

ORACLE ENERGY CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2019
(Expressed in Canadian Dollar)

(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.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Expressed in Canadian Dollars) (Unaudited)

	MARCH 31 2019	DECEMBER 31 2018
ASSETS		
Current		
Cash	\$ 31,463	\$ 58,421
Amounts receivable	2,348	2,009
Prepaid expenses	-	15,000
Total Current Assets	33,811	75,430
Equipment	-	1,219
Exploration and Evaluation Assets (Note 5)	15,442	15,442
Total Assets	\$ 49,253	\$ 92,091
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 398,721	\$ 367,412
Due to related parties (Note 6)	504,979	498,788
Notes payable to related parties (Note 7)	270,101	272,712
Total Liabilities	1,173,801	1,138,912
DEFICIENCY		
Share Capital (Note 8)	21,930,458	21,930,458
Shares to be issued	6,250	6,250
Reserves	4,532,213	4,532,213
Deficit	(27,593,469)	(27,515,742)
Total Deficiency	(1,124,548)	(1,046,821)
Total Liabilities And Deficiency	\$ 49,253	\$ 92,091

Nature of operations and going concern (Note 1)

These financial statements were authorized for issuance by the Board of Directors on May 30, 2019. 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 consolidated financial statements.

ORACLE ENERGY CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)
(Unaudited)

	THREE MONTHS ENDED	
	MARCH 31	
	2019	2018
Expenses		
Advertising and communications	\$ 688	\$ 2,903
Bank charges and interest	331	193
Consulting	15,000	82,789
Depreciation	-	101
Foreign exchange loss (gain)	(9,889)	5,934
Office	-	2,151
Professional fees	7,500	27,495
Regulatory and listing fees	3,700	5,200
Salaries and benefits	58,035	-
Telephone	125	237
Transfer agent fees	1,018	1,952
Travel and promotion	-	998
	76,508	129,953
Loss Before Other Income	(76,508)	(129,953)
Writedown of equipment	(1,219)	-
Net Loss and Comprehensive Loss for the Period	\$ (77,727)	\$ (129,953)
 Basic and Diluted Loss per Share	\$ (0.00)	\$ (0.02)
 Weighted Average Number Of Common Shares Outstanding	67,322,600	6,516,022

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

ORACLE ENERGY CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (Expressed in Canadian Dollars) (Unaudited)

	THREE MONTHS ENDED MARCH 31	
	2019	2018
Cash Flows Provided By (Used For):		
Operating Activities		
Net loss for the period	\$ (77,727)	\$ (129,953)
Items not affecting cash:		
Depreciation	-	101
Writedown of equipment	1,219	-
Net change in non-cash working capital items:		
Amounts receivable	(339)	(2,207)
Settlement receivable	-	45,000
Prepaid expenses	15,000	-
Accounts payable and accrued liabilities	31,309	28,258
Due to related parties	6,191	(111,925)
	(24,347)	(170,726)
Financing Activities		
Shares issued	-	898,375
Share issue costs	-	(65,104)
Share subscriptions receivable	-	(182,500)
Issuance of notes payable to related parties	-	39,231
Foreign exchange impact on notes payable	(2,611)	-
	(2,611)	690,002
Investing Activity		
	-	-
Net Increase In Cash	(26,958)	519,726
Cash, Beginning Of Period	58,421	19,668
Cash, End Of Period	\$ 31,463	\$ 538,944
Non-Cash Financing and Investing Activities		
Agent's warrants issued for financing	-	59,977

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

ORACLE ENERGY CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2019

	<u>SHARE CAPITAL</u>		SHARES TO BE ISSUED	RESERVES	DEFICIT	TOTAL DEFICIENCY
	NUMBER	AMOUNT				
Balance, December 31, 2017	6,250,017	\$ 16,977,342	-	\$ 3,514,019	\$ (22,281,853)	\$ (1,790,492)
Shares issued for cash	11,978,333	898,375	-	-	-	898,375
Share issue cost	-	(65,104)	-	-	-	(65,104)
Fair value of agent's 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)
Shares issued for cash	41,433,467	3,664,424	-	-	-	3,664,424
Shares issued for debt	2,660,783	299,338	-	-	-	299,338
Shares issued for exploration and evaluation expenditures	5,000,000	650,000	-	-	-	650,000
Share issue cost	-	(170,293)	-	-	-	(170,293)
Shares to be issued	-	-	6,250	-	-	6,250
Fair value of agent's warrants issued	-	(263,647)	-	263,647	-	-
Fair value of options granted	-	-	-	694,570	-	694,570
Net loss for the period	-	-	-	-	(5,103,936)	(5,103,936)
Balance, December 31, 2018	67,322,600	\$ 21,930,458	\$ 6,250	\$ 4,532,213	\$ (27,515,742)	\$ (1,046,821)
Net loss for the period	-	-	-	-	(77,727)	(77,727)
Balance, March 31, 2019	67,322,600	\$ 21,930,458	\$ 6,250	\$ 4,532,213	\$ (27,593,469)	\$ (1,124,548)

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

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 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 consolidated financial statements comprise the Company and its wholly owned subsidiary Oracle Oil and Gas LLC.

