TENTH AVENUE PETROLEUM CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

MARCH 31, 2018 (UNAUDITED)

NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited interim consolidated financial statements of Tenth Avenue Petroleum Corp have been prepared by and are the responsibility of management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

Calgary, Alberta
May 30, 2018

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE THREE MONTHS ENDED MARCH 31, 2018

In Canadian Dollars
(UNAUDITED)

As at	Note	March 31, 2018	December 31, 2017
ASSETS			
CURRENT			
Cash and cash equivalents		$ 56,526	$ 8,227
Trade and other receivables		95,810	52,150
Short term investments		14,022	14,022
Prepaid expenses and deposits		988	988
		$ 167,346	$ 75,387
Restricted cash held in trust	3	207,390	206,281
Property and equipment	4	1,541,622	1,576,158
		$ 1,916,358	$ 1,857,826
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		$ 329,153	$ 253,879
Asset retirement obligation	7	192,074	186,574
		$ 521,227	$ 440,453
Loan payable	6	1,359,958	1,359,958
Asset retirement obligation	7	218,139	215,712
Total Liabilities		$ 2,099,324	$ 2,016,123
SHAREHOLDERS' EQUITY			
Share capital	8	12,465,831	12,465,831
Warrants	9		-
Contributed surplus		9,659,522	9,659,522
Deficit		(22,308,319)	(22,283,650)
		$ (182,966)	$ (158,297)
		$ 1,916,358	$ 1,857,826
Going concern	1		

Signed "Gregory J. Leia"
Gregory J. Leia Director

Signed "Craig Leggatt"
Craig Leggatt Director

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

**CONSOLIDATED STATEMENTS
OF LOSS AND COMPREHENSIVE LOSS**

FOR THE THREE MONTHS ENDED MARCH 31, 2018

In Canadian Dollars
(UNAUDITED)

	Note	March 31, 2018	**March 31, 2017**
REVENUE			
Oil & natural gas sales		$ 328,082	$ 17,395
Royalties		(84,048)	(699)
Other revenue			-----
		$ 244,034	$ 16,696
EXPENSES			
Production and transportation		136,883	10,312
General and administrative		71,510	26,842
Share based compensation	9		----
Depletion, depreciation and impairment	4	40,313	5,772
		$ 248,706	$ 42,926
Operating income(loss) from continuing operations		(4,672)	(26,230)
Other (income) expense items			
Interest income			----
Interest expense and accretion		20,000	697
COMPREHENSIVE INCOME(LOSS)		$ (24,672)	$ (26,927)
INCOME(LOSS) PER SHARE			
Basic and diluted		$ (0.00)	$ (0.00)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

In Canadian Dollars

(UNAUDITED)

	March 31, 2018	**March 31, 2017**
Operating activities		
Net loss	$ (24,672)	$ (26,927)
Depletion, depreciation and impairment	40,313	5,722
Interest expense and accretion, non-cash	20,000	697
Share based compensation	0	15,160
Foreign exchange	1,138	
Changes in non-cash working capital	11,796	23,273
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**48,575**	(3,315)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Issue of shares		
Increase in Loan		
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Restricted cash held in trust		-
Purchase of property and equipment	277	
INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	**48,298**	3,315
Foreign exchange on cash balance		-
NET CHANGE IN CASH AND CASH EQUIVALENTS	48,298	3,315
CASH AND CASH EQUIVALENTS, beginning of year	8,228	1,440
CASH AND CASH EQUIVALENTS, end of year	**$ 56,526**	**$ 4,755**
Supplemental cash flow information		
Cash Paid for Interest		…--

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

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2018

In Canadian Dollars (UNAUDITED)

