SUPER NOVA PETROLEUM CORP.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
May 31, 2017

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Super Nova Petroleum Corp.

We have audited the accompanying financial statements of Super Nova Petroleum Corp., which comprise the statements of financial position as at May 31, 2017 and 2016 and the statements of loss and comprehensive loss, 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 Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Super Nova Petroleum Corp. as at May 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 financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Super Nova Petroleum Corp. to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

September 7, 2017

SUPER NOVA PETROLEUM CORP.
Statements of Statements of Financial Position
[Expressed in Canadian dollars]

	Note	May 31 2017	May 31 2016
ASSETS		**$**	$
Current assets			
Cash		**2,324**	2,615
Receivables and prepayments		**133**	8,217
Total assets		**2,457**	10,832
LIABILITIES			
Provision for indemnity	9	**32,219**	32,219
Accounts payable and accrued liabilities		**328,279**	341,422
Short term loan	6	**18,000**	17,000
Due to related parties	6	**178,129**	535,402
		556,627	926,043
SHAREHOLDERS' DEFICIENCY			
Share capital	5	**2,993,325**	2,993,325
Special warrants	5	**1,038,449**	-
Reserves	5	**218,951**	218,951
Deficit		**(4,804,895)**	(4,127,487)
		(554,170)	(915,211)
Total liabilities and shareholders' deficiency		**2,457**	10,832

Nature and continuance of operations (Note 1)
Events subsequent to the reporting period (Note 13)

Approved and authorized for issue by the board of directors on September 7, 2017 and signed on its behalf by:

/s/ Wolf Wiese	*/s/ Dieter Benz*
Wolf Wiese, Director	Dieter Benz, Director

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

SUPER NOVA PETROLEUM CORP.
Statements of Loss and Comprehensive Loss
[Expressed in Canadian dollars]

	Note	For the Years ended May 31, 2017	2016
General and administration expenses		**$**	$
Administrative fees	6	**114,924**	104,701
Consulting fees		**45,986**	30,200
Corporate communications		**-**	1,318
Filing fees and regulatory fees		**18,896**	27,690
Interest charges		**24,394**	33,525
Office		**40,239**	20,781
Professional fees		**55,681**	84,104
Rent		**12,056**	13,354
		312,176	315,673
Mineral exploration tax credit	4	**(2,835)**	-
Foreign exchange loss		**1,337**	11
Gain on write-off of accounts payable and accrued liabilities		**(1,752)**	(60,637)
Loss on settlement of debt	5	**368,482**	-
Write down of exploration and evaluation	4	**-**	8,846
Gain on property assignment	4	**-**	(43,597)
		365,232	(95,377)
Loss and comprehensive loss		**677,408**	220,296
Loss per share, basic and diluted		$ 0.14	$ 0.05
Weighted average number of shares outstanding - basic and diluted		**4,813,710**	4,647,318

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

SUPER NOVA PETROLEUM CORP.
Statements of Changes in Shareholders' Deficiency
[Expressed in Canadian dollars]

	Number of Shares	Share Capital (Amount)	Number of Special Warrants	Special Warrants (Amount)	Reserves	Deficit	Total
Balance, May 31, 2015	4,759,166	$ 3,071,053	-	$ -	$ 218,951	$ (4,027,191)	$ (737,187)
Receipt of treasury shares (Note 4)	(300,000)	(120,000)	-	-	-	120,000	-
Re-issuance of treasury shares to settle debts (Note 5)	300,000	15,000	-	-	-	-	15,000
Shares issued to settle debts	54,544	27,272	-	-	-	-	27,272
Loss for the year	-	-	-	-	-	(220,296)	(220,296)
Balance, May 31, 2016	**4,813,710**	**2,993,325**	**-**	**-**	**218,951**	**(4,127,487)**	**(915,211)**
Special warrants (Note 5)	-	-	13,399,333	1,038,449	-	-	1,038,449
Loss for the year	-	-	-	-	-	(677,408)	(677,408)
Balance, May 31, 2017	**4,813,710**	**$ 2,993,325**	**13,399,333**	**$ 1,038,449**	**$ 218,951**	**$ (4,804,895)**	**$ (554,170)**

