

ORACLE ENERGY CORP.

FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2018
(Expressed in Canadian Dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements of Oracle Energy Corp. have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

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

The accompanying unaudited condensed 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 the interim financial statements by an entity's auditor.

ORACLE ENERGY CORP.

STATEMENTS OF FINANCIAL POSITION (Expressed in Canadian Dollars)

	MARCH 31 2018	DECEMBER 31 2017
ASSETS		
Current		
Cash	\$ 538,944	\$ 19,668
Amounts receivable	32,121	29,914
Settlement receivable (Note 5)	-	45,000
Share subscriptions receivable	182,500	-
Total Current Assets	753,565	94,582
Equipment (Note 6)	1,523	1,624
Total Assets	\$ 755,088	\$ 96,206
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 272,983	\$ 244,725
Due to related parties (Note 7)	336,013	447,938
Notes payable to related parties (Note 8)	1,233,266	1,194,035
Total Liabilities	1,842,262	1,886,698
DEFICIENCY		
Share Capital (Note 9)	17,750,636	16,977,342
Reserves	3,573,996	3,514,019
Deficit	(22,411,806)	(22,281,853)
Total Deficiency	(1,087,174)	(1,790,492)
Total Liabilities And Deficiency	\$ 755,088	\$ 96,206

Nature of operations and going concern (Note 1)

Subsequent events (Note 13)

These financial statements were authorized for issuance by the Board of Directors on May 28, 2018. They are signed on behalf of the Board of Directors by:

“Nasim Tyab”

Director

“Darrell McKenna”

Director

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

ORACLE ENERGY CORP.

STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	THREE MONTHS ENDED MARCH 31	
	2018	2017
Expenses		
Advertising and communications	\$ 2,903	\$ 180
Bank charges and interest	193	265
Consulting	82,789	77,835
Depreciation	101	138
Foreign exchange (gain) loss	5,934	8
Interest on notes payable (Note 8)	-	21,669
Management fees	-	49,000
Office	2,151	8,132
Professional fees	27,495	6,000
Regulatory and listing fees	5,200	5,200
Rent	-	1,313
Telephone	237	2,275
Transfer agent fees	1,952	956
Travel and promotion	998	56,732
	129,953	229,703
Loss Before Other Income (Expenses)	(129,953)	(229,703)
Net Loss and Comprehensive Loss for the Period	\$ (129,953)	\$ (229,703)
Basic and Diluted Loss per Share	\$ (0.02)	\$ (0.04)
Weighted Average Number Of Common Shares Outstanding	6,516,022	6,250,017

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

ORACLE ENERGY CORP.

STATEMENTS OF CASH FLOWS (Expressed in Canadian Dollars)

	THREE MONTH ENDED MARCH 31	
	2018	2017
Cash Flows Provided By (Used For):		
Operating Activities		
Net loss for the year	\$ (129,953)	\$ (229,703)
Items not affecting cash:		
Depreciation	101	138
Net change in non-cash working capital items:		
Amounts receivable	(2,207)	(4,609)
Settlement receivable	45,000	-
Accounts payable and accrued liabilities	28,258	25,720
Due to related parties	(111,925)	99,612
	(170,726)	(108,842)
Financing Activity		
Shares issued	898,375	-
Share issue costs	(65,104)	-
Share subscriptions receivable	(182,500)	-
Issuance of notes payable to related parties	39,231	112,920
	690,002	112,920
Increase (Decrease) In Cash	519,276	4,078
Cash, Beginning Of Period	19,668	2,971
Cash, End Of Period	\$ 538,944	\$ 7,049

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

ORACLE ENERGY CORP.

