



Financial Statements
December 31, 2016 and 2015

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of Westcore Energy Ltd. were prepared by and are the responsibility of management. They have been prepared in conformity with International Financial Reporting Standards.

Management maintains systems of internal controls designed to provide reasonable assurance that all transactions are properly recorded in the Company's book of accounts, that procedures and policies are adhered to and that assets are safeguarded from unauthorized use.

Davidson & Company LLP, the external auditors of the Company, conduct an independent examination of the financial statements in accordance with Canadian generally accepted auditing standards in order to express their opinion on the financial statements. Their examination includes such tests and procedures considered necessary to provide reasonable assurance that the financial statements are presented fairly.

The Audit Committee of Westcore Energy Ltd., comprised of a majority of independent directors, has met with representatives of Davidson & Company LLP and management in order to determine if management has fulfilled its responsibilities in the preparation of the financial statements. On the recommendation of the Audit Committee, the financial statements have been approved by the Board of Directors.

Signed

Paul T. Conroy
President and Chief Executive Officer

Signed

Jeff Sheppard
Chief Financial Officer

Saskatoon, Saskatchewan
April 28, 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Westcore Energy Ltd.

We have audited the accompanying financial statements of Westcore Energy Ltd., which comprise the statements of financial position as at December 31, 2016 and 2015 and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Westcore Energy Ltd. as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Westcore Energy Ltd.'s ability to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 28, 2017



WESTCORE ENERGY LTD.
Statements of Financial Position
Expressed in Canadian Dollars

As at, December 31

	2016	2015
Assets		
Current assets		
Cash	\$ 5,460	\$ 599,974
Receivables and prepaids (Note 5)	2,519	39,088
Total current assets	7,979	639,062
Non-current assets		
Property and equipment (Note 6)	2,129,107	347,164
Exploration and evaluation assets (Note 7)	-	921,724
Total non-current assets	2,129,107	1,268,888
Total assets	\$ 2,137,086	\$ 1,907,950
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities		
Accounts payable and accrued liabilities (Note 8 and 16)	\$ 838,058	\$ 294,711
Total current liabilities	838,058	294,711
Non-current liabilities		
Decommissioning liabilities (Note 9)	1,455,619	16,339
Related party advances payable (Note 16)	807,230	-
Promissory note payable (Note 6 and 16)	545,212	-
Total non-current liabilities	2,808,061	16,339
Total liabilities	3,646,119	311,050
Shareholders' equity (deficiency)		
Share capital (Note 10(a))	13,022,373	11,897,373
Contributed Surplus (Note 10(c))	1,422,035	1,198,035
Deficit	(15,953,441)	(11,498,508)
Total shareholders' equity (deficiency)	(1,509,033)	1,596,900
Total liabilities and shareholders' equity (deficiency)	\$ 2,137,086	\$ 1,907,950

Basis of presentation (Note 2)

Events after the reporting period (Note 18)

Approved on behalf of the Board of Directors:

(signed) "Paul Conroy"

Paul Conroy
Director

(signed) "Tom MacNeill"

Tom MacNeill
Director

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

WESTCORE ENERGY LTD.
Statements of Loss and Comprehensive Loss
Expressed in Canadian Dollars

For the years ended December 31,

	2016	2015
Revenue		
Operating revenue (Note 6)	\$ 529,587	\$ 17,304
Royalties	(53,595)	-
	475,992	17,304
Expenses		
Accretion (Note 9)	31,847	185
Amortization and depletion (Note 6)	99,040	6,000
General and administrative (Note 13)	270,809	232,024
Operating expense	1,104,148	12,190
Share-based compensation (Note 11 and 16)	224,000	-
Impairment of evaluation and exploration assets (Note 7)	921,983	16,390
Impairment of property and equipment (Note 6)	2,309,098	-
	(4,960,925)	(266,789)
Other income (Note 6)	30,000	10,000
Net loss and comprehensive loss for the year	\$ (4,454,933)	\$ (239,485)
Loss per common share, basic and diluted (Note 14)	\$ (0.20)	\$ (0.03)

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

WESTCORE ENERGY LTD.**Statements of Changes in Shareholders' Equity (Deficiency)****Expressed in Canadian Dollars**

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total Equity
December 31, 2014	7,693,689	\$ 11,713,190	\$ 805,035	\$ (11,259,023)	\$ 1,259,202
Units issued	6,000,000	207,000	393,000	-	600,000
Share issue costs	-	(22,817)	-	-	(22,817)
Net loss for the year	-	-	-	(239,485)	(239,485)
December 31, 2015	13,693,689	11,897,373	1,198,035	(11,498,508)	1,596,900
Shares issued for property, and equipment	15,000,000	1,125,000	-	-	1,125,000
Share-based compensation	-	-	224,000	-	224,000
Net loss for the year	-	-	-	(4,454,933)	(4,454,933)
December 31, 2016	28,693,689	\$ 13,022,373	\$ 1,422,035	\$(15,953,441)	\$(1,509,033)

