CHEETAH CANYON RESOURCES CORP.

CONDENSED CONSOLIDATED INTERIM FINANCAL STATEMENTS

September 30, 2018

(Expressed in US Dollars)

NOTICE OF NO AUDITOR REVIEW OF

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

CHEETAH CANYON RESOURCES CORP.
CONDENSED INTEROM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the nine months ended September 30, 2018 and 2017
(Expressed in US Dollars)
(Unaudited)

	Notes	For the Three Months Ended September 30, 2018	2017	For the Nine months Ended September 30, 2018	2017
Revenue					
Oil and gas revenue		$ -	$ 6,750	$ -	$ 23,814
Royalties		-	(1,304)	-	(4,185)
Production and mineral taxes		-	(392)	-	(1,414)
Total revenue		-	5,054	-	18,215
Expenses					
Operating		-	3,510	-	11,802
Accretion	9	62	278	186	833
Exploration expenses	16	(208)	-	32,953	-
Audit and accounting		6,937	6,312	16,718	15,680
Consulting fees	8	76,295	88,457	247,654	155,165
Investor relations		2,436	6,795	4,490	9,063
Legal fees		-	70	-	3,451
Listing and filing fees		625	13,296	15,544	39,864
Office and miscellaneous		6,628	18,556	19,200	54,952
Travel		5,422	8,312	25,274	20,309
Share-based payments	4	-	-	61,172	20,215
Total expenses		98,197	145,586	423,191	331,334
Other items					
Gain on property disposition	6	-	-	36,245	-
Net loss		(98,197)	(140,532)	(386,946)	(313,119)
Other comprehensive loss					
Exchange differences on translation to presentation currency		(14,563)	(13,115)	19,516	(16,803)
Net comprehensive loss		$ (112,760)	$ (153,647)	$ (367,430)	$ (329,922)
Loss per share – basic and diluted	5	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)
Weighted average number of shares outstanding – basic and diluted	5	18,066,020	17,746,980	18,066,020	13,510,521

See accompanying notes to condensed interim financial statements

CHEETAH CANYON RESOURCES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at September 30, 2018 and December 31, 2017
(Expressed in US Dollars)

	Notes	**September 30, 2018**	**December 31, 2017**
Assets		*(Unaudited)*	*(Audited)*
Non-current Assets			
Oil and gas properties	6	$ 1	$ 2
Total non-current assets		1	2
Current Assets			
Advance	16	23,175	20,000
Prepaid expenses		64,375	30,670
Other receivable	15	2,416	2,724
Cash		2,364	498
Total current assets		92,330	53,892
Total assets		$ 92,331	$ 53,894
Deficit			
Share capital	4	$ 6,082,926	$ 5,958,491
Reserves	4	402,922	446,669
Share subscriptions	17	641,252	329,215
Deficit		(8,444,432)	(8,057,486)
Total deficit		(1,317,332)	(1,323,111)
Non-current Liabilities			
Decommissioning provision	9,10	19,890	55,237
Current Liabilities			
Trade and other payables	7,8	1,338,324	1,276,123
Short-term loan	7,8	51,449	45,645
Total current liabilities		1,389,773	1,321,768
Total deficit and liabilities		$ 92,331	$ 53,894

Going concern (Note 2)
Commitments and contingencies (Note 10)

Approved on behalf of the Board of Directors on November 29, 2018:

"Jack Bal" *"Greg Campbell*

Jack Bal Greg Campbell

See accompanying notes to condensed interim financial statements

CHEETAH CANYON RESOURCES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2018 and 2017
(Expressed in US Dollars)
(Unaudited)

	2018	2017
Cash provided by (used in)		
Operating activities		
Net loss	$ (386,946)	$ (313,119)
Adjustments to reconcile to net cash flows from operating activities		
Accretion	186	833
Accrued interest and extension fees	7,261	41,180
Share-based payments	61,172	20,215
Gain on property disposition	(36,245)	-
	(354,572)	(250,890)
Changes in non-cash working-capital items:		
Other receivable	308	(8,794)
Prepaid expenses	(33,705)	(115,001)
Trade and other payables	58,282	(52,186)
	(329,687)	(426,871)
Investing activities		
Exploration and evaluation assets	-	(18,945)
	-	(18,945)
Financing activities		
Cash received for common shares	-	325,845
Shares issue cost	-	(6,709)
Share subscriptions	312,037	288,462
Short-term loan repaid	-	(90,590)
	312,037	517,008
Exchange differences on translation of foreign operations	9,516	(16,803)
Change in cash	1,866	54,389
Cash, beginning of the period	498	151
Cash, end of the period	$ 2,364	$ 54,540

