BIG SKY PETROLEUM CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Expressed in US Dollars)

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Contents

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF BIG SKY PETROLEUM CORPORATION

We have audited the accompanying consolidated financial statements of Big Sky Petroleum Corporation, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of comprehensive income, changes in shareholders' deficiency and 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.

Auditors' 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 auditors' 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 in our audits 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 Big Sky Petroleum Corporation as at December 31, 2017 and 2016, and its financial performance and its 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 describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 27, 2018

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BIG SKY PETROLEUM CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31
(Expressed in US dollars)

	Notes		2017		2016
Assets					
Reclamation bond	5	$	-	$	25,000
Total non-current assets			-		25,000
Accounts receivable			703		24
Cash			11,260		412
Total current assets			11,963		436
Total assets		$	11,963	$	25,436
Shareholders' Deficiency					
Share capital	7	$	10,190,960	$	10,190,960
Reserves	7		1,314,622		1,330,118
Deficit			(11,915,345)		(12,439,621)
Total shareholders' deficiency			(409,763)		(918,543)
Liabilities					
Decommissioning liabilities	6		-		50,000
Due to related parties	8		32,786		246,675
Due to Joint Participation Agreement partners	5		-		312,764
Accounts payable and accrued liabilities			388,940		334,540
Total current liabilities			421,726		943,979
Total shareholders' deficiency and liabilities		$	11,963	$	25,436

These consolidated financial statements are authorized for issue by the Board of Directors on April 27, 2018.

They are signed on the Company's behalf by:

/s/Desmond M. Balakrishnan
Director

/s/Mark T. Brown
Director

See notes to consolidated financial statements

BIG SKY PETROLEUM CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31
(Expressed in US dollars)

	Notes	2017	2016
General and administrative expenses			
Accounting, audit and legal fees	8	$ 47,128	$ 53,394
Transfer agent, listing and filing fees		8,411	11,558
Investor relations		347	420
Office and administrative		118	101
		(56,004)	(65,473)
Other items			
Foreign exchange loss		(11,544)	-
Interest income		44	-
		(11,500)	-
Net loss from continuing operations		(67,504)	(65,473)
Net income from discontinued operations	4	591,780	200,000
Net income for the year		524,276	134,527
Exchange differences on translation of foreign operations		(15,496)	(4,260)
Total comprehensive income for the year		$ 508,780	$ 130,267
Basic and diluted earnings per share from continuing operations		$ (0.01)	$ (0.01)
Basic and diluted earnings per share from discontinued operations		$ 0.10	$ 0.03
Weighted average number of common shares outstanding		6,067,667	6,067,667

See notes to consolidated financial statements

BIG SKY PETROLEUM CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(Expressed in US dollars)

			Reserves				
	Number of Shares	Share Capital	Equity-settled Employee Benefits	Finder's Warrants	Foreign Currency Translation	Deficit	Total Shareholders' Deficiency
Balance as at December 31, 2015	6,067,667	$10,190,960	$ 398,347	$ 686,976	$ 249,055	$ (12,574,148)	$ (1,048,810)
Net income and comprehensive income for the year	-	-	-	-	(4,260)	134,527	130,267
Balance as at December 31, 2016	6,067,667	10,190,960	398,347	686,976	244,795	(12,439,621)	(918,543)
Net income and comprehensive income for the year	-	-	-	-	(15,496)	524,276	508,780
Balance as at December 31, 2017	**6,067,667**	**$10,190,960**	**$ 398,347**	**$ 686,976**	**$ 229,299**	**$ (11,915,345)**	**$ (409,763)**

See notes to consolidated financial statements

BIG SKY PETROLEUM CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in US dollars)

	2017	2016
Cash provided by (used in)		
Operating activities		
Net loss from continuing operations	$ (67,504)	$ (65,473)
Changes in non-cash working capital items:		
Accounts receivable	(677)	133
Due to related parties	(102,058)	70,428
Accounts payable and accrued liabilities	226,377	(6,640)
	123,642	63,921
Operating cash flows from continuing operations	56,138	(1,552)
Operating cash flows from discontinued operations	-	-
Net cash provided by (used in) operating activities	56,138	(1,552)
Investing activity		
Cash received from the sale of subsidiaries	11,318	-
Effects of exchange rate changes	(56,608)	1,185
Change in cash	10,848	(367)
Cash, beginning of the year	412	779
Cash, end of the year	$ 11,260	$ 412