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

SUPER NOVA PETROLEUM CORP.
Statements of Cash Flows
[Expressed in Canadian dollars]

	For the year ended May 31, 2017	2016
Cash flows from operating activities		
Loss for the year	**$ (677,408)**	$ (220,296)
Items not affecting cash:		
Accrual of loan interest	**1,000**	2,000
Gain from assigment of property	**-**	(43,597)
Loss on settlement of debt	**368,482**	-
Gain on write-off of accounts payable and accrued liabilities	**(1,752)**	(60,637)
Write down of exploration and evaluation assets	**-**	8,846
Changes in non-cash working capital items:		
Change in receivables and prepayments	**8,084**	(7,017)
Change in accounts payable and accrued liabilities	**41,109**	77,079
Change in due to related parties	**207,345**	175,127
Net cash flow used in operating activities	**(53,140)**	(68,495)
Cash flow used in investing activities		
Investment in exploration and evaluation assets	**-**	(8,846)
Net cash flows used in investing activities	**-**	(8,846)
Cash flow from financing activities		
Due to related parties	**52,849**	78,625
Net cash flows from financing activities	**52,849**	78,625
Net increase (decrease) in cash	**(291)**	1,284
Cash, beginning of the year	**2,615**	1,331
Cash, ending of the year	**$ 2,324**	$ 2,615

Supplement disclosure with respect to cash flow (Note 10)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Super Nova Petroleum Corp., (the "Company") was incorporated on January 21, 2005, under the British Columbia Business Corporations Act. The current registered office of the Company is located at Suite 1100, 736 Granville Street, Vancouver, British Columbia, V6Z 1G3 while the current corporate office is located at Suite 318, 1199 West Pender Street, Vancouver, British Columbia, V6E 2R1. The Company's common shares were listed for trading on the Canadian Securities Exchange ("CSE") under the symbol "SNP."

On January 14, 2016, the Company consolidated its shares on a basis of one (1) post consolidated share for ten (10) pre consolidated shares. In these financial statements, reference to common shares and per share amounts has been retroactively restated.

During the year ended May 31, 2015, the Company wrote off the value of its exploration property as the Company made the decision to significantly reduce future exploration expenditures on the property due to the economic downturn in the mining industry. Currently, the Company is seeking new investment opportunities that will provide value to its shareholders.

The Company has not yet determined whether its properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production.

The Company is a junior exploration company and has incurred losses and negative cash flows from operations since inception, and therefore, ongoing operations of the Company are dependent upon its ability to receive continued financial support, equity or debt financings. Management is actively targeting sources of additional financing which would assure the continuation of the Company's operations and exploration programs. To the extent financing is not available, rental payments, and other payments may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

a) **Statement of Compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which include International Accounting Standards and Interpretations ("IFRIC" and "SIC") adopted by the International Accounting Standards Board.

b) **Basis of Measurement**

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The presentation and functional currency of the Company is the Canadian dollar.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Significant accounting judgments and estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting periods. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Actual results could differ materially from those reported.

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

- The provision of deferred tax is based on judgments in applying income tax law and estimates on timing, likelihood and reversal of temporary differences between the accounting and tax basis of the assets and liabilities;
- The assessment of indications of impairment of the exploration and evaluation assets and related determination of the net realizable value and write-down of those assets where applicable;
- The estimated value of the Company's provision of the indemnity of shareholders;
- The valuation of the Company's securities issued to settle amounts payable.

b) Refundable tax credits and mining duties

The Company is entitled to apply for government grants in the form of refundable tax credits and mining duties in respect of qualifying mining exploration expenses incurred. These recoveries are accounted for using the cost reduction approach whereby amounts received are applied against the cost of related assets or expenditures.