Supplemental disclosure with respect to cash flows (Note 12)

See accompanying notes to condensed interim financial statements

CHEETAH CANYON RESOURCES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
For the period ended September 30, 2018 and 2017
(Expressed in US Dollars)
(Unaudited)

					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, 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	-	-	-	305,036
Shares issued for options exercised	4	400,000	41,023	-	-	(20,215)	-	-	20,808
Shares issued for debt settlement	4	1,698,850	115,524	-	-	-	-	-	115,524
Warrants expired	4	-	383,170	-	(383,170)	-	-	-	-
Share issue costs	4	-	(6,709)	-	-	-	-	-	(6,709)
Options cancelled	4	-	-	-	-	(321,719)	-	321,719	-
Share-based payments	4	-	-	-	-	20,215	-	-	20,215
Share subscription received		-	-	288,462	-				288,462
Currency translation adjustment		-	-	-	-	-	(16,803)	-	(16,803)
Net loss for the period		-	-	-	-	-	-	(313,119)	(313,119)
Balance as at September 30, 2017		18,066,020	$ 5,958,491	$ 288,462	$ 270,335	$ 242,502	$ (67,800)	$ (7,749,505)	$ (1,157,515)
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)
Warrants expired	4	-	124,435	-	(124,435)	-	-	-	-
Share-based payments	4	-	-	-	-	61,172	-	-	61,172
Share subscriptions received	17	-	-	312,037	-	-	-	-	312,037
Currency translation adjustment		-	-	-	-	-	19,516	-	19,516
Net loss for the period		-	-	-	-	-	-	(386,946)	(386,946)
Balance as at September 30, 2018		18,066,020	$ 6,082,926	$ 641,252	$ 145,899	$ 303,674	$ (46,651)	$ (8,444,432)	$ (1,215,432)

See accompanying notes to the condensed interim 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 condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB ("International Accounting Standards Board") applicable to the preparation of condensed interim consolidated financial statements, including International Accounting Standard ("IAS") 34 - Interim Financial Reporting. The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in the Company's audited annual financial statements for the year ended December 31, 2017 other than the principles of consolidation.

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 condensed interim 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 September 30, 2018, the Company had incurred a cumulative loss of $8,444,432. 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 condensed interim 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.

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

The Company has not yet adopted the following revised or new IFRS that have been issued but were not yet effective as at December 31, 2017:

IFRS 16, Leases is a new standard that sets out the principles for recognition, measurement, presentation and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by

(Expressed in US Dollars)

IAS 17 and instead introduces a single lessee accounting model. This standard is effective for the years beginning on or after January 1, 2019.

The Company expects the only impact that this new accounting standard will have on the financial statements will be additional note disclosure.

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 period ended September 30, 2018			
Oil and gas properties	$ -	$ 1	$ 1
Gain (Loss) for the period	$ (423,006)	$ 36,060	$ (386,946)

	Canada	United States	Mali	Consolidated
For the period ended September 30, 2017				
Oil and gas properties	$ -	$ 2	$ -	$ 2
Exploration and evaluation assets	$ -	$ -	$ 18,945	$ 18,945
Oil sales	$ -	$ 16,661	$ -	$ 16,661
Gas sales	$ -	$ 7,153	$ -	$ 7,153
Loss for the period	$ (307,560)	$ 5,559	$ -	$ (313,119)

4. SHARE CAPITAL AND RESERVES

a. Authorized

At September 30, 2018, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value.

b. Details of issuances of common shares

i) 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.

ii) 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.

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

(Expressed in US Dollars)

c. Warrants

The continuity of warrants for the period ended September 30, 2018 is summarized below:

Expiry date	Exercise price (CAD$)	December 31, 2017	Issued	Expired	September 30, 2018
March 15, 2018	0.525	1,111,429	-	1,111,429	-
May 15, 2019	0.100	6,401,538	-	-	6,401,538
Warrants outstanding and exercisable		7,512,967	-	1,111,429	6,401,538
Weighted average exercise price (CAD$)		$ 0.16	$ -	$ 0.525	$ 0.10

The weighted average remaining life for the warrants outstanding and exercisable at September 30, 2018 is 0.53 years.