STATEMENTS OF CHANGES IN DEFICIENCY

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2018

	SHARE CAPITAL		RESERVES	DEFICIT	TOTAL DEFICIENCY
	NUMBER	AMOUNT			
Balance, December 31, 2016	6,250,017	16,977,342	3,514,019	(22,245,051)	(1,753,690)
Net loss for the period	-	-	-	(229,703)	(229,703)
Balance, March 31, 2017	6,250,017	\$ 16,977,342	\$ 3,514,019	\$ (22,474,754)	\$ (1,983,393)
Net loss for the period	-	-	-	192,901	192,901
Balance, December 31, 2017	6,250,017	\$ 16,977,342	\$ 3,514,019	\$ (22,281,853)	\$ (1,790,492)
Shares issue	11,978,333	898,375	-	-	898,375
Share issue cost	-	(65,104)	-	-	(65,104)
Fair value of agent warrants issued	-	(59,977)	59,977	-	-
Net loss for the period	-	-	-	(129,953)	(129,953)
Balance, March 31, 2018	18,228,350	\$ 17,750,636	\$ 3,573,996	\$ (22,411,806)	\$ (1,087,174)

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

ORACLE ENERGY CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(Expressed in Canadian Dollars)
(Unaudited)

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Oracle Energy Corp. (the "Company") was incorporated on October 2, 1985 under the Business Corporations Act of British Columbia and is in the business of acquiring, exploring and evaluating oil and gas properties and developing these properties further or disposing of them when the evaluation is completed.

The address of the Company, the principal place of business and the registered and records office is located at Suite 1500 – 1040 West Georgia Street, Vancouver, British Columbia, Canada.

To date, the Company has not earned significant revenues and is considered to be in the exploration stage. As at December 31, 2017, the Company has an accumulated deficit of \$22,411,806 (December 31, 2017 - \$22,281,853). The Company's operations are primarily funded with equity financing, which is dependent upon many external factors and may be difficult to raise when required. The Company does not have sufficient cash to fund current operations and amounts payable and will require additional funding, which if not raised, may result in the delay, postponement or curtailment of some of its activities. Management continues to evaluate the need for additional financing and is of the opinion that additional financing will be available to continue its planned activities in the normal course. Nonetheless, there is no assurance that the Company will be able to raise sufficient funds to complete planned activities.

The Company's financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume the realization of assets and discharge of liabilities in the normal course of business. However, the above factors may cast significant doubt on the use of the going concern basis of accounting used in the preparation of these financial statements. These financial statements do not give effect to adjustments that would be necessary should the Company not be able to continue as a going concern.

Although the Company takes steps to verify title to the resource properties in which it acquires interests in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory and governmental requirements.

2. BASIS OF PRESENTATION

a) Statement of Compliance

The condensed interim financial statements of the Company for the three months ended March 31, 2018, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, these condensed interim financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting process.

ORACLE ENERGY CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(Expressed in Canadian Dollars)
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2. BASIS OF PRESENTATION (Continued)

a) Statement of Compliance (Continued)

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2017. Certain comparative figures may have been reclassified in order to conform to the current period's financial statement presentation.

b) Basis of Preparation

These financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Presentation and Functional Currency

The presentation and functional currency of the Company is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

d) Significant Accounting Judgments and Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 may affect both the period of revision and future periods.

Elements of these financial statements subject to material estimation uncertainty include:

Fair value measurements

In the preparation of these financial statements, management has estimated the fair value of financial instruments, for which there are no active markets. The fair value estimates are based on the best available information and experience of management. Future events or changes in circumstances may materially impact these estimates used in valuing assets and liabilities at year end.

ORACLE ENERGY CORP.
NOTES TO FINANCIAL STATEMENTS
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2. BASIS OF PRESENTATION (Continued)

d) Significant Accounting Judgments and Estimates (Continued)

Elements of these financial statements subject to significant judgment include:

Significant judgments about the future and other sources of estimation uncertainty that management has made at the reporting date that could result in a 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:

- i) going concern assessment;
- ii) consideration of exploration and evaluation asset impairment criteria;
- iii) the useful life and recoverability of equipment;
- iv) impairment of short-term investments;
- v) recovery of amounts receivable;
- vi) the fair value model and the inputs used in the valuation of share-based payments; and
- vii) deferred income tax asset valuation allowances.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Financial Instruments

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company does not have any derivative financial instruments.

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

Fair value through profit or loss - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements 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 amortized cost less any provision for impairment. 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 rate 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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Financial Instruments (Continued)

Financial assets (Continued)

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. 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 recognized in the statements of comprehensive income/loss.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

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 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, which are described above.

