DEVIN ENERGY CORPORATION

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

DECEMBER 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Devin Energy Corporation

Opinion

We have audited the accompanying financial statements of Devin Energy Corporation (the "Company"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of loss and comprehensive loss, cash flows and shareholders' deficiency for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company has an accumulated deficit of $2,514,801 as at December 31, 2018. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Stephen Hawkshaw.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

April 30, 2019

DEVIN ENERGY CORPORATION
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT DECEMBER 31

	2018	2017
ASSETS		
Current		
Cash and cash equivalents	$ 35,781	$ 61,097
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities	$ 2,074	$ 798
Due to related parties (Note 7)	632,373	632,373
	634,447	633,171
Shareholders' deficiency		
Share capital (Note 6)	1,916,135	1,916,135
Deficit	(2,514,801)	(2,488,209)
	(598,666)	(572,074)
	$ 35,781	$ 61,097

Nature and continuance of operations (Note 1)

Approved on behalf of the Board of Directors on April 30, 2019:

Ira M. Patton Director *Gayle S.Patton* Director

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

DEVIN ENERGY CORPORATION
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
YEARS ENDED DECEMBER 31
(Expressed in Canadian Dollars)

	2018	2017
Bank charges	$ 223	$ 283
Depreciation (Note 4)	-	606
Filing and exchange fees	5,000	4,083
Foreign exchange loss	-	906
Insurance fees (Note 7)	-	1,086
Office and miscellaneous expenses (Note 7)	86	1,191
Professional fees	14,888	17,230
Transfer agent fees	6,923	6,578
Finance income	(528)	(373)
Impairment of equipment (Note 4)	-	204,642
Loss and comprehensive loss for the year	$ (26,592)	$ (236,232)
Basic and diluted loss per common share	$ (0.00)	$ (0.03)
Weighted average number of common shares outstanding – basic and diluted	8,194,412	8,194,412

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

DEVIN ENERGY CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31
(Expressed in Canadian Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (26,592)	$ (236,232)
Items not affecting cash:		
Depreciation	-	606
Impairment of equipment	-	204,642
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	(1,276)	438
Due to related parties	-	2,277
Net cash used in operating activities	(25,316)	(28,269)
Change in cash and cash equivalents for the year	(25,316)	(28,269)
Cash and cash equivalents, beginning of year	61,097	89,366
Cash and cash equivalents, end of year	$ 35,781	$ 61,097
Cash and cash equivalents consists of:		
Cash	$ 2,087	$ 7,931
Term deposits	33,694	53,166
	$ 35,781	$ 61,097
Cash paid/received for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -

There were no significant non-cash transactions that affected cash flows from financing or investing activities during the years ended December 31, 2018 and 2017.

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

DEVIN ENERGY CORPORATION
STATEMENT OF SHAREHOLDERS' DEFICIENCY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

	Share Capital			
	Number	**Amount**	**Deficit**	**Total**
Balance, December 31, 2016	8,194,412	$ 1,916,135	$ (2,251,977)	$ (335,842)
Loss for the year	-	-	(236,232)	(236,232)
Balance, December 31, 2017	8,194,412	$ 1,916,135	$ (2,488,209)	$ (572,074)
Loss for the year	-	-	(26,592)	(26,592)
Balance, December 31, 2018	8,194,412	$ 1,916,135	$ (2,514,801)	$ (598,666)

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

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Devin Energy Corporation (the "Company") was incorporated under the Business Corporations Act of the Province of British Columbia. The Company's activities have focused on the acquisition, exploration, and development of oil and gas properties located in the United States.

The address of the Company's registered office is 201 South Christy Sumner, Illinois 62466.

At the date of these financial statements, the Company has not been able to identify reserves that are economically recoverable. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company being able to identify an economically recoverable reserve, to finance its exploration and evaluation costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the properties. To date, the Company has not earned revenues and is considered to be in the exploration stage.

These financial statements have been prepared using International Financial Reporting Standards ("IFRS") on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Management's objective is to target sources of additional financing through alliances with financial, development and resource entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration and evaluation programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

These material uncertainties may cast significant doubt as to the ability of the Company to continue as a going concern.

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

	December 31, 2018	December 31, 2017
Working capital	$ 33,707	$ 60,299
Deficit	(2,514,801)	(2,488,209)

2. BASIS OF PRESENTATION

Statement of compliance

These financial statements, including comparatives, have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

2. BASIS OF PRESENTATION (cont'd…)

Basis of measurement

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The financial statements are presented in Canadian dollars, unless otherwise stated, which is also the functional currency of the Company.

Critical accounting estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, shareholders' deficiency, and the disclosure of assets and liabilities, as at the date of the financial statements, and expenses for the years reported.

<u>Critical Judgments</u>

The preparation of the financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1 of these financial statements.

