.30 per share, valued at $509,293 measured on the date of issuance using the Black-Scholes Option-Pricing Model. These warrants expired unexercised; and,
(d) $46,728 (US$44,000) of expenses reimbursed to the Vendor.

The transaction closed on November 17, 2009. In connection with the transaction, the Company issued 3,250,000 common shares of the Company for corporate advisory services to unrelated third parties. The estimated fair value of these shares was $650,000 measured on the date of issuance and recorded as transaction costs in the consolidated statement of operations and comprehensive loss during the year ended December 31, 2009.

NAAZ2 owns 49.52% of the common shares of Gas Plus Khalakan Limited ("GPK"), a company domiciled in Jersey, Channel Islands. GPK holds an 80% interest in the Khalakan production sharing contract ("PSC") for an oil and gas resource property ("Khalakan Block") and the Kurdistan Regional Government of Iraq holds the remaining 20% interest. The Khalakan Block consists of two concessions, Blocks 28 and 29 (sometimes referred to as Blocks 6 and 7) and originally comprised 624 square kilometres located in the central part of the Kurdistan Region of Iraq.

Under the GPK shareholders agreement, a company beneficially owned by a third party is entitled to a 40% interest in the net profits ("NPI") of the project. At any time, the 40% NPI may be exchanged for 40% of the issued common shares of GPK for a price equal to US$1 per common share. In addition, a 3.5% interest in the net profits is payable to the current operator under a management services agreement.

The NAAZ2 shareholders agreement requires each shareholder to fund its cash calls based on its ownership interest. If a shareholder fails to fund its portion of these cash calls, the non-defaulting shareholder has the option to fund any shortfalls and thereby increase its relative interest in NAAZ2, and in turn its indirect interest in GPK. Should the non-defaulting shareholder decline to fund any shortfalls, a buy-out event may be triggered under which the defaulting party's interest may be purchased by the non-defaulting party for a price pre-determined by a formula in the shareholders agreement. During the three months ended March 31, 2018, the Company funded cash calls made by NAAZ2 totalling $Nil (US $Nil) (December 31, 2017 - $11,388,936 (US $8,767,430)). The Company did not participate in certain requested cash calls towards the end of fiscal 2017. As a result, the Company's interest has been reduced to 48.95% as at March 31, 2018 and December 31, 2017. Management does not currently intend to fund any additional cash calls in the foreseeable future, and consequently the Company's interest is expected to be further reduced. Refer to *Impairment*, below.

The GPK shareholders agreement requires each shareholder to fund its proportional share of cash calls based on its shareholdings. If a shareholder fails to fund its portion of these cash calls, the non-defaulting shareholder will have the option to fund any shortfalls and thereby increase its relative interest in GPK. Should the non-defaulting shareholder decline to fund any shortfalls, a buy-out event may be triggered under which the defaulting party's interest may be purchased by the non-defaulting party for a price pre-determined by a formula in the shareholders agreement.

(Expressed in Canadian Dollars)

7. Long-term investment – continued

Impairment

As at December 31, 2017, the Company determined there was objective evidence of impairment in the carrying value of its long-term investment. Upon review of GPK's financial information management concluded that there had been a material adverse change in the financial condition of such based on operational results, forecasts, and other developments. Specifically, GPK had recorded what management of the Company considers a significant impairment charge in the current year in relation to its Shewashan asset in the Kurdistan Region of Iraq. Within GPK, the impairment trigger was a reduction in expected production in the field, and the impairment charge was calculated by comparing the future discounted pre-tax cash flows expected to be derived from production of commercial reserves (the value-in-use) with the carrying value of the asset. Within the Company, management determined that the carrying value of the long-term investment exceeded the recoverable value thereof, and recognized an impairment loss of $28,907,723 in 2017.

8. Equity

(a) Authorized

The authorized share capital of the Company consists of an unlimited number of shares without par value and an unlimited number of preferred shares, issuable in series. The preferred share rights and restrictions may be set by the Company's directors upon issue.

(b) Reserves

Reserves consist of share purchase warrants, the accumulated fair value of common share stock options recognized as share-based compensation and the equity component of convertible loans.