Financial liabilities

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

Fair value through profit or loss - This category comprises 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 net income/loss.

Other financial liabilities - This category includes promissory notes, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified cash as fair value through profit or loss and amounts receivable as loans and receivables. Accounts payable and accrued liabilities, due to related parties, and notes payable are classified as other financial liabilities.

The fair value hierarchy that prioritizes the inputs used to measure fair value is as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - Inputs that are not based on observable market data.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash at banks and on hand and short-term investments with maturities of three months or less from the date of acquisition. As at March 31, 2018 and December 31, 2017, the Company did not have any cash equivalents.

c) Exploration and Evaluation Assets

Costs incurred prior to obtaining the legal rights to explore a property are recognized as an expense in the period in which they are incurred. Acquisition of undeveloped oil and gas leases are initially capitalized as intangible exploration and evaluation assets and are expensed in net income/loss upon the expiration of the lease, impairment of the lease or management's determination that no further exploration or evaluation activities are planned on the leased property, whichever comes first. Properties that are subsequently found to have proved reserves are transferred to property, plant and equipment.

The costs directly associated with an exploration well are capitalized as intangible exploration and evaluation assets until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee remuneration, materials and fuels used, rig costs and other payments made to contractors.

Assets are classified as exploration and evaluation assets or property, plant and equipment according to the nature of the expenditures and whether or not technical feasibility and commercial viability of extracting oil and gas assets is demonstrable. Costs are retained in exploration and evaluation assets prior to the establishment of technical feasibility and commercial viability of the project. Such amounts are not subject to depletion or depreciation until they are reclassified to property, plant and equipment once proved reserves have been assigned to the asset. If proved reserves have not been established through the completion of exploration and evaluation activities and there are no future plans for activity in that field, then the exploration and evaluation expenditures are determined to be impaired and the amounts are expensed.

Impairment

If no reserves are found upon evaluation, the exploration and evaluation asset is tested for impairment and the amounts are recognized in net income/loss under exploration and evaluation expenditures. If extractable reserves are found and, subject to further appraisal activity which may include the drilling of additional wells, are likely to be developed commercially, the costs continue to be carried as an intangible asset while sufficient and continued progress is made in assessing the commerciality of the reserves. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. Lack of intent to develop or otherwise extract value from such discovery would result in the relevant expenditures being written off.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Exploration and Evaluation Assets (Continued)

Impairment (Continued)

Exploration and evaluation assets are tested for impairment when there are indicators that the carrying value may exceed the recoverable amount, as well as prior to reclassification when the technical feasibility and commercial viability of extracting oil and gas assets is demonstrable. To test for impairment, exploration and evaluation assets are allocated to appropriate cash-generating units. Impairment losses are recognized, as identified, in net income/loss.

Development Costs

Expenditures incurred on the construction, installation or completion of infrastructure facilities such as processing and gathering facilities and pipelines, and the drilling of development wells, including unsuccessful development or delineation wells, are capitalized within property and equipment.

Asset Exchanges

For exchanges or parts of exchanges that involve only exploration and evaluation assets, the exchange is accounted for at carrying value. Exchanges of development and production assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of the assets given up or the assets received cannot be reliably estimated. The cost of the acquired asset is measured at the fair value of the asset given up, unless the fair value of the asset received is more reliable. Where fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. Any gain or loss on de-recognition of the asset given up is recognized in net income/loss.

d) Equipment

Carrying Value

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

Depreciation of equipment is provided for on a declining-balance basis at a rate of 20% per annum for office equipment and 30% per annum for computer equipment. To the extent assets have been identified as having a number of significant parts with differing depreciation patterns, such parts are depreciated in separate components.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity. Share issue costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issue costs related to uncompleted share subscriptions are expensed in the period they are incurred.

f) Share-based Payment Transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant 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 is measured at grant date, and each tranche is recognized using the graded vesting method 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 financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

g) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares issued and outstanding during the reporting period.

The Company uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only instruments with exercise amounts less than market prices impact the diluted calculations. In computing diluted loss per share, no shares were added to the weighted average number of common shares outstanding during the three months ended March 31 and the year ended December 31, 2017, for the dilutive effect of employee stock options and warrants as they were all anti-dilutive. No adjustments were required to the reported loss in computing diluted per share amounts.

