



**BIG SKY PETROLEUM CORPORATION**  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018**  
*(Expressed in US Dollars)*

**(Unaudited – Prepared by Management)**

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**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 an auditor has not reviewed the financial statements.

The accompanying unaudited interim 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.

# BIG SKY PETROLEUM CORPORATION

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Expressed in US dollars)

|   | Notes | March 31<br>2018 | December 31<br>2017 |
|---|-------|------------------|---------------------|
|   |       | (Unaudited)      | (Audited)           |
| <b>Assets</b>   |       |                  |                     |
| Accounts receivable                                   |       | 956              | 703                 |
| Cash  |       | 10,999           | 11,260              |
| Total current assets                                  |       | 11,955           | 11,963              |
| <b>Total assets</b>                                   |       | <b>\$ 11,955</b> | <b>\$ 11,963</b>    |
| <b>Shareholders' Deficiency</b>                       |       |                  |                     |
| Share capital   | 7     | \$ 10,190,960    | \$ 10,190,960       |
| Reserves  | 7     | 1,324,517        | 1,314,622           |
| Deficit   |       | (11,925,538)     | (11,915,345)        |
| Total shareholders' deficiency                        |       | (410,061)        | (409,763)           |
| <b>Liabilities</b>                                    |       |                  |                     |
| Due to related parties                                | 8     | 33,091           | 32,786              |
| Accounts payable and accrued liabilities              |       | 388,925          | 388,940             |
| Total current liabilities                             |       | 422,016          | 421,726             |
| <b>Total shareholders' deficiency and liabilities</b> |       | <b>\$ 11,955</b> | <b>\$ 11,963</b>    |

These consolidated financial statements are authorized for issue by the Board of Directors on May 18, 2018.

They are signed on the Company's behalf by:

/s/Desmond M. Balakrishnan  
Director

/s/Mark T. Brown  
Director

See notes to condensed consolidated interim financial statements

# BIG SKY PETROLEUM CORPORATION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
(Expressed in US dollars)  
(Unaudited)

|   |       | For the three months ended |             |
|---|-------|----------------------------|-------------|
|   |       | March 31,                  |             |
|   | Notes | 2018                       | 2017        |
| <b>General and administrative expenses</b>                        |       |                            |             |
| Accounting, audit and legal fees                                  | 8     | \$ 7,202                   | \$ 11,330   |
| Transfer agent, listing and filing fees                           |       | 2,996                      | 2,455       |
| Office and administrative   |       | 32                         | 10          |
|   |       | (10,230)                   | (13,795)    |
| <b>Other items</b>  |       |                            |             |
| Interest income   |       | 37                         | -           |
|   |       | 37                         | -           |
| <b>Net loss from continuing operations</b>                        |       | (10,193)                   | (13,795)    |
| <b>Net income for the period</b>                                  |       | (10,193)                   | (13,795)    |
| Exchange differences on translation of foreign operations         |       | 9,895                      | (3,185)     |
| <b>Total comprehensive income for the period</b>                  |       | \$ (298)                   | \$ (16,980) |
| Basic and diluted earnings per share from continuing operations   |       | \$ (0.00)                  | \$ (0.00)   |
| Basic and diluted earnings per share from discontinued operations |       | \$ (0.00)                  | \$ (0.00)   |
| Weighted average number of common shares outstanding              |       | 6,067,667                  | 6,067,667   |

See notes to condensed consolidated interim financial statements

# BIG SKY PETROLEUM CORPORATION

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

(Expressed in US dollars)

