CHEETAH CANYON RESOURCES CORP.

(FORMERLY CARDIFF ENERGY CORP.)

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017

(Expressed in US Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cheetah Canyon Resources Corp. (formerly Cardiff Energy Corp.)

We have audited the accompanying consolidated financial statements of Cheetah Canyon Resources Corp. (formerly Cardiff Energy Corp.), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cheetah Canyon Resources Corp. as at December 31, 2017 and 2016, 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 consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Cheetah Canyon Resources Corp.'s ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 30, 2018

CHEETAH CANYON RESOURCES CORP.
(Formerly Cardiff Energy Corp.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the years ended December 31, 2017 and 2016
(Expressed in US Dollars)

	Notes	2017	2016
Revenue			
Oil and gas revenue		$ 32,221	$ 28,279
Royalties		(5,800)	(5,101)
Production and mineral taxes		(1,903)	(1,670)
Total revenue		24,518	21,508
Expenses			
Operating		14,765	14,492
Accretion	10	1,112	1,577
Depreciation, depletion and amortization	7	-	8,097
Exploration expenses	7	53,105	-
Impairment of oil and gas properties	6, 7, 12	-	2,995,490
Audit and accounting		40,429	37,616
Consulting fees	9	272,562	355,254
Investor relations		9,183	56,026
Legal fees		3,474	40,900
Listing and filing fees		38,979	21,280
Travel		32,784	40,295
Office and miscellaneous	8	59,010	76,020
Share-based payments	4	20,215	151,214
Total expenses		546,618	3,798,261
Net loss		(521,100)	(3,776,753)
Other comprehensive loss			
Exchange differences on translation to presentation currency		(15,170)	5,771
Net comprehensive loss		$ (536,270)	$ (3,770,982)
Loss per share – basic and diluted	5	$ (0.04)	$ (0.40)
Weighted average number of shares outstanding – basic and diluted	5	14,658,756	9,358,653

See accompanying notes to consolidated financial statements

CHEETAH CANYON RESOURCES CORP.
(Formerly Cardiff Energy Corp.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2017 and 2016
(Expressed in US Dollars)

	Notes	2017	2016
Assets			
Non-current Assets			
Oil and gas properties	7	$ 2	$ 2
Total non-current assets		2	2
Current Assets			
Advance	18	20,000	-
Prepaid expenses		30,670	5,338
Other receivable	16	2,724	1,909
Cash		498	151
Total current assets		53,892	7,398
Total assets		$ 53,894	$ 7,400
Deficit			
Share capital	4	$ 5,958,491	$ 5,266,346
Reserves	4	446,669	1,020,829
Share subscriptions	19	329,215	-
Deficit		(8,057,486)	(7,858,105)
Total deficit		(1,323,111)	(1,570,930)
Non-current Liabilities			
Decommissioning provision	10,11	55,237	54,125
Current Liabilities			
Trade and other payables	8, 9	1,276,123	1,315,061
Short-term loan	8	45,645	209,144
Total current liabilities		1,321,768	1,524,205
Total deficit and liabilities		$ 53,894	$ 7,400

Going concern (Note 2)
Commitments and contingencies (Note 11)

Approved on behalf of the Board of Directors on April 30, 2018:

"Jack Bal" *"Greg Campbell*

Jack Bal Greg Campbell

See accompanying notes to consolidated financial statements

CHEETAH CANYON RESOURCES CORP.
(Formerly Cardiff Energy Corp.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017 and 2016
(Expressed in US Dollars)