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

WESTCORE ENERGY LTD.
Statements of Cash Flows
Expressed in Canadian Dollars

For the year ended December 31,	2016	2015
Cash used in operating activities		
Operating activities:		
Net loss for the year	\$ (4,454,933)	\$ (239,485)
Adjustments:		
Accretion	31,847	185
Amortization and depletion	99,040	6,000
Accrued interest on promissory note	27,212	-
Impairment of exploration and evaluation assets (Note 6)	921,983	16,390
Impairment of property and equipment (Note 7)	2,309,098	-
Share-based compensation	224,000	-
Changes in non-cash working capital balances:		
Receivables and prepaid	53,134	(47,151)
Accounts payable and accrued liabilities	695,332	212,563
Total cash used in operating activities	(93,287)	(51,489)
Cash provided by (used in) financing activities:		
Share issuance and subscription receivable	10,000	590,000
Share issue costs	-	(22,817)
Related party loans and advances, net	628,680	-
Promissory note repayments	(982,000)	-
Total cash provided by (used in) financing activities	(343,320)	567,183
Cash provided by (used in) investing activities		
Property, plant and equipment	(157,648)	(53,164)
Exploration and evaluation expenditures	(259)	(19,848)
Total cash used in investing activities	(157,907)	(73,012)
Total increase (decrease) in cash	(594,514)	442,673
Cash, beginning of the year	599,974	157,301
Cash, end of the year	\$ 5,460	\$ 599,974

Supplemental cash flow information (Note 17)

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

WESTCORE ENERGY LTD.

Notes to the Annual Financial Statements

Expressed in Canadian Dollars

For the years ended December 31, 2016 and 2015

1. CORPORATE INFORMATION

Westcore Energy Ltd. ("**Westcore**" or the "**Company**") is a publicly listed company incorporated under the *Business Corporations Act* (Alberta) since March 30, 2007. The Company has been listed on the TSX Venture Exchange (the "**Exchange**") since March 12, 2008, having the symbol WTR, as a Tier 2 mining issuer. The Company is engaged in the business of acquiring, exploring, and developing resource properties in Western Canada.

The Company's head office and principal business address is Suite 602, 224 4th Avenue S, Saskatoon, Saskatchewan, S7K 5M5.

Effective May 26, 2016 the Company consolidated its share capital on the basis of 1 new share for 5 old shares. All common share, per share, option, warrant and weighted average price amounts are restated in these annual financial statements to reflect this consolidation.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**").

These audited annual financial statements were authorized for issue by the Board of Directors on April 28, 2017.

These financial statements are prepared on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. For the year ended December 31, 2016 the Company used cash of \$93,287 (2015 - \$51,489) in its operations and had a net loss of \$4,454,933 (2015 - \$239,485). The ability of the Company to continue as a going concern, fund operating expenditures and provide funds for ongoing general and administrative costs is anticipated to require further equity issues in 2017. There can be no certainty that such an attempt to raise funds will be successful. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the realization of assets and liquidation of liabilities that might be necessary should the Company be unable to continue as a going concern.

b) Basis of measurement

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

These financial statements are presented in Canadian dollars, which is also the Company's functional currency.

WESTCORE ENERGY LTD.

Notes to the Annual Financial Statements

Expressed in Canadian Dollars

For the years ended December 31, 2016 and 2015

2. BASIS OF PREPARATION – continued

b) Basis of measurement - continued

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies summarized below have been applied consistently to all periods presented in these financial statements.

a) Cash

Cash includes cash on hand, deposits held at financial institutions, trust balances, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

b) Exploration and evaluation assets

Costs incurred prior to acquiring the right to explore an area of interest are expensed as incurred.

Exploration and evaluation assets are intangible assets. Exploration and evaluation assets represent the costs incurred on the exploration and evaluation of potential resources, and include costs such as exploratory drilling, sample testing, activities in relation to evaluation of technical feasibility and commercial viability of extracting a resource, and general and administrative costs directly relating to the support of exploration and evaluation activities. Management reviews its exploration and evaluation assets at each reporting period for signs of impairment and annually to consider if there is impairment in value taking into consideration current year exploration results and management's assessment of the future probability of profitable operations from the assets. If an asset is abandoned or inactive for a prolonged period of time, or considered to have no future economic potential, the acquisition and deferred exploration and evaluation costs are written-off to profit or loss. Assets are allocated to cash generating units not larger than operating segments for impairment testing.

Exploration and evaluation assets are recognized at their cost of acquisition or at fair value if purchased as part of a business combination. They are subsequently stated at cost less accumulated impairment. Exploration and evaluation assets are not amortized. Where the Company's exploration commitments for a property are performed under option agreements with a third party, the proceeds of option payments under such agreements are applied to the property to the extent costs are incurred. The excess, if any, is recorded to the statement of loss and comprehensive loss.