ORACLE ENERGY CORP.
NOTES TO FINANCIAL STATEMENTS
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Provisions

A provision is recognized in the financial statements when all of the following criteria are satisfied:

- the Company has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made as to the amount of the obligation.

The amount recognized as a provision is the “best estimate” of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are determined by discounting the risk-adjusted expected future cash flows to take into consideration risks and uncertainties involving the transaction. The discount rate used is a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the liability, if those risks have not already been reflected as an adjustment to cash flows. The unwinding of the discount is recognized as a finance expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed.

Decommissioning and Restoration

Decommissioning and restoration liabilities are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. A corresponding amount equivalent to the provision is also recognized as part of the cost of the related property, plant and equipment. The amount recognized is the estimated cost of decommissioning and restoration, discounted to its present value. Changes in the estimated timing of decommissioning and restoration or related cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognized in net income/loss.

i) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Income Taxes (Continued)

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

4. FUTURE ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2018, or later periods. Updates that are not applicable or are not consequential to the Company have been excluded in the standards listed below.

The Company anticipates that the application of these standards, amendments, revisions and interpretations will not have a material impact on the results and financial position of the Company.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project of replacing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristic of the financial assets. This standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model for an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. This standard is effective for annual periods beginning on or after January 1, 2018.

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4. FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

IFRS 16 Leases

IFRS 16 replaces the previous leases standard, IAS 17 Leases, and interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, lessee and lessor. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 Revenue from Contracts with Customers.

5. OIL AND GAS PROPERTIES AND SETTLEMENT AGREEMENT

Other West Africa Project

On February 3, 2017, the Company signed a letter agreement with an arm's length party (the "Optioner") providing the Company with an option to acquire 100% of the Optioner's rights to participate in the exploration and development of certain oil and gas assets in West Africa (the "Option").

During the year ended December 31, 2017, the Company expended funds for due diligence including an NI-51-101 compliant technical report, travel expenses and other costs.

In June 2017, the management team concluded that the project was not feasible and entered into a settlement agreement and release with the Optioner. The terms of the settlement agreement provide that the Optioner will refund the Company \$175,000 for amounts expended under the agreement including an amount for interest and lost opportunity costs and is included in settlement receivable. The amounts receivable were due in two payments:

- a. An initial payment of \$67,000 immediately following the Optioner's conclusion of a seed financing or M&A transaction within 2 months and,
- b. Balance of payment \$108,000 on closing of the Optioner's IPO/RTO transaction in the fall of 2017.

Subsequent to year end, the Company negotiated a settlement and release of the original settlement agreement in the amount of \$45,000. The settlement amount of \$45,000 was allocated to consulting expenses. On March 29, 2018, the Company received the \$45,000 settlement.

Italmin Project – Italy

On November 28, 2017, the Company entered into an agreement with Italmin Energie SRL ("Italmin"), an Italian corporation, to acquire a 16% participating interest in an oil and gas permit situated in central south Italy and referred to as the NUSCO permit (the "Permit"). Italmin currently has a 20% participating interest and is party to a Joint Operating Agreement with a third party that has an 80% interest (the "Majority Interest Holder"). The Company will carry Italmin on its 4% carried participating interest until the Company has spent Euro 800,000 under a joint operating agreement ("JOA"), being its 20% share of a total of Euro 4,000,000 to be spent on drilling and testing operations of a first well.

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5. OIL AND GAS PROPERTIES AND SETTLEMENT AGREEMENT (Continued)

Italmin Project – Italy (Continued)

Once Euro 4,000,000 has been expended, all parties to the JOA will be responsible to pay their share of costs going forward on the basis of the Majority Interest Holder paying 80%, the Company 16% and Italmin 4%. In addition to the cost of carrying Italmin on its carried interest as outlined above, the purchase price for the Company's 16% participating interest is Euro 30,000 payable as to Euro 10,000 by April 30, 2018 and the remaining Euro 20,000 upon environmental drilling authorization being obtained. Italmin has the right to convert its carried participating interest in all future activities that have origin from the Permit into a gross participating interest with Italmin only paying all taxes, royalties and any other statutory obligations relating to such interest ("Gross Participating Interest") at the conversion rate of receiving 1% Gross Participating Interest for each 4% of carried interest converted. Conversion into a Gross Participating Interest will result in Italmin receiving its percentage of net profits in payment or kind from the hydrocarbons produced from the Permit without Italmin having to participate in any kind of investment and expenditures in connection with the production of such hydrocarbons. Subsequent to quarter end, the payment deadline of the Euro 10,000 was again extended and the amount was paid on May 17, 2018.