	2017	2016
Cash provided by (used in)		
Operating activities		
Net loss	$ (521,100)	$ (3,776,753)
Adjustments to reconcile to net cash flows from operating activities		
Accretion	1,112	1,577
Accrued interest and extension fees	40,293	56,914
Depreciation, depletion and amortization	-	8,097
Share-based payments	20,215	151,214
Impairment of oil and gas properties	-	2,995,490
	(459,480)	(563,461)
Changes in non-cash working-capital items:		
Other receivable	(815)	1,658
Prepaid expenses	(25,332)	(2,808)
Trade and other payables	(38,938)	258,185
Subscription receivable	-	47,886
	(524,565)	(258,540)
Investing activities		
Advance	(20,000)	-
Exploration and evaluation assets	-	(269,311)
	(20,000)	(269,311)
Financing activities		
Short-term loan repaid	(90,590)	82,394
Cash received for common shares	325,845	443,835
Shares issue cost	(6,711)	-
Share subscriptions	329,215	-
	557,759	526,228
Exchange differences on translation of foreign operations	(12,847)	1,220
Change in cash	347	(403)
Cash, beginning of the year	151	554
Cash, end of the year	$ 498	$ 151

Supplemental disclosure with respect to cash flows (Note 13)

See accompanying notes to consolidated financial statements

CHEETAH CANYON RESOURCES CORP.
(Formerly Cardiff Energy Corp.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
For the years ended December 31, 2017 and 2016
(Expressed in US Dollars)

					Reserves				
Issued and Outstanding:	Notes	Number of Shares	Share Capital	Share Subscription	Warrants	Equity Settled Employee Benefits	Foreign Currency Transaction	Deficit	Total Equity
Balance as at December 31, 2015		7,882,775	$ 4,674,614	$ -	$ 521,559	$ 546,950	$ (56,768)	$ (4,081,352)	1,605,003
Shares issued for private placement	4	1,111,429	291,205	-	124,435	-	-	-	415,640
Shares issued for options exercised	4	571,428	162,138		-	(133,942)	-	-	28,195
Share-based payments	4	-	-	-	-	151,214	-	-	151,214
Warrants expired	4		138,389	-	(138,389)	-	-	-	-
Currency translation adjustment		-	-	-	-	-	5,771	-	5,771
Net loss for the year		-	-	-	-	-	-	(3,776,753)	(3,776,753)
Balance as at December 31, 2016		9,565,632	5,266,346	-	507,605	564,221	(50,997)	(7,858,105)	(1,570,930)
Shares issued for private placement	4	6,401,538	159,137	-	145,900	-	-	-	305,037
Shares issued for options exercised	4	400,000	41,023	-	-	(20,215)	-	-	20,808
Shares issued for debt settlement	4,8	1,698,850	115,525	-	-	-	-	-	115,525
Warrants expired	4	-	383,171	-	(383,171)	-	-	-	-
Share issue costs	4	-	(6,711)	-	-	-	-	-	(6,711)
Options cancelled	4	-	-	-	-	(321,719)	-	321,719	-
Share-based payments	4	-	-	-	-	20,215	-	-	20,215
Share subscriptions received	19	-	-	329,215	-	-	-	-	329,215
Currency translation adjustment		-	-	-	-	-	(15,170)	-	(15,170)
Net loss for the year		-	-	-	-	-	-	(521,100)	(521,100)
Balance as at December 31, 2017		18,066,020	$ 5,958,491	$ 329,215	$ 270,334	$ 242,502	$ (66,167)	$ (8,057,486)	$ (1,323,111)

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

Cheetah Canyon Resources Corp. (formerly Cardiff Energy Corp., the "Company") was incorporated under the laws of the Province of British Columbia on February 1, 2010. The Company's principal business activities are the acquisition, exploration, development and production of oil and gas reserves in the United States. The Company's head office, principal address and records office is located at 3920 Delbrook Avenue, North Vancouver, British Columbia, Canada V7N 3Z8. The Company's shares trading under the symbol "CHTA" on the TSX Venture Exchange (the "Exchange").

On July 19, 2017, the Company changed its name to Cheetah Canyon Resources Corp.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Statement of compliance and going concern

These consolidated financial statements, including comparatives, 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") applicable to financial statements.