Once the work completed to date on an area of interest is sufficient such that the technical feasibility and commercial viability of extracting the resource has been determined, the property is considered to be under development. Exploration and evaluation assets are tested for impairment before the assets are transferred to development property, and capitalized expenditures are transferred to development assets or capital work in progress.

WESTCORE ENERGY LTD.

Notes to the Annual Financial Statements

Expressed in Canadian Dollars

For the years ended December 31, 2016 and 2015

3. SIGNIFICANT ACCOUNTING POLICIES – continued**c) Property and equipment**

Property and equipment is carried at cost less accumulated amortization, depletion and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Amortization is provided over the estimated useful life in order to expense the cost of property and equipment, less their estimated residual value, using the straight-line method.

Property, including related facilities, are depleted using the unit-of-production method over the proved and probable reserves of the area. Where the Company intends to develop existing undeveloped or probable reserves, estimated future costs to develop these additional reserves are included in costs subject to depletion, which are then depleted over total proved and probable reserves. When the Company does not intend to develop existing undeveloped, proved reserves, the costs subject to depletion do not include future development costs, and the cost base is depleted over developed, proved reserves.

The assets' residual values, useful lives and methods of amortization and depletion are reviewed at each financial year-end, and adjusted prospectively if appropriate.

d) Decommissioning liabilities

The Company recognizes provisions for contractual, constructive or legal obligations, including those associated with the reclamation of interests (property and equipment), when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for the decommissioning liability is recognized at its present value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding provision is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset. Following the initial recognition of the decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, and amount or timing of the underlying cash flows needed to settle the obligation.

e) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at management's best estimate of the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

WESTCORE ENERGY LTD.

Notes to the Annual Financial Statements

Expressed in Canadian Dollars

For the years ended December 31, 2016 and 2015

3. SIGNIFICANT ACCOUNTING POLICIES - continued

f) Interest income

Interest income is recorded on an accrual basis using the effective interest method.

g) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are subsequently measured as described below.

i) Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held-to-maturity investments; and
- available-for-sale financial assets

The category determines how the asset is subsequently measured and whether any resulting income or expense is recognized in profit or loss or in other comprehensive income (loss).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment.

Loans and receivables comprise cash and trade receivables.

WESTCORE ENERGY LTD.

Notes to the Annual Financial Statements

Expressed in Canadian Dollars

For the years ended December 31, 2016 and 2015

3. SIGNIFICANT ACCOUNTING POLICIES - continued**ii) Financial liabilities**

Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains and losses recognized in profit or loss. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Company's financial liabilities measured at amortized cost include accounts payables and accrued liabilities, related party advances payable and promissory note payable. The Company currently does not have any financial liabilities held for trading or designated at fair value through profit or loss.

h) Impairment of assets**i) Financial assets**

A financial asset that is not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The amount of the impairment loss is recognized in profit or loss. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss, unless the impairment relates to an equity investment.

ii) Non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the 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. Where the asset does not generate largely independent cash inflows, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

WESTCORE ENERGY LTD.

Notes to the Annual Financial Statements

Expressed in Canadian Dollars

For the years ended December 31, 2016 and 2015

3. SIGNIFICANT ACCOUNTING POLICIES - continued

ii) Non-financial assets - continued

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

An impairment loss recognized in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro-rata basis.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. 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 to an amount that 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 periods. A reversal of an impairment loss is recognized in profit or loss.

i) Income taxes

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

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are calculated based on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recognized on the initial recognition of goodwill, on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction, and on temporary differences relating to investments in subsidiaries and jointly controlled entities where the reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred income tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply when the assets are recovered and the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized.

WESTCORE ENERGY LTD.

Notes to the Annual Financial Statements

Expressed in Canadian Dollars

For the years ended December 31, 2016 and 2015

3. SIGNIFICANT ACCOUNTING POLICIES - continued**i) Income taxes - continued**

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

j) Revenue recognition

Revenue from sales of oil, natural gas, natural gas liquids and all other products is recognized when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. This generally occurs when product is physically transferred or when delivery is accepted by the customer. Recognized revenue is measured at the fair value of consideration received or receivable.

k) Earnings (Loss) per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by dividing the profit or loss attributable to shareholders by the weighted average number of common shares outstanding, adjusted for the effects of all potential dilutive common shares related to stock options and warrants issued by the Company.

l) Share capital

Common shares issued for non-monetary consideration are recorded at their fair value on the measurement date and classified as equity. The measurement date is defined as the earliest of the date at which the commitment for performance by the counterparty to earn the common shares is reached or the date at which the counterparty's performance is complete.

The Company has adopted a relative fair value method with respect to the measurement of shares and warrants issued as private placement units. The relative fair value method allocates value to each component on a pro-rata basis, based on the fair value of the components calculated independently of one another. The Company considers the market value of the common shares issued as fair value, and measures the fair value of the warrant component of the unit using the Black-Scholes option pricing model. The unit value is then allocated, pro-rata, between the two components, with the fair value attributed to the warrants being recorded to contributed surplus.

WESTCORE ENERGY LTD.