|  | Number of<br>Shares | Share<br>Capital  | Reserves                               |                      |                                    | Deficit             | Total<br>Shareholders'<br>Deficiency |
|--|---------------------|-------------------|--|----------------------|------------------------------------|---------------------|--------------------------------------|
|  |                     |                   | Equity-settled<br>Employee<br>Benefits | Finder's<br>Warrants | Foreign<br>Currency<br>Translation |                     |                                      |
| <b>Balance as at December 31, 2016</b>             | 6,067,667           | 10,190,960        | 398,347                                | 686,976              | 244,795                            | (12,439,621)        | (918,543)                            |
| Net income and comprehensive income for the period | -                   | -                 | -                                      | -                    | (3,185)                            | (13,795)            | (16,980)                             |
| <b>Balance as at March 31, 2017 (Unaudited)</b>    | 6,067,667           | 10,190,960        | 398,347                                | 686,976              | 241,610                            | (12,453,416)        | (935,523)                            |
| Net income and comprehensive income for the period | -                   | -                 | -                                      | -                    | (12,311)                           | 538,071             | 525,760                              |
| <b>Balance as at December 31, 2017</b>             | 6,067,667           | 10,190,960        | 398,347                                | 686,976              | 229,299                            | (11,915,345)        | (409,763)                            |
| Net income and comprehensive income for the period | -                   | -                 | -                                      | -                    | 9,895                              | (10,193)            | \$ (298)                             |
| <b>Balance as at March 31, 2018</b>                | <b>6,067,667</b>    | <b>10,190,960</b> | <b>398,347</b>                         | <b>686,976</b>       | <b>239,194</b>                     | <b>(11,925,538)</b> | <b>(410,061)</b>                     |

See notes to condensed consolidated interim financial statements

# BIG SKY PETROLEUM CORPORATION

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31

(Expressed in US dollars)

(Unaudited)

|  | 2018        | 2017        |
|--|-------------|-------------|
| <b>Cash provided by (used in)</b>                          |             |             |
| <b>Operating activities</b>                                |             |             |
| Net loss from continuing operations                        | \$ (10,193) | \$ (13,795) |
| Changes in non-cash working capital items:                 |             |             |
| Accounts receivable  | (269)       | (122)       |
| Due to related parties                                     | 5,714       | 12,003      |
| Accounts payable and accrued liabilities                   | 4,553       | 1,538       |
|  | 9,998       | 13,419      |
| <b>Net cash provided by (used in) operating activities</b> | (194)       | (376)       |
| Effects of exchange rate changes                           | (68)        | 98          |
| <b>Change in cash</b>                                      | (261)       | (278)       |
| <b>Cash, beginning of the period</b>                       | 11,260      | 412         |
| <b>Cash, end of the period</b>                             | \$ 10,999   | \$ 134      |

See notes to condensed consolidated interim financial statements

# BIG SKY PETROLEUM CORPORATION

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

(Expressed in US dollars, unless otherwise indicated)

(Unaudited)

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### 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 reported a net loss of \$10,193 for the three months ended March 31, 2018 (2017 - \$13,795) and had an accumulated deficit of \$11,925,538 (December 31, 2017 - \$11,915,345) and working capital deficiency of \$410,061 as at March 31, 2018 (December 31, 2017 - \$409,763). 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 condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").



# **BIG SKY PETROLEUM CORPORATION**

## **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2018**

(Expressed in US dollars, unless otherwise indicated)

(Unaudited)

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### **2. BASIS OF PREPARATION (Continued)**

#### **(b) Basis of preparation**

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's December 31, 2017 consolidated annual financial statements.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

These unaudited interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2017. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the three months ended March 31, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

# BIG SKY PETROLEUM CORPORATION

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

(Expressed in US dollars, unless otherwise indicated)

(Unaudited)

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### 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:

|  | <u>2017</u>       |
|--|-------------------|
| Exploration and evaluation expenses            | \$ -              |
| Foreign exchange loss                          | (60,952)          |
| Gain on sale of subsidiaries                   | 652,732           |
| <u>Net income from discontinued operations</u> | <u>\$ 591,780</u> |

There were no income tax effects related to discontinued operations for the year ended December 31, 2017.

The reported cash flows from discontinued operations are as follows:

|  | <u>2017</u> |
|--|-------------|
| Cash provided by (used in) operating activities          |             |
| Net income from discontinued operations                  | \$ 591,780  |
| Unrealized income on foreign exchange                    | 60,952      |
| Gain on sale of subsidiaries                             | (652,732)   |
| <u>Operating cash flows from discontinued operations</u> | <u>\$ -</u> |

# BIG SKY PETROLEUM CORPORATION

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

(Expressed in US dollars, unless otherwise indicated)

(Unaudited)

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### 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. DECOMMISSIONING LIABILITIES

|  |           |          |
|--|-----------|----------|
| Balance, December 31, 2016                           | \$        | 50,000   |
| Recovery due to sale of subsidiaries                 |           | (50,000) |
| <u>Balance, December 31, 2017 and March 31, 2018</u> | <u>\$</u> | <u>-</u> |

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.