(c) Warrants

	March 31, 2018			December 31, 2017		
	Number of warrants		**Amount**	**Number of warrants**		**Amount**
Opening balance	523,048,137	$	9,032,924	523,523,137	$	9,035,374
Warrants expired	-		-	(475,000)		(2,450)
Closing balance	523,048,137	$	9,032,924	523,048,137	$	9,032,924

During the year ended December 31, 2017, 475,000 finders' warrants expired and $2,450 was transferred from warrants to contributed surplus on the consolidated statement of changes in equity.

(Expressed in Canadian Dollars)

8. Equity – continued

(c) Warrants - continued

At March 31, 2018, warrants outstanding are as follows:

Number of warrants outstanding and exercisable	Exercise price	Fair value of warrants	Expiry dates
122,000,000	$0.05	$ 3,653,849	November 1, 2018
29,791,726	$0.07	816,889	May 21, 2019
25,000,000	$0.07	623,215	June 19, 2019
20,000,000	$0.055	497,823	July 17, 2019
20,000,000	$0.05	497,882	October 20, 2019
30,000,000	$0.05	746,500	November 14, 2019
17,800,000	$0.05	145,935	July 14, 2020
6,545,500	$0.05	73,977	August 20, 2020
29,750,000	$0.05	322,757	October 7, 2020
16,403,750	$0.05	149,318	October 30, 2020
10,727,500	$0.05	98,166	November 6, 2020
14,840,375	$0.05	101,656	December 18, 2020
5,180,950	$0.05	35,493	December 29, 2020
41,375,000	$0.05	371,735	January 15, 2021
29,700,000	$0.05	169,046	February 19, 2021
6,247,908	$0.05	35,562	March 1, 2021
42,029,428	$0.05	331,748	March 14, 2021
18,836,000	$0.05	149,367	April 15, 2021
36,820,000	$0.05	212,006	May 20, 2021
523,048,137		$ 9,032,924	

As at March 31, 2018, the weighted average exercise price of warrants exercisable was $0.05 and the weighted average remaining contractual life was 1.94 years.

(Expressed in Canadian Dollars)

8. Equity – continued

(d) Stock options

The Company adopted the 2015 Stock Option Incentive Plan (the "Plan") that was approved by the shareholders on July 3, 2015. The aggregate number of shares of the Company's share capital issuable pursuant to options granted under the Plan may not exceed 86,995,435 common shares. Options granted under the Plan may have a maximum term of 10 years. The exercise price of options granted under the Plan shall be determined by the Company's directors, provided that such price shall not be lower than the closing share price on the day before the grant date less the applicable discount permitted under CSE policies. Stock options granted under the Plan may be subject to vesting terms that are set at the discretion of the directors at the time of grant.

The following table summarizes stock option activity during the period ended March 31, 2018 and the year ended December 31, 2017:

	March 31, 2018		**December 31, 2017**	
	Number of options	**Weighted average exercise price of options exercisable**	**Number of options**	**Weighted average exercise price of options exercisable**
Opening balance	10,250,000	$0.10	12,250,000	$0.12
Options expired	-	-	(2,000,000)	$0.20
Closing balance	10,250,000	$0.10	10,250,000	$0.10

At March 31, 2018, stock options outstanding are as follows:

Number of options outstanding and exercisable	**Exercise prices**	**Expiry date**
10,250,000	$0.10	September 11, 2020
10,250,000		

9. Loans and convertible loans

(a) Gulf LNG America LLC

During the year ended December 31, 2016, the Company received four unsecured loans in the aggregate principal amount of $4,257,218 from a related party Gulf LNG America LLC, which holds 71.02% of the Company's issued and outstanding common shares ("Gulf"). Each of the four loans was interest bearing at a rate of 7% per annum. Per the amended agreements, the first three loans, together with all accrued and unpaid interest, were due on September 26, 2016. Per the original agreement, the fourth loan, together with all accrued and unpaid interest, was due on December 23, 2016. The Company was unable to repay any of the loans by their respective due dates. As a result, the Company was in default on each loan and the overdue amount of each loan accrued interest at 9% per annum from the date of such non-payment.

On January 11, 2017, the Company received an additional unsecured loan in the amount of $1,175,512 from Gulf. The loan was interest bearing at a rate of 7% per annum and was due on February 11, 2017.