Notes to the Annual Financial Statements

Expressed in Canadian Dollars

For the years ended December 31, 2016 and 2015

3. SIGNIFICANT ACCOUNTING POLICIES – continued**m) Share-based payments**

The Company grants stock options to directors, officers, employees and consultants to acquire common shares of the Company. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period on a graded basis. Consideration paid for the shares on the exercise of stock options is credited to share capital. 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 the goods or services received.

n) Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into; i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability; and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized under other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration or development expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the period is disclosed separately as restricted cash.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a liability until paid.

o) Related party transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

p) Accounting standards, amendments and interpretations adopted during the year ended December 31, 2016

The Company adopted certain new standards, amendments and interpretations in the year ended December 31, 2016, none of which had a significant impact on its financial statements.

WESTCORE ENERGY LTD.

Notes to the Annual Financial Statements

Expressed in Canadian Dollars

For the years ended December 31, 2016 and 2015

3. SIGNIFICANT ACCOUNTING POLICIES – continued

q) Accounting standards, amendments and interpretations not yet effective

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company. The Company has only included the applicable standards below.

Management anticipates the following pronouncement will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on the new standard is expected to be relevant to the Company's financial statements is provided below:

ii) IFRS 9, Financial Instruments

IFRS 9 reflects the first phase of the IASB's work on the replacement of IAS 39 Financial Instruments, Recognition and Measurement. The standard revises and limits the classification and measurement models available for financial assets and liabilities to amortized cost or fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of the new standard on its financial statements, but does not anticipate that the adoption of the standard will have a significant impact on its financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's financial statements in accordance with IFRS requires management to make certain judgments, estimates, and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from these estimates. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

a) Oil and gas reserves

Estimates

Using geological and engineering data, estimates of petroleum and natural gas reserves are determined. These reserves form the basis for the depletion of property and equipment, which are depleted on a unit-of-production basis, as well as the impairment assessment of these properties. The data used to determine reserves is based on drill results and production and reserve models, which are inherently imprecise. The Company engages a recognized reserves engineering firm to update its estimated petroleum and natural gas reserves based on new information such as additional drill results, long-term reservoir production, changes to expectations for the economic viability of reserves, and changes to property leases or intentions for property development. Changes to reserve estimates are applied prospectively, and could result in increases or decreases to future depletion expenses or the carrying value of these properties.

WESTCORE ENERGY LTD.

Notes to the Annual Financial Statements

Expressed in Canadian Dollars

For the years ended December 31, 2016 and 2015

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS - continued**b) Impairment of property and equipment***Estimates*

In situations where indicators of impairment are present for the Company's property, plant and equipment, estimates of recoverable amount must be determined. Recoverable amount is determined as the higher of the cash generating unit's estimated value in use of the cash generating unit's estimated fair value less costs to sell. Value in use is based on the present value of the future cash flows expected to flow from the cash generating unit to the entity and actual cash flows may vary. Fair value less costs to sell is based on recent sales of comparable assets which may or may not be indicative of the cash generating unit's fair value.

Judgments

Management uses judgment in determining whether or not indicators of impairment have been identified for its cash generating units. The result of management's assessment could result in an impairment test not being performed when indicators did in fact exist, which could impact the valuation of the cash generating unit's carrying value.

c) Decommissioning liabilities*Estimates*

The Company's provision for decommissioning liabilities requires management to estimate the timing and amount of cash flows required to reclaim its property and equipment. These cash flows are based on management assumptions for oil and gas reserves and production, which determine the timing of reclamation expenditures, as well as expectations for the future costs and legal or constructive requirements for environmental reclamation. Changes to either the timing or amount of the cash flows required for decommissioning, or to the discount rate used to record the present value of these cash flows, are considered prospectively. Such changes could increase or decrease the decommissioning liabilities reported by the Company, and will ultimately result in changes to the total expense for environmental reclamation.

d) Depletion and amortization*Estimates*

Proved and probable reserves estimates for each cash generating unit are used as the denominator in the Company's unit-of-production depletion and amortization calculations. These estimates are prepared in accordance with Canadian Securities Administrators' National Instrument 51-101 ("National Instrument 51-101"), but are subject to fluctuations due to changes in the price of oil, natural gas and its associates, lease operating expense cost of inflation and operations risks, reservoir performance and geological uncertainties.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS - continued**e) Title to property interests***Judgments*

Although the Company has taken steps to verify the title to the oil and gas assets in which it has an interest, in accordance with industry practices for the current stage of development of such properties, these procedures do not guarantee the Company's title. Title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

f) Income taxes*Judgments*

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law.

Estimates

For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may be materially different than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized.

5. RECEIVABLES AND PREPAIDSAccounts receivable

	December 31, 2016	December 31, 2015
GST receivable	\$ 885	\$ 6,521
Trade receivable from a related corporation	-	21,796
Share subscription receivable (Note 10(a))	-	10,000
Total	\$ 885	\$ 38,317

All amounts are current and the net carrying value is considered a reasonable approximation of fair value. The Company anticipates full recovery of these amounts and therefore no allowances have been recorded.