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

The preparation of the Company's consolidated financial statements that complies with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and recognized contingent liabilities at the end of the reporting year and amounts of revenues and expenses recognized during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As of December 31, 2017, the Company had incurred a cumulative loss of $8,057,486. The Company recognizes the need to obtain debt or equity financing to meet its obligations and fund its exploration and development programs. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statements of financial position.

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its "subsidiary"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Cardiff Energy (USA) Inc. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

Foreign currency translation

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US dollars, which is the reporting currency and the functional currency of Cardiff Energy (USA) Inc. The functional currency of the Company is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's Canadian operations with a functional currency other than the US dollar are expressed in US dollars using closing rates at the date of financial position. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized directly into equity and transferred to the foreign currency transactions reserve.

Exploration and evaluation expenditures

Pre-license costs

Pre-license costs are expensed in the period in which they are incurred.

Exploration and evaluation costs

Once the legal right to explore has been obtained, costs directly associated with an exploration well are capitalized as exploration and evaluation intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If no reserves are found, the exploration asset is tested for impairment. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., by drilling further wells), are likely to be developed commercially, the costs continue to be carried as an intangible asset while sufficient and continued progress is made in assessing the commerciality of the hydrocarbons. All such costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of oil are determined and development is sanctioned, the relevant expenditure is transferred to oil and gas properties after impairment is assessed and any resulting impairment loss is recognized.

Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalized within oil and gas properties.

Oil and gas properties and other property, plant and equipment

Oil and gas properties and other property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation, for qualifying assets and borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within property, plant and equipment.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are expensed when incurred.

Depreciation
Oil and gas properties are depreciated on a unit-of-production basis over the proved and probable reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved reserves of the relevant area. The unit-of-production rate for the amortization of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditures.

Financial instruments
Financial assets

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

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. The financial instruments included in this category are in current assets and include cash. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss. As at December 31, 2017, the Company has reported cash at fair value. Cash is comprised of cash held with the bank.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. As at December 31, 2017, the Company has reported its advance and other receivables at cost less any provision for impairment.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive loss. The Company has no held to maturity investments as at December 31, 2017.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of comprehensive loss. The Company has no available-for-sale assets as at December 31, 2017.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

<u>Financial liabilities</u>

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

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Other financial liabilities: This category includes amounts due to related parties and trade payables, all of which are recognized at amortized cost. The Company has reported its trade payables and short-term loan as at December 31, 2017 at amortized cost.

Impairment

At each financial position reporting date, the carrying amounts of the Company’s assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Decommissioning provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of an oil and gas property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying value of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

Share capital
Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Share-based payments
Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. When the options are exercised, the applicable amounts of option reserves are transferred to share capital.

Loss per share
The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Revenue recognition
Revenue comprises of the sale of oil and natural gas products in the ordinary course of the Company's activities and is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding royalties, discounts, rebates and other sales tax or duty. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from oil and natural gas sales is recognized when the oil and gas has been lifted and the risk of loss transferred to a third-party purchaser. All payments received before delivery are recorded as deferred revenue until delivery has occurred.

Income taxes
Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the asset and liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Significant estimates and assumptions
The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of oil and gas properties and exploration and evaluation assets, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

Significant judgments
The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification/allocation of expenditures as oil and gas properties, exploration and evaluation expenditures or operating expenses; and
- the determination of the functional currency of the Company and its subsidiary.

Adoption of new and revised standards

<u>IFRS 9 – Financial Instruments</u>

In July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

(Expressed in US Dollars)

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

The above and other accounting standards or amendments to existing accounting standards that have been issued but have future effect dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. GEOGRAPHICAL SEGMENTED INFORMATION

The Company is engaged in the business activities, being the acquisition, exploration, development and production of oil and gas reserves and, in the future, exploration of mineral properties. The two geographical segments are Canada and United States. All non-current assets are held in the United States segment.