	March 31, 2018	March 31, 2017
SHAREHOLDERS' EQUITY		
Share capital		
Balance, beginning of year	$ 12,465,831	$ 12,365,831
Private placement	-	100,000
Balance, end of year	$ 12,465,831	$ 12,465,831
Warrants		
Balance, beginning of year		$ -
Warrants expired		-
Balance, end of year		$ -
Contributed surplus		
Balance, beginning and end of year	$ 9,659,522	$ 9,636,542
Warrants expired	-	-
Share based compensation		
Balance, end of year	$ 9,659,522	$ 9,636,542
Accumulated other comprehensive income		
Balance, beginning of year		$ -
Foreign exchange translation adjustment		-
Transfer of translation adjustment realized on discontinued operations		-
		$ -
Deficit		
Balance, beginning of year	$ (22,283,647)	$ (21,904,750)
Net loss	(24,672)	(26,927)
Balance, end of year	$ (22,308,319)	$ (21,931,677)
TOTAL SHAREHOLDERS' EQUITY	$ (182,966)	$ (78,516)

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

Tenth Avenue is in the business of exploring for and developing petroleum and natural gas properties in Western Canada. Tenth Avenue is a company domiciled in Canada. The address of the Company's registered office is 203, 221 10th Avenue SE, Calgary, Alberta.

1. GOING CONCERN

These consolidated financial statements do not reflect the adjustments and classifications of assets, liabilities, revenues and expenses which would be necessary if the Company were unable to continue as a going concern. The accompanying consolidated financial statements have been prepared using the going concern assumption which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

As the Company incurred losses has a working capital deficit and will need capital to fund its planned operating, exploration and development activities, there is a material uncertainty which casts significant doubt on the Company's ability to continue as a going concern. For the period ended March 31, 2018, the Company incurred a net loss of $24,672 (December 31, 2017 – $378,900) and has working capital deficit of $353,881 (December 31, 2017 - $365,066) and an accumulated deficit of $22,303,319 (December 31, 2017 - $22,283,650).

2. SIGNIFICANT ACCOUNTING POLICIES - Basis of presentation and measurement

Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated financial statements of the Company include the accounts of Tenth Avenue Petroleum Corp. and its subsidiaries (collectively referred to as ("the Company") and have been prepared by management. These financial statements were authorized for issue by the Board of Directors on May 30, 2017.

These consolidated financial statements have been prepared on a historical cost basis.

The Company has reviewed the following new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company's financial statements:

(a) IFRS 15 Revenue from Contracts with Customers:

As of January 1, 2018, the Company will be required to adopt IFRS 15 Revenue from Contracts with Customers. The new standard replaces IAS 11 Construction Contracts; IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The new standard dictates the recognition and measurement requirements for reporting the nature, amount, timing and uncertainty of revenue resulting from an entity's contracts with customers. As of December 31, 2016, the Company is still determining the impact that the adoption of this standard will have on its financial statements.

(b) IFRS 9 Financial Instruments:

As of January 1, 2018, the Company will be required to adopt IFRS 9 Financial Instruments, which is the result of the first phase of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has two classification categories: amortized cost and fair value. In addition, updates have also been applied surrounding hedge accounting requirements which are now more aligned with an entity's risk management activities. As of December 31, 2016, the Company is still determining the impact that the adoption of this standard will have on its financial statements.

(c) IFRS 16 Leases:

As of January 1, 2019, the Company will be required to adopt IFRS 16 Leases, which will replace IFRS 17 Leases. For lessees applying the new standard, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. As of December 31, 2016, the Company is still determining the impact that the adoption of this standard will have on its financial statements.

The IASB issued the following standard which is relevant but has not yet been adopted by the Company:

IFRS 11 – Joint Arrangements, has been amended as of January 1, 2016. The standard now requires entities acquiring an interest in a joint operation to apply the principles of IFRS 3 as it related to business combinations. The amendments to this standard are not anticipated to have a material impact on the Company

IFRS 15 – Revenue from Contracts with Customers, provides clarification for recognizing revenue from contracts with customers and establishes a single revenue recognition and measurement framework that applies to contracts with customers. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently assessing the potential impact of the adoption of IFRS 15 on the Company's financial statements.

IFRS 9 - Financial Instruments is intended to replace IAS 39 - Financial Instruments: Recognition and Measurement and uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial liabilities designated at fair value through profit or loss, a company can recognize the portion of the change in fair value related to the change in the company's own credit risk through other comprehensive income rather than profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39, and incorporates new hedge accounting requirements. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently assessing the potential impact of the adoption of IFRS 9 on the Company's financial statements

IFRS 16 – Leases is intended to replace IAS 17 – Leases and introduces a single lease accounting model which requires the recognition of assets and liabilities for most leases. The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if the Company is also applying IFRS 15 – Revenue from Contracts with Customers. Management is currently assessing the potential impact of the adoption of IFRS 16 on the Company's financial statements.