c) Foreign currency

The Company's functional currency is the Canadian dollar. Monetary assets and liabilities denominated in currencies other than the Canadian dollar are initially recorded at the respective spot rate of exchange at the date of the transaction, and then translated into Canadian dollars at the rates of exchange prevailing at the reporting date. All differences are taken to profit or loss on the statement of loss and comprehensive loss. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenues and expenses are translated at average rates throughout the reporting period.

d) Exploration and evaluation assets

All costs related to the acquisition, exploration and evaluation of mineral and oil and gas properties are capitalized by property after the Company has obtained the legal right to explore the property.

Exploration and evaluation expenditures for each area of interest are carried forward as an asset, provided that such costs are expected to be recouped in full through successful development and exploration of the area of interest or, alternatively, by its disposal or through farm-out arrangements.

Once development commences, these costs are reclassified to property, plant and equipment and are charged to operations upon commercial production on a unit-of-production method based on proven and probable reserves.

The recoverability of amounts recorded as exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The costs recovered on exploration and evaluation assets in excess of the carrying amounts are recognized in income.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

e) Decommissioning liabilities

The fair value of the statutory, contractual, constructive or legal liabilities associated with the retirement and reclamation of exploration and evaluation assets are recorded when incurred, with a corresponding increase to the carrying amount of the related assets. The amount recognized is the estimated cost of decommissioning, discounted to its present value using the Company's risk free rate. Changes in the estimated timing of decommissioning or decommissioning cost estimates and changes to the risk free rates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the related assets. The unwinding of the discount on the decommissioning provision is charged to net earnings or loss.

The Company recognizes a decommissioning liability in the period in which it is incurred when a reasonable estimate of the fair value can be made. Management reviews these estimates and changes on a periodic basis; if an indication exists, the changes are applied prospectively. The fair value of the estimated provision is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a unit-of-production basis over the life of the proved developed reserves. The liability amount is increased each reporting period due to the passage of time and this amount is charged to earnings in the period. Actual costs incurred upon settlement of the obligations are charged against the provision to the extent of the liability recorded and the remaining balance of the actual costs is recorded in the statement of loss.

f) Impairment of long-lived assets

At each reporting date, all capitalized exploration and evaluation expenditure are assessed for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditures are not expected to be recovered, they are charged to operations. Exploration areas where reserves have been discovered, but require major capital expenditures before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group, at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

g) Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Warrants that are issued as payment for an agency fee or other transaction costs are accounted for as share-based payments.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

h) Stock-based compensation

The fair value of stock options granted is measured at grant date using the Black-Scholes option pricing model. Where options are granted to consultants for goods or services rendered, the options are measured at the fair value of the goods or services received by the Company. If the fair value of the goods and services received cannot be reliably measured, the fair value of the stock options granted is used instead. At each reporting date, prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are expected to ultimately vest is computed. The movement in cumulative expense is recognized in the statement of loss and comprehensive loss with a corresponding entry within equity, against reserves. No expense is recognized for awards that do not ultimately vest. When options are exercised, the proceeds received, together with any related amount in reserves, are credited to share capital.

i) Special warrants

Special warrants are convertible into common shares and share purchase warrants of the Company. The Company measures the fair value of the special warrants by its components: the fair value of the common shares are valued at the closing price of the Company's shares on the special warrant issuance date; the fair value of the share purchase warrants are determined by using the Black-Scholes option pricing model on the special warrant issuance date.

j) Loss per share

Basic loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. To compute diluted loss per share, adjustments are made to common shares outstanding. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would be outstanding if, at the beginning of the period or at time of issuance, if later, all options and warrants were exercised. The proceeds from exercise would be used to purchase the Company's common shares at their average market price during the period. If this computation is anti-dilutive, diluted loss per share is the same as basic loss per share.

k) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. 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 regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 statement of financial position 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. To the extent that the Company does not consider it is probable that a future tax asset will be recovered, it does not recognize the asset.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

l) Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable and available for sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. It is management's opinion that the Company is not exposed to significant interest or credit risk arising from these financial instruments.

Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets and include cash, which is initially recognized at fair value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current or non-current assets based on their maturity date. Assets in this category include receivables and are measured at amortized cost less impairment.

Available-for-sale financial assets

Available-for-sale financial assets are either designated as available for sale or not classified in any other categories. They are initially recognized at fair value plus transaction costs and are subsequently carried at fair value, with unrealized gains and losses recorded in other comprehensive income until disposition or other-than-temporary impairment at which time the gain or loss is recorded in earnings. The Company does not have any available-for-sale financial assets.

Financial liabilities

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

Fair value through profit or loss – this category comprises of derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Other financial liabilities – are initially recognized at fair value and subsequently stated at amortized cost and include accounts payable, accrued liabilities, short term loans, and due to related parties. Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the date of the statement of financial position.

Impairment of financial assets

At each reporting date the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

1. Financial assets carried at amortization: the loss is the difference between the amortized cost and its value of estimated future cash flows, discounted using the instrument's original effective interest rate;
2. Available-for-sale financial asset: The loss is the amount comprising the difference between its original cost and its current fair value, less any impairment previously recognized in the statement of loss and

comprehensive loss This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

l) Financial instruments (cont'd…)

Impairment of financial assets (cont'd…)

Reversals of impairment losses on financial assets carried at amortized cost are recorded through the statement of loss and comprehensive loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss had been recognized. Impairment on available-for-sale instruments is not reversed.

m) Flow-through shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and ii) share capital. Upon qualifying expenses being incurred, the Company derecognizes the flow-through premium liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income.

3. NEW ACCOUNTING STANDARDS

Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the May 31, 2017 reporting period. Management does not expect these standards will have a significant impact on the measurement or presentation of balances or transactions as reported in these financial statements.

a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The standard is effective for years beginning on or after January 1, 2018.

b) IFRS 9, Financial Instruments

The final version of IFRS 9 was issued in July 2014 and includes (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward-looking “expected loss” impairment model. The standard is mandatory for years beginning on or after January 1, 2018.

c) IFRS 16, Leases

The new standard on leases supersedes IAS 17, Leases, and related interpretations. The standard is effective for years beginning on or after January 1, 2019.

4. EXPLORATION AND EVALUATION ASSETS

Iron Ridge Property, British Columbia

The Company acquired a 100% interest in the Iron Ridge Property, located near Creston, British Columbia.

During the year ended May 31, 2015, due to a delay of exploration activity, the Company wrote off acquisition and exploration costs of $399,367 to the statement of loss and comprehensive loss.

During the year ended May 31, 2016, the Company incurred $8,846 on sampling. During the year ended May 31, 2017, the Company received $2,665 of mining tax credit in relation to the expenses incurred in the year ended May 31, 2016.

Bakken Land, Montana, USA

On January 16, 2014, the Company and Norstra Energy Inc. (the "Farmor") entered into a Farm-out Agreement whereby the Company can earn an optioned 80% working interest in approximately 10,000 acres of contiguous property located in the Bakken Formation in North-West Montana, USA (the "Farm-out Lands"). The Farm-out Lands have been divided into three separate blocks and the Company has an option to earn an 80% working interest in each block by drilling a vertical well at each block.

On June 6, 2014, the Company entered into a purchase and Farm-In agreement ("Letter Agreement") with BNV Energy Company LLC ("BNV Energy") and Norstra Energy Inc. ("Norstra") to sell approximately 2,964 acres of its wholly owned Milford East Land for US$66,700 in cash (received). This acreage is contiguous to the south of the Company's Milford Colony farm-in lands in Lewis and Clark Country on the Albert Bakken Fairway in northwest Montana.

On October 21, 2014, the Company issued 300,000 shares valued at $120,000 to BNV Energy as described in the Letter Agreement.