Summarized financial information on the geographic segments the Company operates in are as follows:

	Canada	United States	Consolidated
For the year ended December 31, 2017			
Oil and gas properties	$ -	$ 2	$ 2
Oil sales	$ -	$ 22,874	$ 22,874
Gas sales	$ -	$ 9,347	$ 9,347
Loss for the year	$ (529,720)	$ 8,620	$ (521,100)

	Canada	United States	Consolidated
For the year ended December 31, 2016			
Oil and gas properties	$ -	$ 2	$ 2
Depreciation, depletion and amortization	$ -	$ (8,097)	$ (8,097)
Oil sales	$ -	$ 22,013	$ 22,013
Gas sales	$ -	$ 6,266	$ 6,266
Loss for the year	$ (759,043)	$ (3,017,710)	$ (3,776,753)

4. SHARE CAPITAL AND RESERVES

a. Authorized

At December 31, 2017, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value.

(Expressed in US Dollars)

As of January 19, 2017, the Company announced the rollback of the issued and outstanding common shares on a seven old for one new basis. As a result, all the issued and outstanding share, option and warrant numbers were retroactively restate to reflect the roll back.

b. Details of issuances of common shares

i) During the year ended December 31, 2016, 571,428 options were exercised at an exercised average price of $0.35 CAD for proceeds of $162,138 ($212,500 CAD). A fair value of $133,943 was reallocated to share capital upon exercise of these stock options.

ii) On March 15, 2016, the Company closed a non-brokered private placement for 1,111,429 units at $0.35 CAD per unit for gross proceeds of $291,205 ($389,000 CAD). Each unit is comprised of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at a price of $0.525 CAD until March 15, 2018. A fair value of $124,435 was assigned to these warrants.

iii) On May 15, 2017, the Company closed a private placement consisting of 6,401,538 units for gross proceeds of $305,037 ($416,100 CAD). Each unit comprised of one common share at a price of $0.065 CAD and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.10 CAD until May 15, 2019. A fair value of $145,900 was assigned to the warrants. The Company paid $9,150 CAD of finder's fees in connection to this private placement.

iv) During the year ended December 31, 2017, 400,000 options were exercised at an exercised average price of $0.07 CAD for proceeds of $20,808 ($28,000 CAD). A fair value of $20,215 was reallocated to share capital upon exercise of these stock options.

v) During the year ended December 31, 3017, the Company settled outstanding indebtedness of $149,885 CAD with arm's-length creditors (Note 8) through the issuance of 1,698,850 common shares.

c. Warrants

The continuity of warrants for the year ended December 31, 2017 is summarized below:

Expiry date	Exercise price (CAD$)	December 31, 2016	Issued	Expired	December 31, 2017
June 19, 2017	1.400	977,059	-	(977,059)	-
March 15, 2018 *	0.525	1,111,429	-	-	1,111,429
May 15, 2019	0.100	-	6,401,538	-	6,401,538
Warrants outstanding and exercisable		2,088,488	6,401,538	(977,059)	7,512,967
Weighted average exercise price (CAD$)		$ 0.934	$ 0.10	$ 1.40	$ 0.16

* Subsequently expired, unexercised.

The weighted average remaining life for the warrants outstanding and exercisable at December 31, 2017 is 1.19 years.

(Expressed in US Dollars)

The fair value of the warrants issued was determined on the date of issuance based upon the average of the pro-rata method and the Black-Scholes Option Pricing Model using the following assumptions:

	2017	2016
Risk-free interest rate	0.69%	0.53%
Annualized volatility	215%	177%
Expected dividend yield	Nil	Nil
Expected warrants life in years	2 years	2 years

d. Options

Effective May 16, 2011, the Company adopted a stock option plan. Under this plan, the Company may grant options of up to 10% of its outstanding common shares to its directors, officers, employees and consultants. The exercise price of the share purchase options will be no less than the closing price of the shares on the Exchange on the business day immediately before the date of granting of the option, unless the Exchange permits discounts, or allows some other minimum exercise price. Options will expire 5 years from the date granted.