Functional currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified *in IAS 21, The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the date of statement of financial position while nonmonetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of profit or loss.

<u>Key Sources of Estimation Uncertainty</u>

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

2. BASIS OF PRESENTATION (cont'd…)

Critical accounting estimates and judgments (cont'd…)

Key Sources of Estimation Uncertainty (cont'd…)

Significant estimates made by management affecting these financial statements include:

Deferred tax assets & liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of oil and gas reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash is comprised of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Foreign currency translation

The functional currency of the Company is the Canadian dollar. The reporting currency of the Company is the Canadian dollar. Transactions denominated in foreign currency are translated into Canadian dollars at the rate of exchange in effect at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the rate of exchange in effect at the statement of financial position date, while non-monetary assets and liabilities are translated at historical rates. Any gains or losses resulting from translation have been included in profit or loss.

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to write off the cost of equipment, less its estimated residual value, using the declining balance method at the following rates per annum:

Computer equipment	30%
Vehicles	30%
Oil field equipment	25%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Equipment (cont'd...)

Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

Exploration and evaluation assets

Costs for exploring and evaluating oil and natural gas properties are capitalized within the exploration and evaluation assets. These exploration and evaluation costs include lease acquisition costs, geological and geophysical expenditures, costs of drilling and completion of wells, plant and production equipment costs and related overhead charged. Exploration and evaluation assets do not include costs of general prospecting or evaluation costs incurred prior to having obtained the legal right to explore an area, which are expensed as incurred.

Exploration and evaluation assets are not depleted or depreciated and are carried forward until technical feasibility and commercial viability is considered to be determined. The technical feasibility and commercial viability is generally considered to be determined when proved plus probable reserves are determined to exist and the commercial production of oil and gas has commenced. Upon determination of technical feasibility and commercial viability, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation asset, to development or property, plant, and equipment, as appropriate.

Future reclamation costs

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of reclamation of oil and gas interests (exploration and evaluation assets). The net present value of future rehabilitation cost estimates is capitalized to the related assets along with a corresponding increase in the reclamation provision in the year incurred. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the reclamation provision. The Company's estimates are reviewed at the end of each reporting period for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the year.

For the years presented, the Company does not have any significant future reclamation costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment of long-lived assets

At each reporting date the carrying amounts of the Company's long-lived assets (equipment) are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the year.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Income tax

Income tax on profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax paid or payable in respect of previous years. Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the year that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions.

Loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. For diluted per share computations, assumptions are made regarding potential common shares outstanding during the year. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if, at the beginning of the year, or at time of issuance, if later, options and warrants are exercised. Proceeds from exercise are used to purchase the Company's common shares at their average market price during the year, thereby reducing the weighted average number of common shares outstanding. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments

The Company has adopted the new accounting standard IFRS 9 – Financial Instruments ("IFRS 9"), effective January 1, 2018. The new standard sets out requirements for classifying, recognizing and measuring financial assets and liabilities. This standard replaces IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39").

IFRS 9

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and, therefore, the accounting policy with respect to financial liabilities is unchanged.

The following is the new accounting policy for financial assets under IFRS 9:

Financial assets

The Company will now classify its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are recognized in profit or loss.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss).

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost: The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

The following table shows the classification of the Company's financial assets under IFRS 9 and IAS 39:

Financial asset or liability	IFRS 9 Classification	IAS 39 Classification
Cash and cash equivalents	FVPTL	FVTPL
Accounts payable and accrued liabilities	Amortized cost	Other financial liabilities
Due to related parties	Amortized cost	Other financial liabilities

As the accounting reflected by the adoption of IFRS 9 under the above classifications and election is similar to that of IAS 39, there will be no impact on the Company's financial statements and no restating of prior periods will be required.

Financial liabilities

Financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities, and due to related parties.

The Company provides the required disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
Level 2 – Inputs other than quoted prices that are observable for assets and liabilities either directly or indirectly; and;
Level 3 – Inputs that are not based on observable market data.

The carrying value of accounts payable and accrued liabilities, approximates its fair value due to its short term to maturity. The carrying value of due to related parties also approximates its fair value as the expected repayment amounts approximates its carrying value.

Cash and cash equivalents has been measured at fair value using Level 1 inputs.

Comprehensive loss

Comprehensive loss consists of net loss and other comprehensive loss and represents the change in shareholders' deficiency which results from transactions and events from sources other than the Company's shareholders. For the years presented, net loss was the same as comprehensive loss.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following has not yet been adopted by the Company.

- IFRS 16 *Leases*: New standard to establish principles for recognition, measurement, presentation, and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company does not expect any impact of adopting this standard.