On February 14, 2017, the Company and Gulf entered into a new loan agreement under which Gulf will purchase from time to time secured convertible loans (the "Gulf Secured Convertible Loan Agreement") from the Company. Also on that date, the Company entered into an amendment and restatement agreement with Gulf pursuant to which all existing short-term loans and accrued interest from Gulf described above, in an aggregate amount of $5,603,371, was converted into secured convertible loans under the Gulf Secured Convertible Loan Agreement, and the existing short-term loan agreements were terminated. The promissory note evidencing this loan matures on February 14, 2018 with interest at the rate of 10% per annum, and is convertible at the option of Gulf into common shares of the Company at $0.02 per share. On February 12, 2018, the maturity date was extended to May 15, 2018 and on May 9, 2018, it was further extended to August 13, 2018.

On February 15, 2017, the Company received a secured convertible loan of $1,319,749 from Gulf made under the Gulf Secured Convertible Loan Agreement. The loan is evidenced by a secured promissory note in favour of Gulf for the principal amount of $1,319,749. The maturity date of the principal amount, interest and any fees of the loan is February 15, 2018, the rate of interest on the loan is 10% per annum, and the loan is convertible into common shares of the Company at $0.02 per share. On February 12, 2018, the maturity date was extended to May 16, 2018 and on May 9, 2018, it was further extended to August 14, 2018.

9. Loans and convertible loans – continued

On March 3, 2017, the Company received a secured convertible loan of $2,007,600 from Gulf made under the Gulf Secured Convertible Loan Agreement. The loan is evidenced by a secured promissory note in favour of Gulf for the principal amount of $2,007,600. The maturity date of the principal amount, interest and any fees of the loan is March 5, 2018, the rate of interest on the loan is 10% per annum, and the loan is convertible into common shares of the Company at $0.02 per share. On March 19, 2018, the maturity date was extended to May 16, 2018 and on May 9, 2018, it was further extended to August 14, 2018.

On May 25, 2017, the Company received a secured convertible loan of $2,031,500 from Gulf made under the Gulf Secured Convertible Loan Agreement. The loan is evidenced by a secured promissory note in favour of Gulf for the principal amount of $2,031,500. The maturity date of the principal amount, interest and any fees of the loan is May 25, 2018, the rate of interest on the loan is 10% per annum, and the loan is convertible into common shares of the Company at $0.02 per share.

On June 28, 2017, the Company received a secured convertible loan of $1,175,826 from Gulf made under the Gulf Secured Convertible Loan Agreement. The loan is evidenced by a secured promissory note in favour of Gulf for the principal amount of $1,175,826. The maturity date of the principal amount, interest and any fees of the loan is June 28, 2018, the rate of interest on the loan is 10% per annum, and the loan is convertible into common shares of the Company at $0.02 per share.

On August 2, 2017, the Company received a secured convertible loan of $1,251,400 from Gulf made under the Gulf Secured Convertible Loan Agreement. The loan is evidenced by a secured promissory note in favour of Gulf for the principal amount of $1,251,400. The maturity date of the principal amount, interest and any fees of the loan is August 2, 2018, the rate of interest on the loan is 10% per annum, and the loan is convertible into common shares of the Company at $0.02 per share.

On September 11, 2017, the Company received a secured convertible loan of $605,386 from Gulf made under the Gulf Secured Convertible Loan Agreement. The loan is evidenced by a secured promissory note in favour of Gulf for the principal amount of $605,386. The maturity date of the principal amount, interest and any fees of the loan is September 11, 2018, the rate of interest on the loan is 10% per annum, and the loan is convertible into common shares of the Company at $0.02 per share.

On September 25, 2017, the Company received a secured convertible loan of $740,340 from Gulf made under the Gulf Secured Convertible Loan Agreement. The loan is evidenced by a secured promissory note in favour of Gulf for the principal amount of $740,340. The maturity date of the principal amount, interest and any fees of the loan is September 25, 2018, the rate of interest on the loan is 10% per annum, and the loan is convertible into common shares of the Company at $0.02 per share.

On October 13, 2017, the Company received a secured convertible loan of $1,247,300 from Gulf made under the Gulf Secured Convertible Loan Agreement. The loan is evidenced by a secured promissory note in favour of Gulf for the principal amount of $1,247,300. The maturity date of the principal amount, interest and any fees of the loan is October 13, 2018, the rate of interest on the loan is 10% per annum, and the loan is convertible into common shares of the Company at $0.02 per share.