Prepays

	December 31, 2016	December 31, 2015
Total	\$ 1,634	\$ 771

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6. PROPERTY AND EQUIPMENT

Cost	Oil & gas interests and equipment	Oil and water transportation equipment	Office furniture and equipment	Total
December 31, 2014	\$ -	\$ -	\$ 27,783	\$ 27,783
Additions	-	53,164	-	53,164
Reclass from exploration and evaluation	300,000	-	-	300,000
December 31, 2015	\$ 300,000	\$ 53,164	\$ 27,783	\$ 380,947
Acquisition	2,625,000	-	-	2,625,000
Additions	55,768	101,880	-	157,648
Additions - decommissioning provision	1,407,433	-	-	1,407,433
Impairment	(2,309,098)	-	-	(2,309,098)
December 31, 2016	\$ 2,079,103	\$ 155,044	\$ 27,783	\$ 2,261,930

**Accumulated depletion/
amortization**

December 31, 2014	\$ -	\$ -	\$ 27,783	\$ 27,783
Additions	6,000	-	-	6,000
December 31, 2015	6,000	-	27,783	33,783
Additions	67,809	31,231	-	99,040
December 31, 2016	\$ 73,809	\$ 31,231	\$ 27,783	\$ 132,823

Carrying amounts

At December 31, 2015	\$ 294,000	\$ 53,164	\$ -	\$ 347,164
At December 31, 2016	\$ 2,005,294	\$ 123,813	\$ -	\$ 2,129,107

During the year ended December 31, 2015, the Company reclassified the costs associated with their interest in the water disposal well from exploration and evaluation assets to property and equipment. The Company assessed the asset for impairment immediately preceding the reclassification, but no impairment indicators were present.

The Company had purchased certain oil and gas equipment during the year ended December 31, 2015 for use on the Riverside oil and gas field. In November 2015, the Company entered into a lease agreement with Allstar Energy Limited ("Allstar") whereby Allstar will pay the Company \$10,000 per month to lease the equipment. The agreement does not contain a defined term and will continue month to month until either party decides to terminate the agreement. During the year ended December 31, 2015, the Company recognized \$10,000 in other income associated with Allstar's lease of the equipment for the month of December 2015. During the year ended December 31, 2016, the Company recognized \$30,000 in other income for the months of January to March 2016.

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6. PROPERTY AND EQUIPMENT – continued

On July 14, 2015 the Company announced that it had entered into a binding letter agreement (the “Letter Agreement”) with 49 North Resources Inc. (“49 North”) and Allstar regarding the acquisition of a 100% working interest in the oil and gas properties of 49 North and Allstar (the “Properties”). On May 26, 2016 the transaction was completed. Pursuant to the Letter Agreement, the Company obtained a 100% working interest in all of the Properties and title to all associated property and equipment for an aggregate purchase price of \$2,625,000. The purchase price was paid via the issuance of an aggregate of 15,000,000 common shares in the capital of the Company at a fair value of \$0.075 per share and a promissory note in the aggregate principal amount of \$1,500,000. The promissory note bears interest at the rate of 5% per annum, maturing on May 26, 2018 and is repayable from the cash flows of operations.

As stated above, the Company acquired certain property and equipment in respect of the Riverside oil and gas field (the “Riverside Project”) and reclassified exploration and evaluation asset costs to the Riverside Project as well. As impairment indicators were present immediately preceding the reclassification of the exploration and evaluation asset costs, the Company wrote down the amount previously classified as exploration and evaluation assets in the amount of \$921,983. Further, the Riverside Project (considered a single cash-generating unit) as a whole in the amount of \$2,309,098 as at December 31, 2016, to approximate the recoverable amount of the Riverside project. The impairment provision was recorded based on consideration of the difficult economic nature of oil and gas operations in Saskatchewan, and could potentially be reversed based on future support for a higher carrying value.

7. EXPLORATION AND EVALUATION ASSETS

a) Saskatchewan Oil and Gas

On May 26, 2016 the Company increased its working interest in six heavy oil wells in the Riverside field to 100% and acquired a 100% working interest in the remaining Riverside field which includes the Flaxcombe wells. The Company now holds 100% working interest in 38 wells in this field. In addition, the Company acquired 100% working interest in an additional 9 wells. In the period the assets were reclassified to property, plant and equipment (Note 6).

b) Hudson Bay, Saskatchewan

The Company previously held a 75% interest in 23 coal permits. These permits were valid for three years, and were due to expire in January of 2017. The Company did not make the 2014 and 2015 lease payments.

For the year ended December 31, 2015 an impairment charge of \$16,390 was recognized in respect of the Hudson Bay property.

c) Black Diamond, Manitoba

The Company previously held a 75% interest in 90 coal leases. The coal leases are valid for 10 years, and will expire in 2023. The Company has not made the 2015 and 2016 lease payments and does not intend on renewing the permits when they expire.