6. EQUIPMENT

COST	COMPUTER HARDWARE	OFFICE FURNITURE AND EQUIPMENT	TOTAL
Balance at December 31, 2016	\$ 12,263	\$ 8,061	\$ 20,324
Additions and disposals	-	-	-
Balance at December 31, 2017	12,263	8,061	20,324
Additions and disposals	-	-	-
Balance at March 31, 2018	\$ 12,263	\$ 8,061	\$ 20,324

ACCUMULATED DEPRECIATION

Balance at December 31, 2015	\$ 11,113	7,037	18,150
Depreciation for the year	345	205	550
Balance at December 31, 2016	11,458	\$ 7,242	\$ 18,700
Depreciation for the year	60	41	101
Balance at December 31, 2017	\$ 11,518	\$ 7,283	\$ 18,801

NET BOOK VALUE

At December 31, 2016	\$ 805	\$ 819	\$ 1,624
At December 31, 2017	\$ 745	\$ 778	\$ 1,523

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7. RELATED PARTY BALANCES AND TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

a) Transactions With Key Management Personnel

	THREE MONTHS ENDED MARCH 31	
	2018	2017
Salaries and other short term benefits	\$ 12,000	\$ 67,000

Key management personnel are the persons responsible for planning, directing and controlling the activities of the Company, and include both executive and non-executive directors, certain senior officers, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

As at March 31, 2018, \$314,612 (December 31, 2017 - \$432,893) were owing to key management personnel or to a company controlled by a director and the amounts were included in due to related parties. The amounts payable are non-interest bearing, are unsecured, and have no specific terms of repayment.

b) Other Related Party Transactions

i) During the three months ended March 31, 2018, the Company charged \$Nil (2017 - \$Nil) to corporations with at least one common officer and director for recovery of expenses. As at March 31, 2018, \$6,356 (December 31, 2017 - \$6,356) were due from these corporations and the amounts were included in amounts receivable. The amounts receivable are non-interest bearing, are unsecured, and have no specific terms of repayment.

ii) During the three months ended March 31, 2018, the Company was charged \$Nil (2017 - \$1,313) under a shared services arrangement for office space and administrative assistance by companies with at least one common director. As at March 31, 2018, \$21,401 (December 31, 2017 - \$21,401) were due and included in due to related parties. The amounts payable are non-interest bearing, are unsecured, and have no specific terms of repayment.

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8. NOTES PAYABLE TO RELATED PARTIES

During the three months ended March 31, 2018 and the year ended December 31, 2017, the Company entered into loan agreements with several directors, officers, shareholders and other related parties. As at March 31, 2018, the total amounts owed to related parties were \$1,233,266 (December 31, 2017 - \$1,194,035), including interest payable of \$269,115 (December 31, 2017 - \$268,449). The outstanding loans are unsecured, bear interest at 12% per annum through September 30, 2017, and are due on demand. Effective September 30, 2017, the interest on the loans was discontinued by agreement of the lenders. During the three months ended March 31, 2018, the Company recorded a total of \$nil (2017 - \$21,669) in interest expense on notes payable to related parties.

9. SHARE CAPITAL

a) Authorized

Unlimited common shares without par value
5,000,000 preferred shares, par value of \$5 per share (none issued)

b) Issued and Outstanding

During the three months ended March 31, 2018, the Company issued 11,978,333 units at a price of \$0.075 per unit for cash proceeds of \$898,375. Each unit is comprised of one common share and one share purchase warrant entitling the holder to acquire one additional common share at a price of \$0.20 per share for 24 months from closing. Finders fees of \$65,105 was paid in cash and 731,920 agent's warrants were issued in connection with the private placement.