3. RESTRICTED CASH HELD IN TRUST

Restricted cash held in trust includes $51,352 (2017 - $51,352) held by the Alberta Energy and Utilities Board, $124,629 (2017 - $124,629) held by British Columbia Minister of Energy, Mines and Petroleum Resources and USD $24,152 (2017 - USD $24,152) held by the Texas Railway Commission.

In Canadian Dollars FOR THE THREE MONTHS ENDED MARCH 31, 2018

4. PROPERTY AND EQUIPMENT

COSTS

	Oil and Natural Gas Assets	Water-well assets	Other assets	Total
	$	$	$	$
Balance, December 31, 2017	2,248,606	155,800	72,678	2,477,084
ARO additions	-	-	-	-
Purchases - P&NG	-	-	-	-
Purchase - Tangible	-		-	-
	-	-	-	-
Foreign exchange and other adjustments	309	-	-	309
Balance, March 31, 2018	**2,248,915**	**155,800**	**72,678**	**2,477,393**

ACCUMULATED DEPLETION, DEPRECIATION

Balance, December 31, 2017	686,337	144,306	70,282	900,925
Depletion, depreciation for the year	23,104	11,308	433	34,845
Balance, March 31, 2018	709,441	155,614	70,715	935,770
CARRYING AMOUNT	$	$	$	$
December 31, 2017	1,562,269	11,494	2,396	1,576,159
March 31, 2018	**1,539,474**	**186**	**1,963**	**1,541,623**

On July 31, 2017, the Company acquired oil and gas mineral rights from surface to base of the Bluesky Bullhead Group in 22 sections (gross 14,080 acres and net 9,726 acres) located near Fox Creek, Alberta. The assets consist of 8 vertical wells producing approximately 1,800 mcf/d of dry sweet natural gas and 17 b/ngl/d of NGL from the Dunvegan/Gething formations ("**Waskahigan Assets**"). The final adjusted purchase price for the Waskahigan Assets was $1,282,437, broken down as follows. The amount of $972,890 shown above as P&NG purchases reflects the $1,120,000 in P&NG Rights below, plus $41,928 in inventory and less accounting adjustment of $189,038 for net operating income prior to the closing date of purchase of July 31, 2017

The above amounts are estimates, which were made by Management at the time of the preparation of these consolidated financial statements based on the information then available. Amendments may be made to these amounts as values subject to estimates are finalized.

The fair value of the P &NG purchases has been determined to equate the purchase price above. The fair value of the ARO was initially estimated using a credit adjusted rate of 10 %.

In Canadian Dollars FOR THE THREE MONTHS ENDED MARCH 31, 2018

5. EXPLORATION AND EVALUATION ASSETS

The following table summarizes information about the Company's exploration and evaluation assets:

Cost	
Balance, December 31, 2015	$ 69,229
Foreign exchange	13,177
Impairment	(82,406)
Balance, December 31, 2016 and 2017	$ -

E&E Assets consist of the Company's exploration and development projects which are pending the determination of proved and probable reserves and production. Additions represent costs incurred on E&E Assets during the period, predominantly land acquisition costs and drilling costs on the Company's first well in Texas.

The Company recognized a $82,406 impairment on the carrying value of the U.S. Assets as of December 31, 2015. The write down recognizes management's estimate that there is no recoverable salvage value from the existing assets and management has relinquished the Mineral Leases in Texas on November 30, 2015.

During the year, the Company acquired oil and gas rights for land located near Fox Creek as described in note 4. The Company determined that the purchase were production properties and as such should not be recorded as E&E but rather PP&E.