See notes to consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Big Sky Petroleum Corporation (the "Company") was incorporated under the *Canada Business Corporations Act* on February 3, 2006 and, effective July 6, 2009, changed its continuance out of the federal jurisdiction into the British Columbia jurisdiction under the *Business Corporations Act* (British Columbia). The Company traded under the symbol "BSP" on the TSX Venture Exchange (the "TSX-V" or "Exchange"). On May 26, 2016, the Company's shares began trading under the symbol "BSP.H" on the NEX Board of the Exchange.

The Company is a junior oil and gas company and has its registered office at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7. During the year ended December 31, 2017 the Company disposed of its oil and gas interests through the disposition of its wholly owned subsidiaries (note 4).

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. However, there are several conditions that may cast significant doubt on the Company's ability to continue as a going concern, including that, to date, the Company has not earned significant revenues and is considered to be in the exploration stage. The Company had an accumulated deficit of $11,915,345 (2016 - $12,439,621) and working capital deficiency of $409,763 as at December 31, 2017 (2016 - $943,543). The Company has no source of operating revenues and its capacity to operate as a going concern in the near-term will likely depend on its ability to continue raising equity financing.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated statements of financial position. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The current market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both curtail expenditures and raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing, but anticipates that current market conditions may impact the ability to source such funds.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out in Note 3 have been applied consistently in all material respects. These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are effective on December 31, 2017.

2. BASIS OF PREPARATION (Continued)

(b) Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out in Note 3 have been applied consistently in all material respects. These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are effective on December 31, 2017.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2017 reporting period. The Company has not early adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

IFRS 9 (Amended 2014) Financial Instruments (effective January 1, 2018)

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*
  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: “amortized cost”, “fair value through other comprehensive income”, or “fair value through profit or loss” (default). Equity instruments are classified and measured as “fair value through profit or loss” unless upon initial recognition elected to be classified as “fair value through other comprehensive income”.

- *Classification and measurement of financial liabilities:*
  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity’s own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- *Impairment of financial assets:*
  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at “amortized cost” or “fair value through other comprehensive income”, lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- *Hedge accounting*:
  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

2. BASIS OF PREPARATION (Continued)

(b) **Basis of preparation** (Continued)

IFRS 16 Leases (effective January 1, 2019)

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*.

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position.

(c) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting year. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from judgments made, relate to, but are not limited to, the following:

Functional currency

In concluding that the Canadian dollar is the functional currency of the parent, management considered both the funds from financing activities and the currency in which goods and services are paid. The Company has determined that the functional currency for its 100% wholly owned subsidiaries in the US (sold during the year) was the US dollar. The Company chooses to report in US dollars as the presentation currency.

Going concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

2. BASIS OF PREPARATION (Continued)

(c) Significant accounting judgments and estimates (Continued)

Decommissioning obligations

Amounts recorded for decommissioning obligations require the use of management's best estimates of future decommissioning expenditures, expected timing of expenditures and future inflation rates. The estimates are based on internal and third party information and calculations are subject to change over time and may have a material impact on the profit or loss or financial position. For more information on the Company's decommissioning obligation see Note 6.

Income taxes

Income assets and liabilities are recognized for the estimated tax consequences between amounts included in the consolidated financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, and accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time. The Company believes that its accruals for tax balances are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. These differences could materially impact net income (loss).