During the year ended May 31, 2015, the Company wrote off costs relating to the property of $380,182 to the statement of loss and comprehensive loss.

On September 21, 2015 by way of a purchase and sale agreement the Company assigned its 20% working interest in an exploration well in Bakken to BNV Energy. In consideration of the assignment the Company received back from BNV Energy the 300,000 common shares of the Company which were issued pursuant to the Letter Agreement in October 2014. Also in consideration, BNV Energy cancelled an outstanding invoice in the amount of $43,597 (US$35,054).

Expressed in Canadian Dollars, unless otherwise stated

5. SHARE CAPITAL

Authorized - unlimited number of common shares without par value.

Share consolidation

On January 14, 2016, the Company consolidated its shares on a basis of one (1) post consolidated share for ten (10) pre-consolidated shares. In these financial statements, reference to common shares and per share amounts has been retroactively restated.

Share issuances

There were no share issuances during the year ended May 31, 2017.

During the year ended May 31, 2016:

In January 2016, 54,544 common shares were issued to settle $27,272 in convertible debentures (Note 8).

On September 21, 2015 by way of a purchase and sale agreement the Company assigned its 20% working interest in an exploration well in Bakken to BNV Energy. As part of the consideration, the Company received back from BNV Energy the 300,000 common shares of the Company which were issued to BNV Energy in October 2014 pursuant to the Letter Agreement (Note 4). In February 2016, the Company transferred the 300,000 shares to Golden Dawn Minerals Inc. (“GOM”), a related party, to settle accounts payable of $15,000.

Special warrants

In October 2016, the Company issued 13,399,333 special warrants to settle debts of $669,967, of which 9,799,333 special warrants were issued to GOM for $489,967; 2,550,000 special warrants were issued to a company controlled by the CEO for $127,500; and 525,000 special warrants were issued to a company controlled by the CFO for $26,250.

Each warrant shall automatically convert on the earlier of i) the second anniversary of the date of the issuance of the special warrants, and ii) the closing of a significant transaction involving the Company. At the conversion, each special warrant shall convert into a share unit of the Company. Each unit consists of one common share and one share purchase warrant. Each warrant shall be exercisable into a common share of the Company at $0.075 per share for a period of two years from conversion. The special warrants were valued at $0.0775 per special warrant for a total value of $1,038,449; $0.05 for the underlying common share and $0.0275 for the underlying warrant (calculated using the Black-Scholes model). A $368,482 loss on settlement of debt was recorded in the current period related to the issuance of the special warrants and settlement of debts noted above.

The fair value of the warrants was determined using the following assumptions:

Weighted average assumptions	At year ended May 31, 2017
Risk free interest rate	1.2%
Volatility	125%
Expected life of warrants	2 years
Dividend rate	0%

Expressed in Canadian Dollars, unless otherwise stated

5. SHARE CAPITAL (cont'd…)

Stock options

The Company grants stock options to employees, directors, officers, and consultants of the Company as compensation for services pursuant to its Stock Option Plan (the "Plan"). Options have a maximum expiry period of up to five years from the grant date and are subject to minimum vesting requirements, as determined by the Board of Directors. The number of options that may be issued under the Plan may not exceed 10% of the number of issued and outstanding common shares of the Company at the time of granting of options.

There were no stock options granted during the years ended May 31, 2017 and 2016.