The continuity of options for the year ended December 31, 2017, is summarized below:

Expiry date	Exercise price (CAD$)	December 31, 2016	Granted	Exercised	Expired/ Cancelled	December 31, 2017
October 10, 2019	1.295	35,714	-	-	(35,714)	-
June 1, 2020	1.120	64,286	-	-	-	64,286
July 16, 2020	1.050	78,570	-	-	-	78,570
September 28, 2020	1.015	214,286	-	-	(185,714)	28,571
October 14, 2020	1.330	71,429	-	-	-	71,429
November 20, 2020	1.155	214,286	-	-	(185,714)	28,571
February 4, 2021	0.350	71,429	-	-	-	71,429
May 26, 2017	0.070	-	400,000	(400,000)	-	-
Options outstanding and exercisable		750,000	400,000	(400,000)	(407,142)	342,858
Weighted average exercise price (CAD$)		$ 1.05	$ 0.07	$ 0.07	$ 1.10	$ 0.98

The weighted average remaining life for the options outstanding and exercisable at December 31, 2017 is 2.73 years.

During the year ended December 31, 2017, the Company recognized $20,215 (2016 - $151,214) of share-based payments for options granted, using the Black-Scholes Option Pricing Model.

	2017	2016
Risk-free interest rate	0.94%	0.53% - 0.79%
Annualized volatility	195%	175% - 177%
Expected dividend yield	Nil	Nil
Expected option life in years	5 years	5 years

(Expressed in US Dollars)

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

e. Reserves

Warrants reserve records items recognized as other share-based payments until such time that warrants are exercised, at which time the corresponding amount will be transferred to share capital. Amounts recorded for expired, unexercised warrants are also transferred to share capital in the year of expiry. During the year ended December 31, 2017, the fair value of $383,171 (2016 - $138,389) was reallocated to share capital for expired, unexercised warrants.

Equity settled employee benefits reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be reallocated to share capital. Amounts recorded for forfeited or expired unexercised options are transferred to deficit in the year of forfeiture or expiry. During the year ended December 31, 2017, $321,719 was transferred to deficit for expired options.

Foreign currency translation reserve records exchange differences arising from translation of the Company's results and financial position from its functional currency into the presentation currency.

5. LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share for 2017, was based on the loss attributable to common shareholders of $521,100 (2016 - $3,776,753) and weighted average of 14,658,756 (2016 – 9,358,653) common shares outstanding.

Diluted loss per share did not include the effect of 342,850 stock options (2016 – 750,000) and 7,512,967 warrants (2016 – 2,088,488) because they are anti-dilutive.

6. EXPLORATION AND EVLUATION ASSETS

		Runnels County
As at December 31, 2015	$	2,615,993
Drilling		269,311
Write-off of exploration assets		(2,885,304)
As at December 31, 2016 and 2017	$	-

The amounts shown represent costs incurred to date, and do not necessarily represent present or future values as these are entirely dependent upon the economic recovery of future ore reserves. A summary of current property interests is as follows:

Runnels County, Texas, USA

On November 21, 2013, as last amended on October 22, 2015, the Company, through its wholly-owned subsidiary, entered into agreements to drill and develop certain wells targeting Gardiner Lime in Runnels County, Texas, USA.

As of December 31, 2016, due to market conditions, the Company decided to not proceed with this project.

(Expressed in US Dollars)

7. OIL AND GAS PROPERTIES

Lincoln County, Oklahoma, USA
On March 26, 2010, the Company, acquired from a number of non-arm-length parties various working interests ("WIs") (varying from 8.75% to 39.4%) in certain wells located in Lincoln County area of central Oklahoma.

At December 31, 2016, management determined the Company's interest in the oil and gas wells comprising the Lincoln County totaling $110,186 to be impaired.