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7. EXPLORATION AND EVALUATION ASSETS – continued**d) Panther (49 North JV), Manitoba**

The Company previously held a 60% interest in one Manitoba Quarry Exploration Permit immediately adjacent to the Company's existing Black Diamond property through a joint venture with 49 North. The interest was acquired from vendors who held in excess of 20% of the common shares of the Company, accordingly this was a related party transaction. The Company has filed an application with the Province of Manitoba to convert the Quarry Exploration Permit to Quarry Lease. Once converted to Quarry Lease, the exploration rights will be valid for 10 years. The Company has not made the 2015 and 2016 lease payments and does not intend on renewing the permits when they expire.

The Company's expenditures on the exploration and evaluation assets are as follows:

Cost	Riverside, SK	Black Diamond, MB	Panther (49 North JV), MB	Hudson Bay, SK	Total
Balance, December 31, 2014	\$ 1,175,547	\$ 3,745,010	\$ 1,723,796	\$ 3,540,589	\$ 10,184,942
Acquisition costs	-	-	-	16,390	16,390
Exploration costs	46,177	-	-	-	46,177
Reclass to property and equipment	(300,000)	-	-	-	(300,000)
Balance, December 31, 2015	921,724	\$ 3,745,010	\$ 1,723,796	\$ 3,556,979	9,947,509
Exploration costs	259	-	-	-	259
Balance, December 31, 2016	\$ 921,983	\$ 3,745,010	\$ 1,723,796	\$ 3,556,979	\$ 9,947,768

Accumulated impairment

Balance, December 31, 2014	\$ -	\$ (3,745,010)	\$ (1,723,796)	\$(3,540,589)	\$ (9,009,395)
Impairment write-down	-	-	-	(16,390)	(16,390)
Balance, December 31, 2015	\$ -	\$ (3,745,010)	\$ (1,723,796)	\$(3,556,979)	\$ (9,025,785)
Impairment write-down	(921,983)	-	-	-	(921,983)
Balance, December 31, 2016	\$ (921,983)	\$ (3,745,010)	\$ (1,723,796)	\$(3,556,979)	\$ (9,947,768)

Carrying amounts

Balance, December 31, 2015	\$ 921,724	\$ -	\$ -	\$ -	\$ 921,724
Balance, December 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -

The net additions to the exploration and evaluation assets, during the year, by nature are detailed as follows:

	2016	2015
Net cost of sample sales	\$ 259	\$ 931
	\$ 259	\$ 931

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8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities include the following components:

	December 31, 2016	December 31, 2015
Trade payables	\$ 404,422	\$ 288,711
Accrued liabilities	6,000	6,000
Related party - trade payable	427,636	-
Total	\$ 838,058	\$ 294,711

All amounts are current and the net carrying value is considered a reasonable approximation of fair value.

9. DECOMMISSIONING LIABILITIES

	December 31 2016	December 31 2015
Balance, beginning of year	\$ 16,339	\$ -
Additions	1,407,433	16,154
Accretion expense	31,847	185
Balance, end of year	\$ 1,455,619	\$ 16,339

The total of the decommissioning liabilities are estimated based on the Company's net ownership interest in all the wells and facilities, the estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. Management of the Company has estimated that based on their net ownership interest, the total undiscounted cash flows required to settle the obligations will be \$2,605,089. The obligations have been discounted using a risk free rate of 3% and an inflation rate of 2% per year. Most of these obligations are not expected to be paid until approximately 20 years in the future and will be funded from general Company resources at that time.

10. SHARE CAPITAL AND RESERVES**a) Authorized shares**

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares, issuable in series. No preferred shares have been issued since the Company's inception.

During the year ended December 31, 2015, the Company completed a private placement for the issuance of a total of 6,000,000 units at a price of \$0.10 per unit for gross proceeds of \$600,000. Each unit was comprised of one common share and one warrant, exercisable into an additional common share at a price of \$0.15 until May 26, 2018. In accordance with the Company's accounting policy, the values of the share and warrant components of the units were bifurcated under the relative fair value method, attributing a value of \$207,000 to the shares and \$393,000 to the warrants. In assessing the value of the warrants, the Company used the Black-Scholes option pricing model with the following assumptions: expected life of 2 years, stock price volatility of 307%, no dividend yield, and a risk-free rate of 0.50%.

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10. SHARE CAPITAL AND RESERVES - continued

In connection with the private placement, the Company incurred share issuance costs totalling \$22,817. As at December 31, 2015, a total of \$10,000 was receivable from one of the subscribers to the financing (Note 5). This amount was received during the year ended December 31, 2016.

On May 26, 2016 the Company closed a property and equipment acquisition agreement (Note 6) and issued 15,000,000 common shares at a fair value of \$0.075 per common share.

b) Share purchase warrants

As at December 31, 2015 and 2016, the Company had warrants outstanding as follows:

Issue date	Exercise price	Financing Warrants	Agent's Warrants	Expiry date
December 23, 2015	\$0.15	6,000,000	-	May 26, 2018

No warrants were outstanding as at December 31, 2014.