As of December 31, 2016, the decommissioning liabilities were \$50,000. Management determined the reclamation work would be completed in 2017. The \$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).

# BIG SKY PETROLEUM CORPORATION

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

(Expressed in US dollars, unless otherwise indicated)

(Unaudited)

### 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 three month ended March 31, 2018 and 2017.

#### (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.

Stock option transaction and the number of stock options are summarized as follows:

| Expiry date                                | Exercise Price<br>(\$CDN) | December 31,<br>2016 | Expired/<br>Cancelled | December 31,<br>2017 | Expired/<br>Cancelled | March 31,<br>2018 |
|--|---------------------------|----------------------|-----------------------|----------------------|-----------------------|-------------------|
| October 17, 2016                           | \$ 1.20                   | -                    | -                     | -                    | -                     | -                 |
| December 1, 2016                           | \$ 3.50                   | -                    | -                     | -                    | -                     | -                 |
| November 29, 2017                          | \$ 1.20                   | 8,000                | (8,000)               | -                    | -                     | -                 |
| January 7, 2018                            | (a) \$ 1.20               | 10,000               | -                     | 10,000               | (10,000)              | -                 |
| Options outstanding<br>and exercisable     |                           | 18,000               | (8,000)               | 10,000               | (10,000)              | -                 |
| Weighted average<br>exercise price (\$CDN) |                           | \$ 1.20              | \$ 1.20               | \$ 1.20              | \$ 1.20               | -                 |

As at March 31, 2018 the weighted average remaining contractual life of the stock options was 0.00 (2017 – 0.73) years.

# BIG SKY PETROLEUM CORPORATION

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

(Expressed in US dollars, unless otherwise indicated)

(Unaudited)

### 8. 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:

| <b>For the three months ended March 31, 2018</b>                               | Short-term<br>benefits | Share-based<br>Payments | Total           |
|--|------------------------|-------------------------|-----------------|
| Companies controlled by Chief Executive Officer,<br>President and a Director * | \$ 4,631               | \$ -                    | \$ 4,631        |
| <b>Total</b>   | <b>\$ 4,631</b>        | <b>\$ -</b>             | <b>\$ 4,631</b> |

| <b>For the three months ended March 31, 2017</b>                               | Short-term<br>benefits | Share-based<br>Payments | Total            |
|--|------------------------|-------------------------|------------------|
| Companies controlled by Chief Executive Officer,<br>President and a Director * | \$ 11,330              | \$ -                    | \$ 11,330        |
| <b>Total</b>   | <b>\$ 11,330</b>       | <b>\$ -</b>             | <b>\$ 11,330</b> |

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

| <b>Due to related parties</b>   | Services for  | March 31,<br>2018 | December 31,<br>2017 |
|---|---|-------------------|----------------------|
| Company controlled by Chief Executive<br>Officer, President and a Director <sup>(a)</sup> | Rent, accounting and<br>financial services;<br>loan | \$ 1,384          | \$ 1,684             |
| Company controlled by a director  | Legal   | 23,951            | 23,158               |
| Director  | Loan  | 7,756             | 7,944                |
| <b>Total</b>  |   | <b>\$ 33,091</b>  | <b>\$ 32,786</b>     |

(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 March 31, 2018, \$1,384 was owed to this company for accounting services.

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

# BIG SKY PETROLEUM CORPORATION

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

(Expressed in US dollars, unless otherwise indicated)

(Unaudited)

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### 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 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\$529,000 (December 31, 2017 - Cdn\$530,000). A 6% change in the absolute rate of exchange in US dollars would affect its net income by \$31,740 (December 31, 2017 - \$31,800).

#### (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.

# BIG SKY PETROLEUM CORPORATION

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

(Expressed in US dollars, unless otherwise indicated)

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### 9. 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.

| March 31, 2018 |    | Level 1 |    | Level 2 |    | Level 3 |    | Total  |
|----------------|----|---------|----|---------|----|---------|----|--------|
| Cash           | \$ | 10,999  | \$ | -       | \$ | -       | \$ | 10,999 |

  

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

### 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 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 three months ended March 31, 2018 and the Company is not subject to any externally imposed capital requirements.