Discontinued operations

Management applies judgement in the determination of whether disposal groups or a cash generating unit represent a component of the entity, the result of which should be recorded in discontinued operations in the consolidated statements of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 100% wholly owned subsidiaries through August 31, 2017 (Note 4). Details are as follows:

			Big Sky Petroleum Corporation's effective interest	
	Jurisdiction	Principal Activity	December 31, 2017	December 31, 2016
Big Sky Operating, LLC	USA	Exploration company	NIL	100%
BSP Operating, LLC	USA	Exploration company	NIL	100%

Intercompany balances and transactions are eliminated in preparing the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Foreign currencies

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar, and accounts denominated in currencies other than the Canadian dollar have been translated as follows:

- Monetary assets and liabilities, at the exchange rate at the consolidated statement of financial position date;
- Non-monetary assets and liabilities, at the historical exchange rates, unless such items are carried at fair value, in which case they are translated at the date when the fair value was determined;
- Shareholders' equity items, at historical exchange rates; and
- Revenue and expense items, at the rate of exchange in effect on the transaction date.

The Company has determined that the functional currency for its 100% wholly owned subsidiaries in the US (sold during the year) was the US dollar. The Company's presentation currency is the US dollar. For presentation purposes, all amounts are translated from the Canadian dollar functional currency to the US dollar presentation currency for each period using the exchange rate at the end of each reporting period for the statement of financial position. Revenues and expenses are translated on the basis of average exchange rates during the year.

Exchange gains and losses arising from translation to the Company's presentation currency are recorded as exchange differences on translation to reporting currency, which is included in other comprehensive income (loss).

(c) Discontinued operations

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company, and which:

- Represent a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sell.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statements of comprehensive loss is restated as if the operation had been discontinued from the start of the comparative year presented.

(d) Oil and natural gas properties

The Company is in the exploration stage with respect to its investment in oil and natural gas properties. The Company capitalizes leasehold acquisition costs and licenses. These costs are accumulated in cost centres by property and are not subject to depletion until technical feasibility and commercial viability has been determined.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Oil and natural gas properties (Continued)

Exploration and evaluation expenditures are expensed as incurred, except for expenditures associated with the acquisition of oil and natural gas properties through a business combination or asset acquisition,

which are recognized as assets. Costs incurred before acquiring the legal right to explore in a specific area, drilling, geological and geophysical costs, and other operating costs are immediately charged to net income (loss).

Oil and natural gas properties are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are grouped together with developed and producing assets and are tested at an aggregated CGU level. The Company evaluates the geography, geology, production profile and infrastructure of its assets in determining its CGUs. The Company reviews the composition of its CGUs at each reporting date to assess whether any changes are required in light of new facts and circumstances.

The technical feasibility and commercial viability of extracting an oil or natural gas resource is considered to be determinable when proved and probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved and probable reserves have been discovered. Upon determination of proved and probable reserves, oil and natural gas properties attributable to those reserves are tested for impairment and reclassified from oil and natural gas properties to proven oil and natural gas properties.

Capitalized amounts are depleted using the unit-of-production method. The depletion expense per unit of production would be the ratio of the sum of the unamortized historical costs and estimated future development costs to the Company's proved reserve volumes. Estimation of reserves relies on professional judgment and use of factors that cannot be precisely determined.

(e) Decommissioning obligations

The Company recognizes an estimate of the decommissioning obligation in the consolidated financial statements at the time the liability is incurred. The estimated fair value of the decommissioning obligation is recorded as a liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount will be depleted on a straight-line basis over the estimated units of production. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to operations in the period. The decommissioning obligation can also increase or decrease due to changes in the estimates of the timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the decommissioning obligation are charged against the decommissioning obligation to the extent of the liability recorded.

(f) Financial instruments

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

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

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

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in net income (loss).

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive 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, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in net income (loss).

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They 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, the amount of the loss is removed from equity and recognized in net loss.

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets as described above.

Financial liabilities

The Company classifies its financial liabilities into one of the following categories, depending on the purpose for which the asset was acquired:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in net income (loss).

Other financial liabilities - This category includes amounts due to related parties and accounts payable and accrued liabilities, all of which are recognized initially at fair value, and carried subsequently at amortized cost.

(g) Share-based payments

The share option plan allows the Company's directors, management, employees, agents and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of the option award is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(h) Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company, in addition to the proportionate amount of reserves originally created at the issuance of the stock options or warrants. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance.

The proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of a common share at the announcement date of the unit offering and any residual value is allocated to common share purchase warrants.

(i) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income (loss).

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is recorded using the financial position method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the period-end date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4. SALE OF SUBSIDIARIES

On August 31, 2017, the Company completed the sale of all its wholly owned subsidiaries, along with their related assets and liabilities, to an arm's length private company for $11,318 (Cdn$14,000). As a result of the sale, the Company recognized a gain on sale of subsidiaries of $591,780, which is comprised of the following:

- $60,952 relating to foreign exchange loss on amounts due to parent company held in US dollars; and
- $652,732 gain on sale of subsidiary arising from the derecognition of net liabilities of the subsidiaries of $641,414 plus cash proceeds of $11,318.

As the cash flows related to the operation of the subsidiaries are clearly distinguished, both operationally and geographically, for financial reporting purposes from the rest of the entity, the financial performance within the subsidiaries have been reclassified and presented separately as discontinued operations in the consolidated statements of comprehensive income and cash flows.

The reported net income (loss) from discontinued operations is comprised of the following:

	2017	2016
Exploration and evaluation expenses	$ -	$ -
Foreign exchange loss	(60,952)	-
Gain on sale of subsidiaries	652,732	-
Fair value gain on decommissioning liabilities	-	200,000
Net income from discontinued operations	$ 591,780	$ 200,000

There were no income tax effects related to discontinued operations for either of the years ended December 31, 2017 and 2016.

The reported cash flows from discontinued operations are as follows:

	2017	2016
Cash provided by (used in)		
Operating activities		
Net income from discontinued operations	$ 591,780	$ 200,000
Unrealized income on foreign exchange	60,952	-
Gain on sale of subsidiaries	(652,732)	-
Gain on reversal of decommissioning liability	-	(200,000)
Operating cash flows from discontinued operations	$ -	$ -

(Expressed in US dollars, unless otherwise indicated)

5. OIL AND NATURAL GAS PROPERTIES

Montana Projects

The Company had interests in separate land packages known as the Americana Acreage Block and the FX Block, collectively referred to as the Glacier Prospects. Effective February 2011, the Company signed a Joint Participation Agreement and Operating Agreement with FX Producing Company, Inc. and American Eagle Energy Inc. to explore in the Alberta Bakken region of Montana with an undivided 33.33% interest each. The Company wrote off all its capitalized cost related to the Montana Projects during fiscal 2014.

On April 30, 2013, Big Sky and its two joint Participation Agreement partners signed a Purchase and Sale Agreement with American Midwest Oil and Gas to sell certain of its oil and gas leasehold interests in Toole County, Montana, for a total purchase price of $642,292, of which the Company had a one-third interest. As at December 31, 2016, the Company owed $312,764 to its Joint Participation Agreement partners for the sale.

During the year ended December 31, 2017, the $312,764 amount due to Joint Participation Agreement Partners was recovered through the sale of the Company's subsidiaries and was recorded as part of the net income from discontinued operations (Note 4).

Texas Project

On November 28, 2012, the Company announced it entered the prolific Wolfcamp/Wolfberry play developing in the southern Midland Basin portion of the Permian Basin located in west Texas. The Company acquired a 90% working interest in the property on the eastern shelf of the southern Midland Basin. The Company wrote-off all its capitalized cost related to the Texas project in fiscal 2015.

The Company had a reclamation bond of $25,000 as of December 31, 2016. During the year ended December 31, 2017, the $25,000 reclamation bond was determined to be unrecoverable and was written-off as part of the net income from discontinued operations (Note 4).

6. DECOMISSIONING LIABILITIES

Balance, December 31, 2015	$	250,000
Change in estimate		(200,000)
Balance, December 31, 2016		50,000
Recovery due to sale of subsidiaries		(50,000)
Balance, December 31, 2017	$	-

The Company's provision for decommissioning liabilities in the prior year consisted of remediation obligations resulting from its ownership interests in oil assets. The total obligation is estimated based on the Company's net ownership interest in each well site, estimated costs to return these sites to their original condition and costs to plug the wells and the estimated timing of the costs to be incurred in future years.