The following table summarizes the option activity:

	Number of options	Weighted average price
Balance at May 31, 2015 and 2016	255,000	$ 0.70
Cancelled	(192,500)	(0.70)
Balance at May 31, 2017	62,500	$ 0.70

Information regarding stock options outstanding as at May 31, 2017 is as follows:

Number of options outstanding and exercisable	Exercise price	Expiry date
62,500	$ 0.70	February 7, 2019

Share purchase warrants

The following table summarizes the warrant activity:

	Number of warrants	Weighted average price
Balance at May 31, 2015	1,680,244	$ 0.90
Expired	(83,500)	(1.00)
Balance at May 31, 2016	1,596,744	$ 1.20
Expired	(640,997)	(1.21)
Balance at May 31, 2017	955,747	$ 1.67

Expressed in Canadian Dollars, unless otherwise stated

5. SHARE CAPITAL (cont'd…)

Information regarding share purchase warrants outstanding at May 31, 2017 is as follows:

Number of warrants outstanding and exercisable	Exercise price	Expiry date
165,100	1.25	July 18, 2017*
539,000	2.00	August 29, 2017*
179,147	1.25	September 17, 2017
72,500	1.25	November 12, 2017
955,747		

* See Note 13 – Events Subsequent to the Reporting Period.

6. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the year ended May 31, 2017:

a) During the year ended May 31, 2017, $60,000 (2016 - $60,000) of management fees were accrued in administration expenses to a company controlled by the CEO. In October 2016, the Company issued 2,550,000 special warrants to settle debts of $127,500 (Note 5). As at May 31, 2017, $52,740 (May 31, 2016 - $113,865) was payable to the company.

b) GOM, a publicly traded company with common directors and officers of the Company, provides office space and administration services to the Company. During the year ended May 31, 2017, the Company incurred $141,722 (2016 - $110,039) payable to GOM for its services provided. GOM also advanced cash, net of repayments, during the year on behalf of the Company totalling $52,849 (2016 - $78,625). In October 2016, the Company issued 9,799,333 special warrants to settle debts of $489,967 (Note 5). As at May 31, 2017, a total of $125,389 (May 31, 2016 - $420,784) remained outstanding as due to GOM.

c) As of May 31, 2017, the Company has an $18,000 (2016 - $17,000) unsecured loan from a relative of an officer and director, which is payable on demand with a fixed rate of $1,000 in interest accruing annually thereon. The balance remains unpaid as of May 31, 2017.

d) During the year ended May 31, 2017, $3,571 (2016 - $20,000) of accounting fees were paid or accrued in administration expenses to a company controlled by the CFO. In October 2016, the Company issued 525,000 special warrants to settle debts of $26,250 (Note 5). As at May 31, 2017, $Nil (May 31, 2016 - $20,000) was payable to the company.

e) Except where noted above, accounts payable to related parties do not bear interest, are unsecured and are repayable on demand.

7. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, short term loan, and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables consist of Goods and Services Tax ("GST") receivable from the Canadian government and are considered low risk.

Currency risk

The Company operates primarily in Canadian dollar. There is foreign exchange risk to the Company as some of its exploration and evaluation property interests and resulting commitments are located in the United States. Management monitors its foreign currency balances and makes adjustments based on anticipated need for currencies. The Company does not engage in any hedging activities to reduce its foreign currency risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipated it will need additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding warrants and/or the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the sale of equity securities.

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets in Canada have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Interest rate risk

The Company normally invests in short-term interest bearing financial instruments. There is a minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificate included in cash as they would be held in large financial institutions.

7. FINANCIAL INSTRUMENTS (cont'd…)

Fair value measurements of financial assets and liabilities

Disclosure about significance of inputs used in making fair value measurements is as follows:

Level 1 – quoted prices 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.

The fair value of cash is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. The Company believes that the recorded values of receivables, due to related parties, short term loan and accounts payable and accrued liabilities, approximate their current fair values because of their nature and relatively short maturity dates or durations.

8. CONVERTIBLE DEBENTURES

During the year ended May 31, 2014, the Company granted $27,272 in debenture units with a maturity date of May 31, 2015 and an interest rate of 10% payable in advance with shares of the Company. The holders of the units had the following options to conversion available to them:

The right to convert the principal into common shares at $0.15 per share.

The right to convert each $13,636 unit into a 1% net revenue interest in the Company's initial well drilled at the Milford Colony Prospect (Bakken Land property) within 30 days following receipt of the Company's notice of successful completion of the well.