All of the warrants outstanding are exercisable as at December 31, 2016 (December 31, 2015 - none).

c) Contributed surplus

The balance of contributed surplus as at December 31, 2016 is \$1,422,035 (December 31, 2015 - \$1,198,035) and was comprised of the valuation of previously issued stock options and warrants issued in connection with private placement unit offerings.

11. SHARE-BASED COMPENSATION**a) Stock option plan**

The Company has an incentive Stock Option Plan (the "Plan") administered by the Board of Directors, in which up to 10% of the issued and outstanding common shares are reserved for issuance. The period during which an option is granted, subject to any vesting limitations which may be imposed by the Board of Directors at the time such option is granted, provide that no option shall be exercisable for a period exceeding five (5) years from the date the option is granted.

The number and weighted average exercise price of stock options are as follows:

	Weighted average exercise price	Number
Balance, December 31, 2014	\$2.20	150,000
Expired	1.85	(80,000)
Balance, December 31, 2015	\$2.65	70,000
Expired	2.65	(70,000)
Granted	0.08	2,800,000
Balance, December 31, 2016	\$0.08	2,800,000

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11. SHARE-BASED COMPENSATION - continued**a) Stock option plan - continued**

As at December 31, 2016, the weighted average remaining life of stock options is 4.85 years (2015 – 0.54 years).

On November 4, 2016, the Board of Directors of the Company approved the grant of 2,800,000 stock options pursuant to the Plan. 1,500,000 of the options were granted to directors and executive officers with the balance granted to consultants. The options are exercisable at \$0.08 per share, vest immediately and, if not exercised, expire November 4, 2021.

The value of options issued on November 4, 2016, using the Black-Scholes option pricing model, was \$224,000 which was allocated to the share-based compensation expense with a corresponding increase in contributed surplus. Assumptions used in the pricing model for the year are as follows: risk-free interest rate of 0.60%, expected life of 5 years, annualized volatility of 267.56% and a dividend rate of nil.

12. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows, using Canadian federal and provincial statutory tax rates of 26% (2015 – 25%):

	December 31 2016	December 31 2015
Loss before income taxes	\$ 4,454,933	\$ 239,485
Expected income tax (recovery)	\$ (1,158,000)	\$ (60,000)
Effect of change in tax rate	(32,000)	-
Non-deductible expenses	58,000	(2,000)
Share issue costs	-	(6,000)
Change in unrecognized other deductible temporary differences	1,132,000	64,000
Total income tax expense (recovery)	\$ -	\$ -

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12. INCOME TAXES - continued

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

	31 December 2016	31 December 2015
Deferred tax assets		
Property and equipment	\$ 191,000	\$ 8,000
Share issue costs	4,000	6,000
Non-capital losses	993,000	734,000
Decommissioning liabilities	378,000	4,000
Exploration and evaluation assets	342,000	24,000
Unrecognized deferred tax assets	\$ 1,908,000	\$ 776,000

As at December 31, 2016 the Company has estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income in future years. A summary of these tax losses is provided below.

Year of expiry	Amount
2027	\$ 52,000
2028	26,000
2029	259,000
2030	240,000
2031	698,000
2032	702,000
2033	480,000
2034	148,000
2035	336,000
2036	877,000
Total	\$ 3,818,000

13. GENERAL AND ADMINISTRATIVE EXPENSES

The Company's general and administrative expenses include the following:

For the year ended December 31,	2016	2015
Insurance	\$ 9,419	\$ 9,585
Interest	27,213	-
Investor relations	29,121	18,777
Legal and accounting fees	51,957	51,178
Management fees	120,000	120,000
Miscellaneous	966	267
Office expenses	32,133	32,217
Total	\$ 270,809	\$ 232,024

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14. LOSS PER SHARE

The calculation of basic and diluted loss per share for the years ended December 31, 2016 and 2015 is based on the following data:

	December 31, 2016	December 31, 2015
Weighted average number of common shares (basic and diluted)	22,652,593	7,825,196

All stock options and warrants were excluded from the diluted weighted average number of shares calculation, as their effect would have been anti-dilutive.

15. FINANCIAL RISK MANAGEMENT

Capital management

The Company's objectives in managing capital are to safeguard its ability to operate as a going concern while pursuing opportunities for resource property exploration and development. The Company defines capital as the Company's shareholders' equity (deficiency) of \$(1,509,033) at December 31, 2016 (December 31, 2015 - \$1,596,900), and the Company's December 31, 2016 working capital deficiency of \$830,079 (December 31, 2015 - working capital of \$344,351). The Company sets the amount of capital in proportion to risk and corporate growth objectives. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain the capital structure, the Company may attempt to issue shares or dispose of certain assets. The Company anticipates it will require further equity issues in 2017 to meet its planned operations and administrative costs through the next fiscal year. The Company is not subject to any externally imposed capital requirements. The Company does not expect to enter into any debt financing at this time. The Company did not make any changes to the way it manages its capital in the year ended December 31, 2016.