6. LOAN PAYABLE

On July 31, 2017 the Company entered into a Loan and Participation Agreement with Smoky Oil & Gas Corp ("**Smoky**") and Batoche Oil & Gas Exploration Ltd. ("**Batoche**"). Pursuant to the terms of the Loan and Participation Agreement ("**LPA**"), Smoky lent the Company the sum of $1,326,593 to make the acquisition of the Waskahigan Assets. The interest rate on the loan principal is 6% per annum. All obligation owing are secured by a general security agreement charging all of the assets of the Company. Subject to an agreed upon general and administrative expense payment, Smoky shall be entitled to all net cash flow from the Waskahigan Assets until the loan is repaid. While loans are outstanding, the Company shall be restricted to charging general and administrative costs to a maximum of $75,000 per year for administration of the Waskahigan Assets and charging general and administrative costs to a maximum of $75,000 per year for administration of the Waskahigan Participation Assets (as defined below). The LPA was amended on September 30, 2017 to provide that the Company shall be entitled to all net cash flows from operations until December 31, 2017.

The Company has agreed to farmout to Batoche the Waskahigan Assets (other than existing wells and applicable spacing units)("**Waskahigan Participation Assets**"). There was an amendment to the original LPA, whereas as additional consideration, Smoky shall be entitled to receive: (a) 80% of net cash flow from the Waskahigan Assets (less agreed general and administrative expenses) until December 31, 2021 (subject to farmout rights); (b) 80% of net sale proceeds of Waskahigan Assets (subject to farmout rights); (c) right to compel the Company to buy Smoky's right to 80% of the net cash flow from the Waskahigan Assets (subject to farmout rights) for 2.5 times net cash flow; and (d) right to compel the Company to buy Smoky's right to 24% of the net cash flow from the Waskahigan Participation Assets (subject to farmout rights) for 2.5 times net cash flow from the Waskahigan Participation Assets. The Company shall have the right to: (a) right to compel Smoky to sell its right to 80% of the net cash flow from the Waskahigan Assets (subject to farmout rights) for 2.5 times net cash flow; and (d) right to compel Smoky to sell its right to 24% of the net cash flow from the Waskahigan Participation Assets for 2.5 times net cash flow from the Waskahigan Participation Assets.

7. ASSET RETIREMENT OBLIGATIONS

In Canadian Dollars FOR THE THREE MONTHS ENDED MARCH 31, 2018

The Company estimates the total discounted cash flows to settle its asset retirement obligations are approximately $835,439 (2016 - $380,708). A credit-adjusted risk-free interest rate of 10.0% (2016 - 10%) and an estimated inflation rate of 1.4% (2016 - 1.4%) was used to calculate the present value of asset retirement obligations.

The following table reconciles the asset retirement obligations:

Asset Retirement Obligations	2018	2017
Balance, beginning of year	$ 402,286	$ 215,070
Addition during the year	5,500	$ 176,244
Change in estimate		(2,887)
Foreign exchange	2,427	(6,324)
Accretion expense		20,183
Balance. End of year	**$ 410,213**	$ 402,286
Less: current portion	192,074	(186,574)
Long-term portion	**$ 218,139**	**$ 215,712**

The addition of $176,244 represents the abandonment and remediation costs for the Waskahigan Assets purchased on July 31, 2017.

8. SHARE CAPITAL

Authorized:

Unlimited	Common voting shares with no par value
Unlimited	First Preferred shares, issuable in series, with rights and privileges to be determined at time of issue

Issued:

Common shares	**Number of shares**	**Values**
Balance, December 31, 2013	5,688,667	$ 12,043,051
Balance, December 31, 2016	6,912,667	$ 12,365,831
Issued	2,000,000	$ 100,000
Balance, December 31, 2017 and March 31, 2018	8,912,667	$ 12,465,831

During the year, the Company issued a private placement of 2,000,000 units at a price of $0.05 per unit for gross proceeds of $100,000. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant will allow the holder to purchase one common share at a price of $0.075 per common share within three years of issuance.