No further exploration work was performed in 2016. The Company revised their estimate of the fair value of reclaiming the only well drilled in fiscal 2016, based on a cost estimate from an oil and gas services provider, and reduced its decommissioning liabilities from $250,000 to $50,000. Management determined the reclamation work would be completed in 2017. As a result, the Company recorded a $200,000 fair value gain on the decommissioning liabilities during the year ended December 31, 2016 in the consolidated statements of comprehensive income.

(Expressed in US dollars, unless otherwise indicated)

6. DECOMISSIONING LIABILITIES (continued)

The remaining $50,000 decommissioning liability was recovered through the sale of the subsidiaries and was recorded as part of the net income from discontinued operations (Note 4).

7. SHARE CAPITAL AND RESERVES

(a) Authorized

The Company has authorized share capital of an unlimited number of common shares without par value.

(b) Issued and outstanding

The Company did not issue any common shares during the years ended December 31, 2017 and 2016.

(c) Stock options

The Company has established a stock option plan that is administered by the Board of Directors of the Company with stock options granted to directors, management, employees, management company employees, agents and consultants. The number of common shares reserved for issuance of stock options is limited to a maximum of 10% of the total number of issued and outstanding shares. All options granted to date, vested immediately upon granting.

Expiry date		Exercise Price ($CDN)	December 31, 2015	Expired/ Cancelled	December 31, 2016	Expired/ Cancelled	December 31, 2017
October 17, 2016		$ 1.20	25,000	(25,000)	-	-	-
December 1, 2016		$ 3.50	90,000	(90,000)	-	-	-
November 29, 2017		$ 1.20	8,000	-	8,000	(8,000)	-
January 7, 2018	(a)	$ 1.20	10,000	-	10,000	-	10,000
Options outstanding and exercisable			133,000	(115,000)	18,000	(8,000)	10,000
Weighted average exercise price ($CDN)			$ 2.76	-	$ 1.20	-	$ 1.20

[(a)] These stock options expired unexercised on January 7, 2018.

As at December 31, 2017, the weighted average remaining contractual life of the stock options was 0.02 (2016 – 0.97) years.

(Expressed in US dollars, unless otherwise indicated)

7. RELATED PARTY TRANSACTIONS AND BALANCES

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

For the year ended December 31, 2017	Short-term benefits	Share-based Payments	Total
Companies controlled by Chief Executive Officer, President and a Director *	$ 36,963	$ -	$ 36,963
Total	$ 36,963	$ -	$ 36,963

For the year ended December 31, 2016	Short-term benefits	Share-based Payments	Total
Companies controlled by Chief Executive Officer, President and a Director *	$ 45,290	$ -	$ 45,290
Total	$ 45,290	$ -	$ 45,290

* Included in accounting fees in the consolidated statements of comprehensive income.

Due to related parties	Services for	December 31, 2017	December 31, 2016
Company controlled by Chief Executive Officer, President and a Director (a)	Rent, accounting and financial services; loan	$ 1,684	$ 217,649
Company controlled by a director	Legal	23,158	21,612
Director	Loan	7,944	7,414
Total		$ 32,786	$ 246,675

(a) In October 2017, the related party entered into two assignment agreements to assign Cdn$441,462 debt receivable from the Company to an arm's length party. As of December 31, 2017, $1,684 was owed to this company for accounting services.

Amounts due to related parties have no specific terms of repayment and are non-interest-bearing.

(Expressed in US dollars, unless otherwise indicated)

8. INCOME TAXES

(a) Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26% (US statutory rate of 35%) to income before income taxes. The reasons for the differences are as follows:

		2017		2016
Net income	$	524,276	$	134,527
Statutory income tax rate		26%		26%
Expected income tax expense		136,312		34,977
Items not deductible for tax purposes		(153,863)		-
Temporary differences		(54,316)		(70,000)
Difference in foreign tax rates		23,376		(24,441)
Unused tax losses and tax offsets not recognized		70,334		59,464
Effect of changes in tax rates		(21,843)		-
	$	-	$	-

(b) The Company recognizes tax benefits on losses or other deductible amounts generated in countries where it is probable the Company will generate sufficient taxable income for the recognition of deferred tax assets.