Garvin County, Oklahoma, USA
On October 18, 2010 the Company, through its wholly-owned subsidiary, acquired a 20% WI in certain wells located in Garvin County area of southern Oklahoma. At December 31, 2014, management determined the Company's interest in the oil and gas wells comprising the Garvin County to be impaired.

	December 31, 2015	Additions (Depletion)	December 31, 2016	December 31, 2017
Lincoln County				
Acquisition	$ 678,678	$ -	$ 678,678	$ 1
Drilling	168,319	-	168,319	-
Geological	56,435	-	56,435	-
Development – tangible costs	31,227	-	31,227	-
Development – intangible costs	25,982	-	25,982	-
Depletion	(620,664)	(8,097)	(628,761)	-
Licenses and fees	1,377	-	1,377	-
Decommissioning provision (Note 10)	30,713	-	30,713	-
Impairment	(253,783)	(110,186)	(363,969)	-
	118,284	(118,283)	1	1
Garvin County				
Capitalized oil and gas interest	1	-	1	1
	1	-	1	1
Total	$ 118,285	$ (118,283)	$ 2	$ 2

8. TRADE AND OTHER PAYABLES

	2017	2016
Trade payables (Note 9)	$ 1,251,123	$ 1,290,061
Accruals	25,000	25,000
	$ 1,276,123	$ 1,315,061

Trade payables are non-interest bearing and are normally settled on 30 day terms. Accruals represent mainly fees outstanding for professional fees. All current trade and other payables are interest-free and payable within 12 months.

(Expressed in US Dollars)

Short-term loans

1. On November 16, 2015, the Company entered into a loan agreement for $100,000 CAD by way of a promissory note. The loan is payable by December 31, 2017 and bears interest at a rate of 24% per annum. To December 31, 2017, the Company accrued $47,404 CAD in interest and $20,480 CAD loan extension fees (December 31, 2016 - $19,429 in interest and $12,480 CAD in loan extension fee). During the year, $120,000 CAD was repaid. As of December 31, 2017, $52,027 CAD is outstanding in a loan principal and $5,235 in interest.

2. On February 11, 2016, the Company signed a promissory note to secure up to a principal amount of $262,500 CAD, payable on demand, secured by all assets of the Company and bearing interest at a rate of 24% per year. The use of the funds of the loan were restricted. As of December 31, 2016, the Company received $150,000 CAD in principal and repaid $39,375 CAD in principal during the year. To December 31, 2016, the Company had accrued $25,012 CAD in interest and $12,500 CAD as a commitment fee. The Company also issued the lender 500,000 options at a price $0.05 CAD with fair value of $17,348, which was recorded in share-based payments.

   On December 19, 2016, the Company amended the terms of the loan. Under the new terms, the lender had the option to convert the outstanding balance into common shares of the Company on the condition that the Company successfully raise a minimum of $750,000 CAD from a private placement. During the year ended December 31, 2017, the Company issued 1,698,850 common shares at a fair value of $115,525 in full settlement of the loan balance of $148,995 CAD.

9. RELATED PARTY TRANSACTIONS

Key management personnel comprise the President, Chief Executive Officer, Chief Financial Officer, Vice-President of Exploration and Directors of the Company. The remuneration of the key management personnel for the periods ended December 31, 2017 and 2016 was as follows:

During the year ended December 31, 2017, the Company incurred consulting fees totalling $130,527 ($169,500 CAD) (2016 - $166,056 ($217,500 CAD)) to officers and the companies owned by the officers of the Company.

	Short-term employee benefits
Year ended December 31, 2017	
Directors and officers	$ 130,527
Year ended December 31, 2016	
Directors and officers	$ 166,056

As at December 31, 2017, included in trade payables is $81,826 (2016 -$99,844) owed to these related parties (Note 8).