4. EQUIPMENT

	Computer Equipment	Vehicles	Oil Field Equipment	Total
Cost at December 31, 2016	$ 6,259	$ 36,050	$ 203,225	$ 245,534
Impairment of equipment	(6,259)	(36,050)	(203,225)	(245,534)
Cost at December 31, 2017 and 2018	$ -	$ -	$ -	$ -
Accumulated depreciation at December 31, 2016	$ 5,749	$ 34,537	$ -	$ 40,286
Depreciation	152	454	-	606
Impairment of equipment	(5,901)	(34,991)	-	(40,892)
Accumulated depreciation at December 31, 2017 and 2018	$ -	$ -	$ -	$ -
Net book value at December 31, 2017 and 2018	$ -	$ -	$ -	$ -

As at December 31, 2017, the Company recorded an impairment on its equipment as estimated by management with reference to the fair value, less costs to sell ("FVLCS"). Management determined that there were indicators of impairment of the carrying value of the Company's equipment including: low cash resources and a lack of recent or prospective financing activity, and a lack of budgeted future expenditures as a result of the Company's working capital position. As a result of these indicators, an impairment test was carried on the Company's equipment which resulted in an impairment loss of $204,642, recognized in profit or loss for the year ended December 31, 2017.

5. EXPLORATION AND EVALUATION ASSETS

The oil field equipment was purchased on June 19, 2007, and the Company has yet to use the equipment for its operations. The Company also has an 8.56% interest in the Siggins Oil Mining Project #1 located in Cumberland County, Illinois, U.S.A. The oil mining project is currently in the exploration stage and the Company does not contribute to the exploration costs. Upon production, the Company will have an 8.56% working interest in the project.

6. SHARE CAPITAL

Share issuances

There were no share transactions during the years ended December 31, 2018 and 2017.

Stock options

During the years ended December 31, 2018 and 2017, no stock options were granted. There were no stock options outstanding at December 31, 2018 and 2017.

Warrants

During the years ended December 31, 2018 and 2017, no warrants were granted. There were no warrants outstanding at December 31, 2018 and 2017.

7. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the financial statements are summarized below and include transactions with the following individuals or entities:

<u>Key management personnel</u>

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors, corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer, and Vice Presidents.

Key management personnel did not receive any remuneration during the years ended December 31, 2018 and 2017.

<u>Other related parties</u>

During the year ended December 31, 2018, the Company paid insurance, and office and miscellaneous expenses to a company controlled by the President of the Company in the amount of $Nil (2017 - $2,277).

As of December 31, 2018, $632,373 (2017 - $632,373) is included in due to related parties, and is owed to a company controlled by the President of the Company.

The amounts due to related parties are unsecured and non-interest bearing. During the year ended December 31, 2018, the amounts due to related parties were classified as long term since the Company will not have to repay this amount for at least twelve months.

(Expressed in Canadian Dollars)

8. INCOME TAXES

The reconciliation of the income tax provision completed at statutory rates to the reported income tax provision is as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Net loss for the year before income taxes	$ (26,592)	$ (236,232)
Income tax recovery at statutory tax rates	$ (7,000)	$ (61,000)
Changes in unrecognized deductible temporary differences	(6,000)	(17,000)
Expiry of non-capital losses	-	5,000
Other	13,000	73,000
Income tax recovery	$ -	$ -

The Canadian income tax rate increased during the year due to changes in the law that increased corporate income tax rates in Canada.

The significant deductible temporary differences, unused tax losses and expiry dates are as follows:

	December 31, 2018		December 31, 2017	
Exploration and evaluation assets	$ 216,000	No expiry	$ 216,000	No expiry
Equipment	$ 273,000	No expiry	$ 309,000	No expiry
Non-capital losses available for future periods	$ 1,311,000	2026 - 2038	$ 1,261,000	2026 - 2037

Tax attributes are subject to review, and potential adjustment, by tax authorities.

9. FINANCIAL INSTRUMENTS

Risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is attributable to cash and cash equivalents. The credit risk from cash and cash equivalents is limited because they are held at major financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2018, the Company had cash and cash equivalents of $35,781, to settle current liabilities of $2,074. The Company estimates it has sufficient working capital to continue operations for the upcoming year.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has cash balances, and cash equivalent balances comprising interest-bearing term deposits. The interest earned on the cash equivalents approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

b) Foreign currency risk

The Company operates in the United States and is therefore subject to foreign currency risk as the United States dollar fluctuates with the Canadian dollar. The amounts due to related parties are denominated in the United States dollar. For each 10% change in the Canadian dollar versus the United States dollar, profit or loss would be negligible.

9. FINANCIAL INSTRUMENTS (cont'd…)

Risk management (cont'd...)

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of oil and gas, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

10. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In the management of capital, the Company includes and components of shareholders' deficiency.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned acquisition or exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2018. The Company is not subject to externally imposed capital requirements.

11. SEGMENTED INFORMATION

The Company operates in one reportable segment being the acquisition, exploration and evaluation of oil and gas properties. All of the Company's equipment was located in the United States.