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. During the three months ended March 31, 2019, the Company incurred a net loss of \$77,727 (2018 - \$129,953). As at March 31, 2019, the Company's current liabilities exceeded its current assets by \$1,139,990 (December 31, 2018: \$1,063,482). As at March 31, 2019, the Company has an accumulated deficit of \$27,593,469 (December 31, 2018: \$27,515,742). 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, amounts payable, or amounts required to complete current acquisition agreements 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 work closely with several financial and equity advisors. Nonetheless, there is no assurance that the Company will be able to raise sufficient funds to complete planned activities.

The Company's consolidated 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, 2019, 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

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2. BASIS OF PRESENTATION (Continued)

a) Statement of Compliance (Continued)

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.

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, 2018. 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.

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2. BASIS OF PRESENTATION (Continued)

d) Significant Accounting Judgments and Estimates (Continued)

Future events or changes in circumstances may materially impact these estimates used in valuing assets and liabilities at year end.

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) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary: Oracle Oil and Gas LLC. Intercompany transactions and balances have been eliminated on consolidation.

b) Financial Instruments

The Company adopted IFRS 9 in its consolidated financial statements on January 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening deficit balance on January 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Financial instrument	Original classification (IAS 39)	New Classification (IFRS 9)
Cash	Fair value through profit or loss ("FVTPL")	FVTPL
Amounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other liabilities	Amortized cost
Due to related parties	Other liabilities	Amortized cost
Notes payable	Other liabilities	Amortized cost

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b) Financial Instruments (Continued)

The original carrying value of the Company's financial instruments under IAS 39 has not changed under IFRS 9.

Financial assets

The Company classifies its financial assets into the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

Amortized cost

Amortized cost are those assets which are held within a business whose objective is to hold financial assets to collect contractual cash flows; and the terms of the financial assets must provide on specified dates cashflows solely through the collection of principal and interest.

Fair value through other comprehensive income ("FVOCI")

FVOCI assets are those assets which are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial assets give rise on specified dates to cash flows solely through the collection of principal and interest.

FVTPL

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or FVOCI. The Company may however make the irrevocable option to classify particular investments as FVTPL.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of operations and comprehensive loss for the year. Financial assets classified at amortized cost are measured at amortized cost using the effective interest method.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

Financial liabilities

Management determines the classification of its financial liabilities at initial recognition.

Amortized cost

The Company classifies all financial liabilities as subsequently measured at amortized cost using the effective interest method, except for financial liabilities carried at FVTPL and certain other exceptions.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) 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, 2019 and December 31, 2018, the Company did not have any cash equivalents.

d) 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)

d) 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.

e) 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)

f) 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.

g) 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.

h) 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, 2019 or 2018 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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) 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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) 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.

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. NEW ACCOUNTING POLICIES

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, 2019, 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 has adopted the following new policies and has determined that there is no material impact on the results and financial position of the Company.

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.

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5. EXPLORATION AND EVALUATION ASSETS

Italmin Project – Italy

December 31, 2016 and 2017	\$	-
Acquisition costs		15,442
December 31, 2018	\$	15,442

During 2018, the Company closed the 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.

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 (paid) 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.

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6. 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	
	2019	2018
Salaries and other short-term benefits	\$ 14,000	\$ 12,000
	\$ 14,000	\$ 12,000

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, 2019, \$504,979 (December 31, 2018 - \$498,788) 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.

During 2018, the Company entered into a debt settlement with a former director in the amount of \$22,621. The debt settlement resulted in a gain of \$11,310.

a) Other Related Party Transactions

i) During the three months ended March 31, 2019, the Company was charged \$Nil (2018 - \$Nil). As at March 31, 2019 and December 31, 2018, \$2,300 were outstanding from prior years and included in due to related parties. The amounts payable are non-interest bearing, are unsecured, and have no specific terms of repayment.

7. NOTES PAYABLE TO RELATED PARTIES

During the three months ended March 31, 2019 and the year ended December 31, 2018 the Company entered into loan agreements with several directors, officers, shareholders and other related parties. As at March 31, 2019, the total amounts owed to related parties were \$270,101 (December 31, 2018 - \$272,712), including interest payable of \$4,823 (December 31, 2018 - \$4,895). 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 year ended December 31, 2018, the Company recorded a total of \$Nil (2017 - \$74,414) in interest expense on notes payable to related parties.

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8. 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

There were no shares issued during the three months ended March 31, 2019.