All or any portion of the principal amount, accrued interest and fees outstanding under the notes is convertible by Gulf into common shares of the Company at any time before the maturity date, at a conversion price per share set out in the notes, subject to adjustment upon certain events occurring. The conversion price for the loans was approved by the Company's board and by the CSE.

The loans are secured by a general security agreement.

9. Loans and convertible loans – continued

(b) Harrington Global Opportunities Fund S.A.R.L.

On January 11, 2017, the Company received an unsecured loan in the amount of $140,000 from Harrington Global Opportunities Fund S.A.R.L., a significant shareholder of the Company ("Harrington"). The loan was interest bearing at a rate of 7% per annum and was due on February 11, 2017.

On February 14, 2017, the Company and Harrington entered into a new loan agreement under which Harrington will provide from time to time secured convertible loans (the "Harrington Secured Convertible Loan Agreement"). Also on that date, the Company entered into an amendment and restatement agreement with Harrington, pursuant to which all existing short-term loans from Harrington, in an aggregate amount of $140,936, were amended and restated into secured convertible loans under the Harrington Secured Convertible Loan Agreement, and the existing short-term loan agreement was terminated. The promissory note evidencing this loan matures on February 14, 2018, accrues interest at the rate of 10% per annum, and is convertible into common shares of the Company at $0.02 per share. On February 12, 2018, the maturity date was extended to May 15, 2018 and on May 9, 2018, it was further extended to August 13, 2018.

On February 15, 2017, the Company received a secured convertible loan of $160,000 from Harrington made under the Harrington Secured Convertible Loan Agreement. The loan is evidenced by a secured promissory note in favour of Harrington for the principal amount of $160,000. The maturity date of the principal amount, interest and any fees of the loan is February 15, 2018, the rate of interest on the loan is 10% per annum, and the loan is convertible into common shares of the Company at $0.02 per share. On February 12, 2018, the maturity date was extended to May 16, 2018 and on May 9, 2018, it was further extended to August 14, 2018.

All or any portion of the principal amount, accrued interest and fees outstanding under the notes is convertible by Harrington into common shares of the Company at any time before the maturity date, at a conversion price per share set out in the notes, subject to adjustment upon certain events occurring. The conversion price for the loans was approved by the Company's board and by the CSE.

The loans are secured by a general security agreement.

(c) The fair value of the liability component at the time of issue is determined based on an estimated rate of 20% for loans without the conversion feature. The fair value of the equity component is determined as the difference between the face value of the loans and the fair value of the liability component. After initial recognition the liability component is carried on an amortized cost basis and will be accreted to its face value over the term to maturity of the convertible loan at an effective interest rate of approximately between 19.42% and 19.93%. The present value of above mentioned convertible loans is $17,218,798 at March 31, 2018 (December 31, 2017 - $16,866,935) with $1,379,036 recognized as equity component (December 31, 2017 - $1,379,036). During the three months ended March 31, 2018, the Company accrued interest and accretion expense of $351,863 (three months ended March 31, 2017 - $177,377) related to these loans.

(Expressed in Canadian Dollars)

10. Related party transactions

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management personnel include the Company's directors and members of the senior management group.

The Company entered into a corporate management agreement for accounting services with a company controlled by the Chief Financial Officer of the Company (Note 11).

Details of key management personnel compensation are as follows:

Three months ended March 31,		**2018**		**2017**
Services provided:				
Management fees	$	27,699	$	31,421
Rent and storage		3,150		3,150
Key management personnel compensation	$	30,849	$	34,571

As at		**March 31, 2018**		**December 31, 2017**
Balances payable to key management personnel	$	99,214	$	103,331

** The amount payable to key management personnel is included in accounts payable and accrued liabilities on the consolidated statements of financial position.

11. Commitment

The Company is party to a corporate management and accounting services agreement which automatically renewed for additional 12 months until December 31, 2018 (Note 10). The future minimum payments are $85,500 for the remainder of the year ending December 31, 2018.