In Canadian Dollars FOR THE THREE MONTHS ENDED MARCH 31, 2018

9. CONTRIBUTED SURPLUS

The Company's contributed surplus consists of value assigned to issued options. The following table reconciles the Company's contributed surplus. The fair values of each option are established using the Black-Scholes option valuation model. The assumptions used in calculating the fair value of the options are:

Risk-free interest rate	1.00%
Expected volatility	100.00%
Expected dividend yield	0.00%
Fair value	0.075

	Year Ended March 31, 2018	Year Ended December 31, 2017
Contributed Surplus, beginning of year	$ 9,659,522	$ 9,644,362
Stock based compensation	-	15,160
Contributed Surplus, end of of year	$ 9,659,522	$ 9,659,522

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Expected volatility considers the historical volatility of the Company's shares and any other features of the option grant that may impact the measurement of fair value such as market conditions. Change in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

10. WARRANTS

The following table reflects share purchase warrants activity from January 1, 2018 to March 31, 2018 and the weighted average exercise price.

	March 31, 2018	
	Number	Weighted Average Exercise Price $
Outstanding at beginning of year	2,000,000	0.075
Issued	-	-
Outstanding March 31, 2018	**2,000,000**	**0.075**

Details of warrants outstanding at March 31, 2018:

Year	Exercise price ($)	Number	Years to expiry
2017	0.075	2,000,000	3.0

11. STOCK OPTIONS

The Company has a stock option plan available to directors, officers, employees and consultants. The maximum number of common shares reserved for issuance pursuant to the plan cannot exceed 10 percent of the issued and outstanding common shares. Options vest on grant, are generally exercisable for five years from the date of grant and are exercisable at prices equal to or greater than the market value of the shares at the date of the grant less the maximum discount permitted by the stock exchange. At December 31, 2017, there were an additional 111,127 common shares that are still available to be reserved for the granting of stock options.

In Canadian Dollars FOR THE THREE MONTHS ENDED MARCH 31, 2018

A summary of the status of the Company's stock option plan as at March 31, 2018 and December 31, 2017 and changes during the years ending on those dates is as follows:

	March 31, 2018		December 31, 2017	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding, beginning of year	780,000	0.075	377,500	0.075
Granted	-	-	510,000	-
Forfeited / Expired	-		(107,500)	(0.075)
Outstanding, end of year	**780,000**	0.075	**780,000**	0.075
Exercisable, end of year	780,000	0.075	780,000	0.075

Outstanding and exercisable stock options as at March 31, 2018 have a weighted average remaining contractual life of 1.81 years (2017 – 1.92 years).

The options granted in 2017 were to directors, 170,000 each to Gregory J. Leia, Gerry Roe and Craig Leggatt.

12. RELATED PARTY TRANSACTIONS

The Company has determined that the key management personnel of the Company consist of its officers and directors. The following table provides information on compensation expense related to officers and directors.

	March 31, 2018	December 31, 2017
Wages, consulting fees and benefits	$ 27,406	$ 146,122
Share based compensation	$ -	15,160

The Company entered into a LPA with Smoky and Batoche on July 31, 2017. Pursuant to the terms of the LPA, Smoky lent the Company the sum of $1,326,593 to make the Waskahigan Asset acquisition. The interest rate on the loan principal is 6% per annum. Interest from July 31, 2017 to December 31, 2017 was $33,449. All obligation owing are secured by a general security agreement charging all of the assets of the Company. Gregory J. Leia is President and a director of the Company. Gregory J. Leia is an officer and director of Smoky and Batoche. Gregory J. Leia owns approx. 65% of the common shares and preferred shares of Smoky.

The Company has agreed to farmout to Batoche the Waskahigan Participation Assets on the terms and conditions set out in the Batoche Farmout Agreement. If Batoche defaults under the terms of the Batoche Farmout Agreement, and if the Company is unable to farmout to a third party, then the Company has agreed to farmout the Waskahigan Participation Assets to Smoky (if Smoky chooses to farmin) on terms and conditions equivalent to the farmout terms set out in Batoche Farmout Agreement. The Batoche Farmout Agreement contains a 3 well requirement to earn a 70% working interest in all Waskahigan Participation Asset mineral rights. The Batoche Farmout Agreement requires Batoche to be drill ready (Well #1) by June 30, 2019. Terms are: Batoche is to pay 100% of all costs to drill, complete and equip Well #1 to earn 70% in spacing unit associated with Well #1 subject to payout. The working interest participants are required to pay their proportionate share of Well #2 and Well #3. If Batoche drills Well #2, Batoche will earn 70% in the spacing unit associated with Well #2. If Batoche drills Well #3, Batoche will earn 70% working interest in all Waskahigan Participation Assets and any other lands acquired by the Company in Waskahigan area. Assuming Batoche earns 70% working interest in the Waskahigan Participation Assets, the Company will have a 6% working interest and Smoky will have a 24% working interest in the 3 wells and future developments.