The initial well drilled at the Milford Colony Prospect was determined to be a dry hole, resulting in the principal amount of $27,272 automatically converting into common shares of the Company at a price of $0.50 per share for a total of 54,544 common shares of the Company to be issued. In January 2016, 54,544 common shares were issued to settle $27,272 of convertible debentures.

9. PROVISION FOR INDEMNITY

Flow-Through Exploration Expenditures

During the year ended May 31, 2013, the Company raised a total of $85,440 in flow-through funds, which the Company committed to use in exploration activities on its active projects. The Company allocated $14,240 of the proceeds to the flow through share premium liability and the remaining proceeds of $71,200 to share capital. As at May 31, 2014, the Company did not incur eligible exploration expenses which resulted in a penalty and accrued interest totaling approximately $32,219 recognised as indemnity expense in the statement of loss and compressive loss.

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the year ended May 31, 2017:

1) the Company issued 13,399,333 special warrants to settle debts of $669,967, of which $617,467 was included in due to related parties and $52,500 was included in accounts payable and accrued liabilities.

During the year ended May 31, 2016:

2) pursuant to a purchase and sales agreement entered on September 21, 2015, the Company received back from the BNV Energy the 300,000 common shares of the Company, valued at $120,000 (Note 4).
3) 54,544 common shares were issued to settle $27,272 of convertible debenture (Note 8).
4) the Company transferred 300,000 common shares from treasury to GOM to settle outstanding accounts payable of $15,000 (Note 5).
5) the Company reclassified $20,755 in accounts payable to due to related parties.

11. CAPITAL MANAGEMENT

The Company’s capital structure consists of shareholders’ equity. The Company’s objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company’s approach to capital management since the year ended May 31, 2016. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital to complete its exploration plan and ultimately the development of its business, and will need to raise adequate capital by obtaining equity financing through private placements or debt financing. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

Expressed in Canadian Dollars, unless otherwise stated

12. INCOME TAXES

A reconciliation of income taxes at statutory rate as follows:

	2017	2016
Net loss for the year	$ (677,408)	$ (220,296)
Expected income tax recovery	(176,000)	(57,000)
Expiry of non-capital losses and other items	-	52,000
Permanent difference	90,000	16,000
Change in unrecognized deductible temporary differences	86,000	(11,000)
Total income taxes	$ -	$ -

The significant components of the Company's deferred tax assets are as follows:

	2017	2016
Deferred tax assets (liabilities):		
Exploration and evaluation assets	$ 370,000	$ 402,000
Share issue costs	1,000	1,000
Non-capital loss carry forwards	633,000	515,000
Unrecognized deferred tax assets	$ 1,004,000	$ 918,000

Significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	2017	Expiry date	2016	Expiry date
Losses available for future periods	$ 2,434,000	2018 to 2037	$ 1,981,000	2017 to 2036
Share issue costs	$ 2,000	2037 to 2038	$ 5,000	2037 to 2038
Exploration and evaluation assets	$ 1,422,000	No expiry date	$ 1,544,000	No expiry date

13. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Special warrants

In July 2017, the Company issued 2,377,505 special warrants to settle debts of $178,313, of which 1,674,301 special warrants were issued to GOM for $125,573 and 703,204 special warrants were issued to a company controlled by the CEO for $52,740.

Each warrant shall automatically convert on the earlier of i) the second anniversary of the date of the issuance of the special warrants, and ii) the closing of a significant transaction involving the Company. At the conversion, each special warrant shall convert into a share unit of the Company. Each unit consists of one common share and one share purchase warrant. Each warrant shall be exercisable into a common share of the Company at $0.10 per share for a period of two years from conversion.

Private placement

In July 2017, the Company completed a non-brokered private placement by issuing 1,000,000 units at $0.075 per unit for total proceeds of $75,000.

Expiry of warrants

In July and August 2017, a total of 704,100 warrants expired with an average exercise price of $1.82.