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

		2017		2016
Non-capital losses	$	2,138,971	$	7,806,060
Resource properties		45,328		1,902,732
Property, plant and equipment		-		253,863
	$	2,184,299	$	9,962,655

Non-capital losses, expiring as follows:

Available to		Total
2026	$	17,000
2027		32,000
2028		89,000
2029		89,000
2030		89,000
2031		689,000
2032		308,000
2033		325,000
2034		184,000
2035		179,000
2036		69,000
2037		68,000
	$	2,138,000

8. INCOME TAXES (continued)

Upon sale of the subsidiaries, non-capital losses of $5,882,000 are no longer available to the Company.

In addition, the Company has approximately $1.2 million of net capital losses available.

9. FINANCIAL INSTRUMENTS

The fair values of the Company's accounts receivable (net of Goods and Services Tax ("GST") receivable), and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity of these instruments. The Company's cash is valued based on quoted market prices.

Amounts due to related parties and due to Joint Participation Agreement partners approximate their fair value, as they are due on demand.

The Company's financial instruments are exposed to certain financial risks, including foreign currency risk, credit risk, liquidity risk and interest risk.

(a) Foreign currency risk

The Company is affected by changes in exchange rates between the Canadian dollar and US dollar, which may adversely affect the Company's financial position, results of operations and cash flows. The Company has net monetary liabilities of approximately Cdn$530,000 (2016 - Cdn$374,000). A 6% change in the absolute rate of exchange in US dollars would affect its net income by $31,800(2016 – $22,440).

(b) Credit risk

The Company's cash is held in a Canadian financial institution. Credit risk is managed by using major banks that are high credit quality financial institutions as determined by ratings agencies. The Company's accounts receivable (net of GST receivable) is nominal.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities and amounts due to related parties are due within twelve months of the statement of financial position date.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash is limited because they are generally held to maturity. The Company is not exposed to significant interest rate risk.

(Expressed in US dollars, unless otherwise indicated)

10. FINANCIAL INSTRUMENTS (Continued)

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- 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., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy.

December 31, 2017	Level 1	Level 2	Level 3	Total
Cash	$ 11,260	$ -	$ -	$ 11,260

December 31, 2016	Level 1	Level 2	Level 3	Total
Cash	$ 412	$ -	$ -	$ 412

10. MANAGEMENT OF CAPITAL RISK

The Company's capital is comprised of amounts in shareholders' deficiency. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition and exploration of oil and gas properties and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. There were no changes to the Company's approach to capital management during the year ended December 31, 2017 and the Company is not subject to any externally imposed capital requirements.

(Expressed in US dollars, unless otherwise indicated)

11. SEGMENTED INFORMATION

The Company is engaged in one business activity, oil and natural gas exploration. The two key geographical segments were Canada and USA. Subsequent to the sale of the subsidiaries on August 31, 2017, the Company no longer operates in the USA.

Summarized financial information for the geographic segments the Company operates in are as follows:

	Canada	USA	Total
As at December 31, 2017			
Assets			
Accounts receivable	$ 703	$ -	$ 703
Cash	11,260	-	11,260
	$ 11,963	$ -	$ 11,963
As at December 31, 2016			
Assets			
Reclamation bond	$ -	$ 25,000	$ 25,000
Accounts receivable	24	-	24
Cash	412	-	412
	$ 436	$ 25,000	$ 25,436
For the year ended December 31, 2017			
Net loss from continuing operations	$ (67,504)	$ -	$ (67,504)
Net income from discontinued operations	$ -	$ 591,780	$ 591,780
Capital expenditures	$ -	$ -	$ -
For the year ended December 31, 2016			
Net loss from continuing operations	$ (65,473)	$ -	$ (65,473)
Net income from discontinued operations	$ -	$ 200,000	$ 200,000
Capital expenditures	$ -	$ -	$ -