Financial instruments – fair value

Financial instruments measured at fair value on the statement of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments – risk

The Company is exposed to various risks in relation to financial instruments. This note presents information about the Company's exposure to credit, liquidity and market risks arising from its use of financial instruments and the Company's objectives, policies and processes for measuring and managing such risks.

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15. FINANCIAL RISK MANAGEMENT – continued

i. Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and receivables. Cash consists of bank balances held at a Canadian Schedule I bank and amounts held in trust. The Company's receivables are comprised of Input Tax Credits receivable from the Government of Canada and trade receivables. The carrying amount of receivables represents the maximum credit exposure. The Company considers all of its receivables fully collectable, and no amounts are considered past due (greater than 90 days).

ii. 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's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. The carrying value of accounts payables and accrued liabilities approximates its fair value due to their relatively short period to maturity.

At December 31, 2016 and December 31, 2015, the Company's current financial liabilities were \$838,058, and \$294,711 respectively, which are due within three months from the year end. The Company ensures that it has enough cash on demand for operational expenses by preparing annual capital expenditure budgets, which are regularly monitored and updated as considered necessary.

iii. Market risks

Market risk is the risk that changes in market prices (such as foreign exchange rates), commodity prices, and interest rates will affect the Company's operations, net loss or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing long-term returns. All of the Company's transactions are in Canadian dollars, therefore the Company is not exposed to any market risks.

16. RELATED PARTY TRANSACTIONS

a) Related party expenses

The Company's related parties include directors and officers and companies which have directors and officers in common.

During the year ended December 31, 2016, fees in the amount of \$120,000 (2015 – \$120,000) were paid or accrued to directors and officers who provided services to the Company. Included in accounts payable and accrued liabilities at December 31, 2016 is \$312,038 (2015 - \$217,528) owing to related parties. Amounts due to related parties do not bear any interest, are unsecured, and have no specific terms of repayment.

As at December 31, 2016, an additional amount of \$427,636 is owed to a related party and included in accounts payable (Note 8). At December 31, 2015, \$21,796 was owing from a related party and included in trade receivables (Note 5).

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16. RELATED PARTY TRANSACTIONS - continued**b) Key management personnel compensation**

Key management of the Company are directors and officers of the Company and their remuneration includes the following:

For the year ended December 31,	2016	2015
Short-term benefits	\$ 120,000	\$ 120,000
Share-based compensation	112,000	-
	\$ 232,000	\$ 120,000

(i) Short-term benefits include consulting fees.

c) Promissory note payable

In conjunction with the transaction with Allstar and the Company (Note 6), there remains a balance of \$545,212 on the promissory note payable to Allstar. The promissory note bears interest at a rate of 5% per annum and matures on May 26, 2018. Since the closing of the transaction, the Company has made \$982,000 in repayments on the promissory note.

d) Loans to a related party

In conjunction with the transaction with Allstar and the Company, the Company agreed to loan up to \$250,000 to Allstar for operational purposes, bearing interest at 5% and repayable on demand. During the year ended December 31, 2016, the Company loaned a total of \$234,550, and received a repayment from Allstar in the amount of \$56,000. The remainder of the loans were offset against balances owing to Allstar as operator of the Company's oil and gas interests.

17. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended December 31, 2015, the Company had the following non-cash financing and investing activities:

- \$300,000 was reclassified from exploration and evaluation assets to property and equipment; and
- \$26,565 in receivables from Allstar were owing in relation to exploration and evaluation asset costs.

During the year ended December 31, 2016, the Company had the following non-cash financing and investing activities:

- \$1,407,433 in additions to property and equipment is related to an increase in the Company's decommissioning liabilities;
- \$1,125,000 in additions to property and equipment related to issuance of 15,000,000 common shares of the Company; and
- \$1,500,000 in additions to property and equipment related to the issuance of a promissory note payable to Allstar

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18. EVENTS AFTER THE REPORTING PERIOD

On February 8, 2017, the Board of Directors of the Company approved the grant of 200,000 stock options pursuant to the Plan to a consultant. The options are exercisable at \$0.15 per share, vest immediately and, if not exercised, expire February 8, 2022, subject to earlier expiration in accordance with the Plan and applicable policies of the Exchange.

On February 28, 2017 the Company announced the commencement of a private placement whereby the Company will issue up to 3,333,333 units at a price of \$0.15 per unit, for total gross proceeds of up to \$500,000. Each unit will be comprised of one common share of the Company and one share purchase warrant. Each warrant can be exercised at a price of \$0.25 per share, and expires 24 months after the date of issuance. On April 13, 2017 the placement was extended and the maximum units increased to 4,000,000 units, with all other terms remaining unchanged.

Subsequent to the year ended December 31, 2016, the Company has issued a total of 4,400,000 common shares pursuant to the exercise of share purchase warrants for gross proceeds of \$660,000.