On November 16, 2015, the Company entered into a loan agreement for $100,000 CAD by way of a promissory note. The loan is payable by December 31, 2017 and bears interest at a rate of 24% per annum. To December 31, 2017, the Company accrued $47,404 CAD in interest and $20,480 CAD loan extension fees (December 31, 2016 - $19,429 in interest and $12,480 CAD in loan extension fee). During the year, $120,000 CAD was repaid. As of December 31, 2017, $52,027 CAD is outstanding in a loan principal and $5,235 in interest (Note 8).

(Expressed in US Dollars)

Amounts due to related parties are non-interest bearing, unsecured and have no fixed terms of repayment.

10. DECOMMISSIONING PROVISION

At December 31, 2016 and 2017, the undiscounted liability for provision for decommissioning is estimated to be $71,143, which is expected to be settled in 2 to 15 years. Management has used a risk-free rate of 3.00% to determine the present value of the decommissioning provision. During the year ended December 31, 2017, the Company recorded an accretion on decommissioning provision of $1,112 (2016 - $1,577).

A continuity summary of decommissioning provision is as follows:

	Lincoln	Garvin	Total
Balance, December 31, 2015	$ 33,651	$ 18,897	$ 52,548
Accretion expense	1,010	567	1,577
Balance, December 31, 2016	34,661	19,464	54,125
Accretion expense	871	241	1,112
Balance, December 31, 2017	$ 35,532	$ 19,705	$ 55,237

11. COMMITMENTS AND CONTINGENCIES

Potential environmental contingency
The Company's exploration activities are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment, and believes its operations are in compliance with all applicable laws and regulations. At December 31, 2017, the Company has recorded a decommissioning provision of $55,237 (December 31, 2016 - $54,125). The Company expects to make, in the future, the required expenditures to comply with such laws and regulations. The ultimate amount of reclamation and other future site-restoration costs to be incurred is uncertain.

12. IMPAIRMENT LOSSES AND REVERSALS

During the year ended December 31, 2016, $110,186 of impairment was recognized on the Company's oil and gas properties relating to the Lincoln County property (Note 7).

(Expressed in US Dollars)

Assets are tested for impairment either individually or as part of a cash-generating unit. The recoverable amount is the higher of the asset's fair value less costs to sell and value-in-use. The Company estimates value-in-use using a discounted cash flow model. The future cash flows are adjusted for risks specific to the asset and discounted using a pre-tax discount rate of 8%. Oil and gas future prices are based on commodity price forecast of independent reserve evaluators

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2017	2016
	$	$
Non-cash information:		
Fair value of warrants issued	145,900	124,435
Fair value of warrants and options exercised	20,215	133,942
Fair value of warrants expired	383,171	138,389
Equity settle employee benefits reversed transferred to deficit	321,719	-
Shares issued on debt settlement	115,525	-

14. FINANCIAL INSTRUMENTS AND RELATED RISKS

The Company makes an assessment of various risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include commodity price risk, credit risk, liquidity risk, currency risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

a) Commodity price risk
Commodity price risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by world economic events that dictate the levels of supply and demand. The Company does not use financial derivatives contracts to hedge commodity price risk.

b) Credit risk
Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

(i) Trade credit risk
The Company's trade receivables are due from operators of its oil and gas properties or the government. The Company generally extends unsecured credit to its customers and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is low and is mitigated by the size and reputation of the company to which they extend credit. The carrying value of trade receivables reflects the Company's assessment of the associated risk which is low.

(ii) Cash
In order to manage credit and liquidity risk, the Company invests only in highly rated investment grade instruments that have maturities of a year or less. Management believes the risk of exposure is low, given that limits are established based on the type of investment, the counterparty and the credit rating. The carrying value of cash reflects the Company's assessment of the associated risk which is low.