In Canadian Dollars FOR THE THREE MONTHS ENDED MARCH 31, 2018

13. PER SHARE AMOUNTS

Basic loss per share has been calculated using the weighted average number of common shares outstanding during the period of 7,912,667 (2016 - 6,912,667). As the Company was in a loss position, there was no change in the numerator or denominator in calculating diluted loss per share. The effect of all stock options and warrants has been excluded from the calculation as they are anti-dilutive.

In April 2017, the Company entered into a series of Subscription Agreements to sell 2,000,000 Units at $0.05 per unit for aggregate subscription proceeds of $100,000. Each Unit consists of 1 common share and 1 share purchase warrant which entitles the holder to purchase 1 common at any time within 3 years of issuance for $0.075 per common share.

14. FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks, including credit risk, capital market risk and liquidity risk, interest rate risk, commodity price risk and foreign exchange risk.

Financial instruments, consisting of trade and other receivables, trade and other payables, balances payable to related parties and former related parties, convertible loans payable, and loans payable, are recorded at amortized cost. Cash and cash equivalents are recorded at fair value. All of the fair value items are transacted in active markets. The Company classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy as following:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Assets measured at fair value on a recurring basis were presented on the Company's consolidated statement of financial position as of December 31, 2017 are as follows:

	Balance at March 31, 2018	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
		$	$	$	$
Assets:					
Cash and cash equivalents	56,526	56,526	-	-	56,526

Credit risk – Consists of cash and cash equivalents, restricted cash held in trust and accounts receivables. A portion of the Company's accounts receivable are with joint venture partners in the petroleum and natural gas industry and is subject to normal credit terms. The Company generally extends unsecured credit to these customers and, therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. The carrying value of accounts receivable reflects management's assessment of the associated credit risk. The Company is also exposed to credit risk on certain deposits to the extent that the Company may not be refunded these amounts. The Company does not anticipate any default or non-performance by its oil and gas sales customers. As such a provision for doubtful accounts has not been recorded at December 31, 2017 and 2016, except as noted below:

The Company has Nil amount as uncollectable in 2018 (2017 - nil).

In Canadian Dollars FOR THE THREE MONTHS ENDED MARCH 31, 2018

Contractual undiscounted cash flow requirements for contractual obligations as at March 31, 2018 are due as follows:

	Due in 1-3 months $	Due in 4-12 months $	Due in 1-2 years $	Due in >2 years $	Total $
Accounts payable and accrued liabilities	329,153	-	-	-	329,153
Loans payable (1)	1,359,958	-	-	-	1,359,958
	1,689,111	**-**	**-**	**-**	**1,,689,111**

Note (1): The loan is payable from net cash flow from operations (see Note 6)

Liquidity risk - The Company approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its obligations when due, under normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. The Company has to date required funds from private placements to finance capital expenditures and operations (see notes 1 and 2).

Commodity price risk - The Company is exposed to oil and gas commodity price risk and has not entered any financial derivatives to manage this risk.

Interest rate risk – The risk that future cash flows will fluctuate as a results of changes in market rates. The Company is exposed to fair value interest rate on its long term debt as the rates are fixed rates.

15. CAPITAL DISCLOSURES

The Company's objective when managing capital is to maintain the confidence of shareholders and investors in the implementation of its business plans by maintaining sufficient levels of liquidity to fund and support its exploration and development as well as other corporate activities. The Company's capital historically has been derived from the issuance of equity or debentures. Management monitors its financial position on an ongoing basis. Equity or debentures are issued to finance drilling programs and the Company's operations (see notes 1 and 2).