There were no shares issued during the years ended December 31, 2017.

On December 28, 2017, the Company completed a 1:10 share consolidation. All references to common shares, options, warrants, and per common share amounts have been retroactively restated to reflect this share consolidation.

c) Warrants

A summary of the changes in the Company's share purchase warrants is as follows:

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, December 31, 2016	728,667	1.90
Expired	(728,667)	1.90
Balance, December 31, 2017	-	-
Issued	12,710,253	0.20.
Balance, March 31, 2018	12,710,253	\$ 0.20

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9. SHARE CAPITAL (Continued)

c) Warrants (Continued)

The following table summarizes the Company's warrants outstanding and exercisable at March 31, 2018:

NUMBER OF WARRANTS OUTSTANDING	EXERCISE PRICE	EXPIRY DATE
12,710,253 *	\$0.20	March 29, 2020

* Includes 731,920 agent warrants

The fair value of 731,920 agent's warrants issued in connection with private placements during the period ended March 31, 2018 was estimated on the date of issuance using the Black-Scholes option pricing model. The fair value of \$59,977 was recorded as share issue costs and deducted from equity.

Weighted-average assumptions used in the option-pricing model are as follows:

	<u>2018</u>	<u>2017</u>
Risk-free interest rate	1.77%	-
Expected life	2 years	-
Expected volatility	183%	-
Expected dividends	Nil	-

d) Incentive Stock Options

The Company's Stock Option Plan ("the Plan") follows the policies of the TSX Venture Exchange regarding stock option awards granted to employees, directors and consultants. The stock option plan allows a maximum of 10% of the issued shares to be reserved for issuance under the plan.

There were no new options granted during the three months ended March 31, 2018 or the year ended December 31, 2017.

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9. SHARE CAPITAL (Continued)

d) Incentive Stock Options (Continued)

A summary of the changes in the Company's stock options is as follows:

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, December 31, 2016	512,000	\$ 1.10
Expired	(265,000)	1.20
Balance, December 31, 2017 and March 31, 2018	247,000	\$ 1.00

The following table summarizes the Company's stock options outstanding and exercisable at March 31, 2018:

NUMBER OF OPTIONS OUTSTANDING	NUMBER OF OPTIONS EXERCISABLE	EXERCISE PRICE	EXPIRY DATE
247,000	247,000	\$1.00	June 23, 2019

10. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to pursue and complete the identification and evaluation of assets, properties or businesses with a view to acquisition. The Company does not have any externally imposed capital requirements to which it is subject.

As at March 31, 2018 and December 31, 2017, the Company had capital resources consisting of cash. 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, adjust the amount of cash and cash equivalents, or dispose of assets.

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

The Company's ability to continue as a going concern is dependent upon successful completion of additional financing, continuing support of creditors and its ability to attain profitable operations.

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11. FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks and has no designated hedging transactions. The Board approves and monitors the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continuation of the Company's exploration activities, and limited exposure to credit and market risks. There were no changes to the objectives or the process from the prior period.

The types of risk exposure and the way in which such exposures are managed are as follows:

a) Credit Risk

Credit risk primarily arises from the Company's cash and cash equivalents and amounts receivable. The risk exposure is limited to their carrying amounts at the statement of financial position date. Cash and cash equivalents are held as cash deposits or invested in guaranteed investment certificates with various maturity dates. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses. The Company periodically assesses the quality of its investments and is satisfied with the credit rating of the bank and the investment grade of the guaranteed investment certificates. Amounts receivable primarily consists of Goods and Services Tax (GST) credits and other receivables.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures there is sufficient capital to meet short term business requirements. One of management's goals is to maintain an optimal level of liquidity through the active management of assets, liabilities and cash flows.

The Company's cash and cash equivalents are deposited in major banks or invested in guaranteed investment certificates, which are available on demand to fund the Company's operating costs and other financial demands.

c) Market Risk

The significant market risks to which the Company is exposed are currency, interest rate, commodity and equity price risks.

i) Currency Risk

The operating results and financial position of the Company are reported in Canadian dollars. As the Company is exploring opportunities in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are subject to currency risk.