(iii) Derivative financial instruments
As at December 31, 2017, the Company has no derivative financial instruments. It may in the future enter into derivative financial instruments and in order to manage credit or price risk, it will only enter into derivative financial instruments with highly rated investment grade counterparties. The Company is not exposed to risks relating to derivative financial instruments.

c) Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. Liquidity risk is assessed as high.

d) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to material interest rate risk as the Company's debt is at a fixed rate as of December 31, 2017.

e) Foreign exchange risk
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not hedge its exposure to foreign exchange risk. The Company's assessment of the associated risk is low.

<u>Fair value</u>

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

Cash has been assessed on the fair value hierarchy described above and is considered to be Level 1.

(Expressed in US Dollars)

As at December 31, 2017, the carrying values of cash, advances, other receivables, trade payables and short-term loan approximate their fair values due to their short terms to maturity.

15. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its oil and gas properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure, comprised of equity net of accumulated deficit, and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares and acquire or dispose of assets.

The Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with short-term maturities, selected with regards to the expected timing of expenditures from continuing operations.

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

The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year.

16. OTHER RECEIVABLES

	2017	2016
Goods and services tax receivable	$ 2,724	$ 1,909

17. INCOME TAXES

The reported income tax recovery differs from the amount computed by applying the United States basic statutory rate to the loss before income taxes. The reasons for this difference and the related tax effects are as follows:

	2017	2016
Loss for the year	$ (521,100)	$ (3,776,753)
United States basic statutory tax rate	35%	35%
Potential income tax recovery based upon reported loss	(182,385)	(1,321,863)
Permanent differences	5,464	37,864
Impact of tax rate changes and differences	(4,124)	57,591
Change in valuation allowance	181,045	1,226,408

(Expressed in US Dollars)

	$ -	$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	2017	2016
Non-capital losses	$ 3,081,057	$ 2,388,877
Resource pools	3,792,192	3,792,192
Share issuance costs	38,631	49,251
	$ 6,912,580	$ 6,230,320

The tax pools relating to these deductible temporary differences expire as follows:

	Canadian non-capital losses	US non-capital losses	US resources pools	Canadian share issuance costs
2017	$ -	$ -	$ -	$ 17,331
2018	-	-	-	12,201
2019	-	-	-	7,756
2020	-	-	-	1,342
2030	55,882	-	-	-
2031	102,549	-	-	-
2032	345,104	-	-	-
2033	253,081	-	-	-
2034	279,659	-	-	-
2035	600,256	-	-	-
2036	518,440	374,413	-	-
2037	552,372	-	-	-
No expiry	-	-	3,792,192	-
	$ 2,707,343	$ 374,413	$ 3,792,192	$ 38,631

Due to the uncertainty surrounding the realization of income tax assets in future years, the Company has provided a full valuation allowance against its potential deferred income tax assets. The valuation allowance reflects the Company's estimate that the tax assets more likely than not, will not be realized.

18. ADVANCE

On June 23, 2017, the Company signed a Property Purchase Agreement (the "Purchase Agreement") with a private vendor to acquire a 100% mineral interest in a gold project located in Mali, Africa.

The full consideration is as follows:

1. 2,500,000 common shares of the Company on the closing date at an agreed price of $0.10 per share subject to Exchange approval;
2. $250,000 CAD payable as follows:
   a) $25,000 CAD on signing of definitive agreement (US $20,000 paid);

b) 9 payments of $25,000 CAD payable every 3 months following 3 days after Exchange approval;

3. Upon Exchange approval, the Company will convey a 10% Net Profit Interest Royalty on bulk samples which will revert to Net Smelter Return ("NSR") Royalty equal to 2% of the Company's interest in the NSR from the sale or disposition of minerals produced from the property. The Company has the right to purchase one-half, equal to 1%, of the NSR in consideration for $1,000,000 USD. In addition, the Company has the option to buy down the balance of the NSR, equal to 1%, for a further $1,500,000 USD.

The Purchase Agreement is pending Exchange approval as at the date of these financial statements. Upon Exchange approval, the Company will be committed to paying the aforementioned consideration.