The following shares were issued during the year ended December 31, 2018:

- 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. Finder's fees of \$59,863 was paid in cash and 731,920 agent's warrants were issued in connection with the private placement.
- 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. Finder's fees of \$25,012 was paid in cash and 330,500 agent's warrants were issued in connection with the private placement.
- 13,043,480 units at a price of \$0.115 per unit for proceeds of \$1,500,000. Each unit is comprised 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. Finder's fees of \$92,413 was paid in cash and 811,587 agent's warrants were issued in connection with the private placement.
- 7,035,000 units at a price of \$0.08 per unit for proceeds of \$562,800. Each unit is comprised 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 \$0.12 per share for 24 months. Finder's fees of \$28,196 was paid in cash and 352,450 agent's warrants entitling the holder to acquire one additional common share at a price of \$0.08 per share for 24 months were issued in connection with the private placement.
- 2,660,783 shares were issued to certain officers and directors at a price of \$0.1125 per share for \$299,338 of debt settlement.
- 5,000,000 shares were issued to a private Texas entity at a deemed price of \$0.13 per share to purchase an NI 51-101 report (the "Data Package")

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8. SHARE CAPITAL (Continued)

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, 2017	-	-
Issued	55,638,257	0.19
Balance, December 31, 2018 and March 31, 2019	55,638,257	\$ 0.19

The following table summarizes the Company's warrants outstanding and exercisable at March 31, 2019:

NUMBER OF WARRANTS OUTSTANDING	EXERCISE PRICE	EXPIRY DATE
12,710,253 *	\$0.20	March 29, 2020
21,685,487 **	\$0.20	May 1, 2020
13,855,067 ***	\$0.20	June 8, 2020
5,035,000	\$0.12	October 31, 2020
352,450 ****	\$0.08	October 31, 2020
2,000,000	\$0.12	November 16, 2020
55,638,257		

* Includes 731,920 agent's warrants

** Includes 330,500 agent's warrants

*** Includes 811,587 agent's warrants

**** Includes 352,450 agent's warrants

The fair value of 731,920 agent's warrants issued in connection with private placements 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.

The fair value of 330,500 agent's warrants issued in connection with private placements was estimated on the date of issuance using the Black-Scholes option pricing model. The fair value of \$37,728 was recorded as share issue costs and deducted from equity.

The fair value of 811,587 agent's warrants issued in connection with private placements was estimated on the date of issuance using the Black-Scholes option pricing model. The fair value of \$198,845 was recorded as share issue costs and deducted from equity.

The fair value of 352,450 agent's warrants issued in connection with private placements was estimated on the date of issuance using the Black-Scholes option pricing model. The fair value of \$27,074 was recorded as share issue costs and deducted from equity.

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8. SHARE CAPITAL (Continued)

c) Warrants (Continued)

Assumptions used in the option-pricing model are as follows:

	<u>2019</u>	<u>2018</u>
Risk-free interest rate	-	1.77-2.33%
Expected life	-	2 years
Expected volatility	-	169-289%
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 options granted during the three months ended March 31, 2019.

During the year ended December 31, 2018, the Company granted 5,360,000 incentive stock options to various directors, officers and consultants of the Company. The options granted have an exercise price of \$0.15, vest immediately, and expire 5 years after the date of grant. The fair value of options granted was estimated on the date of grant using the Black-Scholes option pricing model (risk-free rate: 2.25%; expected life: 5 years; volatility: 264%). The fair value of \$694,570 was recorded as stock-based compensation.

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

	<u>NUMBER OF WARRANTS</u>	<u>WEIGHTED AVERAGE EXERCISE PRICE</u>
Balance, December 31, 2017	247,000	1.00
Granted	5,360,000	0.15
Expired	(4,000)	1.00
Balance, December 31, 2018 and March 31, 2019	5,603,000	\$ 0.19

The following table summarizes the Company's stock options outstanding and exercisable at March 31, 2019:

<u>NUMBER OF OPTIONS OUTSTANDING</u>	<u>NUMBER OF OPTIONS EXERCISABLE</u>	<u>EXERCISE PRICE</u>	<u>EXPIRY DATE</u>
243,000	243,000	\$1.00	June 23, 2019
5,360,000	5,360,000	\$0.20	September 12, 2023
<u>5,603,000</u>	<u>5,603,000</u>		

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9. 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, 2019 and December 31, 2018, 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.

10. 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.

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10. FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (Continued)

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.

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, 2019 and December 31, 2018, the Company is exposed to currency risk through the following monetary assets and liabilities denominated in foreign currencies:

	MARCH 31	DECEMBER 31
	2019	2018
Cash	USD 92	USD 110
Accounts payable	USD 102,220	USD 62,272
Due to related parties	USD 228,000	USD 18,623
Notes payable	USD 113,563	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 \$59,290 (December 31, 2018 - \$54,258) in income/loss from operations.

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10. FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (Continued)

c) Market Risk (Continued)

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, 2019 and December 31, 2018, 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.

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, 2019 and December 31, 2018, the Company had no investments subject to commodity and equity price risk.

11. SEGMENTED INFORMATION

The Company operates in one business segment: oil and gas exploration. Geographic information with respect to the Company's assets are as follows:

	MARCH 31	DECEMBER 31
	2019	2018
Canada	\$ 33,811	\$ 76,649
Italy	15,442	15,442
Total Assets	\$ 49,253	\$ 92,091

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

	MARCH 31	
	2019	2018
Canada	\$ 25,778	\$ 129,953
United States	51,949	-
Comprehensive loss for the period	\$ 77,727	\$ 129,953