The majority of the Company's costs are incurred in Canada and are denominated in Canadian dollars. Foreign currency transactions are booked at historical cost in Canadian dollars.

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11. FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (Continued)

c) Market Risk (Continued)

i) Currency Risk (Continued)

The Company has not entered into any agreements or purchased any foreign currency hedging instruments to hedge possible currency risks at this time. Management believes the foreign exchange risk derived from currency conversions is not significant, and therefore, does not hedge its foreign exchange risk.

As at March 31, 2018 and December 31, 2017, the Company is exposed to currency risk through the following monetary assets and liabilities denominated in foreign currencies:

	MARCH 31	DECEMBER 31
	2018	2017
Cash	USD 153	USD 1,571
Accounts payable	USD 26,938	USD 18,623
Notes payable	USD 156,436	USD 151,836

Based on the above net exposures and assuming that all other variables remain constant, a 10% change in the value of the foreign currencies against the Canadian dollar would result in an increase or decrease of \$23,625 (Dec 31, 2017 - \$21,2187) in income/loss from operations.

ii) Interest Rate Risk

The Company's policy is to invest excess cash in guaranteed investment certificates at fixed or floating rates of interest and cash equivalents are to be maintained in floating rates of interest in order to maintain liquidity, while achieving a satisfactory return for shareholders. As at March 31, 2018 and December 31, 2017 no cash was held in interest bearing deposits. Fluctuations in interest rates impact the value of cash and cash equivalents. The Company manages risk by monitoring changes in interest rates in comparison to prevailing market rates.

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11. FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (Continued)

c) Market Risk (Continued)

iii) Commodity and Equity Price Risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's financing abilities due to movements in individual equity prices or general movements in the stock market. The company closely monitors equity prices and the stock market to determine the appropriate course of action to be taken by the Company. The Company's investments consist of common or ordinary shares which are subject to fair value fluctuations.

As at March 31, 2018 and December 31, 2017, the Company had no investments subject to commodity and equity price risk.

12. SEGMENTED INFORMATION

The Company operates in one business segment: oil and gas exploration; and at March 31, 2018 and December 31, 2017 the Company has written down all of its exploration and evaluation assets.

Geographic information with respect to the Company's assets are as follows:

	MARCH 31 2018	DECEMBER 31 2017
Canada	\$ 755,088	\$ 96,206
Total Assets	\$ 755,088	\$ 96,206

Geographic information with respect to the Company's comprehensive loss is as follows:

	MARCH 31	
	2018	2017
Canada	\$ 129,953	\$ 229,703
Africa	-	-
Comprehensive loss for the period	\$ 129,953	\$ 229,703

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13. SUBSEQUENT EVENTS

- i) On April 27, 2018, the Company closed the second tranche of a private placement and issued 21,354,987 units at a price of \$0.075 per unit for cash proceeds of \$1,601,624. Each unit is comprised of one common share and one share purchase warrant entitling the holder to acquire one additional common share at a price of \$0.20 per share for 24 months from closing

- ii) On May 2, 2018 the Company announced that, subject to regulatory approval, it will be conducting a non-brokered private placement of up to 13 million units at a price of eleven and a half cents per unit (\$0.1150) for proceeds of up to \$1.5 million. Each unit will consist of one common share and one common share purchase warrant (the "Unit Warrants") with each Unit Warrant entitling the holder to acquire one additional common share at a price of \$0.20 per share for 24 months from closing subject to the right of the Company to accelerate the exercise period of the warrants to 20 days if, after the four month hold period, shares of the Company have a closing price of \$0.40 or higher for ten (10) consecutive trading days. Funds from the financing will be used to pay for costs associated with the Company's Italmin project (see the Company's November 30, 2017 news release), for working capital and for evaluating new projects including opportunities to acquire oil and gas leases in the Eagle Ford shale formation in South Texas (see news release dated March 5, 2018). Finder's fees in accordance with regulatory policies may be payable.

- iii) Subsequent to March 31, 2018 the Company settled \$299,338 in debt to certain directors and officers of the Company by issuing 2,660,783 shares at a price of \$0.1125 per share.