12. Segmented information

The Company's operations comprise one reportable segment. The carrying value of the Company's non-current assets on a country-by-country basis is as follows:

	March 31, 2018			December 31, 2017		
	Canada	Channel Islands	Total	Canada	Channel Islands	Total
Property and equipment	$ 166	$ -	$ 166	$ 180	$ -	$ 180
Long-term investment	-	42,177,000	42,177,000	-	42,177,000	42,177,000
	$ 166	$ 42,177,000	$ 42,177,166	$ 180	$ 42,177,000	$ 42,177,180

13. Financial instruments

The Company's financial instruments include cash, loan receivable, long-term investment, accounts payable, loans payable and convertible loans. The carrying value of cash, amounts receivable, accounts payable, loans and convertible loans payable as presented in these consolidated financial statements are reasonable estimates of fair values due to the relatively short periods to maturity and the terms of these instruments. Long-term investment does not have a reliably measurable fair value as it does not have a quoted market price in an active market.

Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of the hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities;
Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and,
Level 3: Inputs that are not based on observable market data.

The Company's financial instruments have been classified as follows:

Financial instrument	Classification	Fair value hierarchy
Cash	FVTPL	Level 1
Loan receivable	Amortized cost	n/a
Long-term investment	FVTPL	n/a
Accounts payable	Amortized cost	n/a
Convertible loans and loans payable	Amortized cost	n/a

See the Company's Consolidated Statements of Financial Position for financial instrument balances as at March 31, 2018 and December 31, 2017.

Risk exposure and management

The Company is exposed to various financial instrument risks and continuously assesses the impact and likelihood of this exposure. These risks include credit risk, commodity price risk, liquidity risk, interest rate risk and currency risk. Where material these risks are reviewed and monitored by the Board of Directors.

(a) Credit risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations resulting in financial loss to the Company. The Company's credit risk is primarily attributable to its cash and loan receivable. Cash is held with an investment grade Canadian financial institution as assessed by external rating agencies. Management believes the risk of loss to be minimal. As at March 31, 2018, the Company's maximum credit risk is the carrying value of cash and loan receivable.

(b) Commodity price risk

The Company is subject to price risk from fluctuations in market prices of the commodities underlying its long-term investment. This exposure includes the ability to raise capital with favorable terms. The Company does not currently hold any financial instruments that mitigate this risk.

13. Financial instruments – continued

(c) Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due or can only do so at excessive cost. As at March 31, 2018, the Company has a working capital deficiency of $17,037,829 (December 31, 2017: deficiency of $16,629,459). The Company manages liquidity risk by maintaining an adequate cash balance. The Company continuously monitors and reviews both actual and forecasted cash flows and matches the maturity profile of financial assets and liabilities.

Contractual undiscounted cash flow requirements of financial liabilities at March 31, 2018 are as follows:

	Carrying value $	Less than 1 year $	Between 2 – 5 years $	More than 5 years $	Total
Accounts payable	123,447	123,447	-	-	123,447
Convertible loans	17,218,798	17,218,798	-	-	17,218,798

(d) Interest rate risk

As at March 31, 2018, the Company does not hold any variable rate term deposits. The Company is not subject to any significant interest rate risk.

(e) Currency risk

As the Company operates in an international environment, some of the Company's transactions and balances are denominated in currencies other than the Canadian dollar. The Company's foreign exchange risk arises primarily with respect to the United States dollar. The Company is required to make regular cash contributions denominated in United States dollars to fund the companies underlying its long-term investment (note 7). Fluctuations in the exchange rate between the United States dollar and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

As at March 31, 2018, a strengthening (weakening) of the Canadian dollar against the United States dollar of 10% would have an insignificant impact on the Company's consolidated statements of comprehensive loss.

14. Management of capital

The Company manages its capital to ensure it will be able to continue as a going concern and continue the funding of its long-term investment. The Company has no operations that generate cash flow and depends on financings to fund its long-term investment and administrative expenses. The success of each financing depends on numerous factors including a positive oil and gas environment, positive stock market conditions, a company's track record and the experience of management. The capital structure of the Company consists of convertible loans and shareholders' equity, which is comprised of share capital, reserves and deficit. The Board of Directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company does not pay dividends and is not exposed to any externally imposed capital requirements.

15. Subsequent event

Subsequent to March 31, 2018, the Company amended the repayment date on certain convertible loans (note 9) with all other terms remaining the same.