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
Risk-free interest rate	0.69%
Annualized volatility	215%
Expected dividend yield	Nil
Expected warrants life in 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 period ended September 30, 2018, is summarized below:

Expiry date	Exercise price (CAD$)	December 31, 2017	Granted	Exercised	Expired/ Cancelled	September 30, 2018
June 1, 2020	1.120	64,286	-	-	-	64,286
July 16, 2020	1.050	78,570	-	-	-	78,570
September 28, 2020	1.015	28,571	-	-	-	28,571
October 14, 2020	1.330	71,429	-	-	-	71,429
November 20, 2020	1.155	28,571	-	-	-	28,571
February 4, 2021	0.350	71,429	-	-	-	71,429
March 23, 2023	0.060	-	1,350,000	-	-	1,350,000
Options outstanding and exercisable		342,858	1,350,000	-	-	1,692,850
Weighted average exercise price (CAD$)		$ 0.98	$ 0.06	$ -	$ -	$ 0.25

(Expressed in US Dollars)

The weighted average remaining life for the options outstanding and exercisable at September 30, 2018 is 3.97 years.

During the period ended September 30, 2018, the Company recognized $61,172 (2017 - $20,215) of share-based payments for options granted, using the Black-Scholes Option Pricing Model.

	2018	2017
Risk-free interest rate	2%	0.94%
Annualized volatility	193%	195%
Expected dividend yield	Nil	Nil
Expected option life in years	5 years	5 years

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 period ended September 30, 2018, the fair value of $124,435 (2017 - $383,170) 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 period ended September 30, 2018, $Nil (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 period ended September 30, 2018, was based on the loss attributable to common shareholders of $386,946 (2017 - $313,119) and weighted average of 18,066,020 (2017 – 13,510,521) common shares outstanding.

Diluted loss per share did not include the effect of 1,692,850 stock options (2017 – 342,850) and 6,401,538 warrants (2017 – 7,512,967) because they are anti-dilutive.

6. 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, 2017, the property has caring value of $1. On January 1, 2018, the Company executed the Quit Claim Assignment and Bill of Sale and recognized gain of $36,245 on disposition of the property.

(Expressed in US Dollars)

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 September 30, 2018, the property has caring value of $1.

7. TRADE AND OTHER PAYABLES

	September 30, 2018	December 31, 2017
Trade payables (Note 8)	$ 1,338,324	$ 1,251,123
Accruals	-	25,000
	$ 1,338,324	$ 1,276,123

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.

Short-term loans

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 September 30, 2017, the Company accrued $56,743 CAD in interest and $20,480 CAD loan extension fees (December 31, 2017 - $47,404 CAD in interest and $20,480 CAD in loan extension fee). In 2017, $120,000 CAD was repaid. As of September 30, 2018, $52,027 CAD (December 31, 2017 - $52,027 CAD) is outstanding in a loan principal and $14,574 CAD (December 31, 2017 - $5,235 CAD) in interest.

8. RELATED PARTY TRANSACTIONS

Key management personnel comprise the President, Chief Executive Officer, Chief Financial Officer, and Directors of the Company. The remuneration of the key management personnel for the periods ended September 30, 2018 and 2017 was as follows:

During the period ended September 30, 2018, the Company incurred consulting fees totalling $115,468 ($148,500 CAD) (2017 - $91,782 ($120,500 CAD)) to officers and the companies owned by the officers of the Company.

During the period ended September 30, 2018, the Company recorded share-based payments of $54,375 (2017 – $Nil) for options granted to directors and officers of the Company

	Short-term employee benefits	Share-based payments	Total
Period ended September 30, 2018			
Directors and officers	$ 115,468	$ 54,375	$ 169,843
Period ended September 30, 2017			
Directors and officers	$ 91,782	$ -	$ 91,782

(Expressed in US Dollars)

As at September 30, 2018, included in trade payables is $155,936 (December 31, 2017 -$81,826) owed to these related parties (Note 7).

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 September 30, 2017, the Company accrued $56,743 CAD in interest and $20,480 CAD loan extension fees (December 31, 2017 - $47,404 CAD in interest and $20,480 CAD in loan extension fee). In 2017, $120,000 CAD was repaid. As of September 30, 2018, $52,027 CAD (December 31, 2017 - $52,027 CAD) is outstanding in a loan principal and $14,574 CAD (December 31, 2017 - $5,235 CAD) in interest (Note 7).

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

9. DECOMMISSIONING PROVISION

At September 30, 2018, the undiscounted liability for provision for decommissioning is estimated to be $22,880 (December 31, 2017 - $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 period ended September 30, 2018, the Company wrote off decommissioning provision on Lincoln property (Note 6) and recorded an accretion on decommissioning provision on Garvin property of $186 (2017 - $833).

A continuity summary of decommissioning provision is as follows:

	Lincoln	Garvin	Total
Balance, December 31, 2016	$ 34,661	$ 19,464	$ 54,125
Accretion expense	871	241	1,112
Balance, December 31, 2017	35,533	19,704	55,237
Sale off of Lincoln property	(35,533)	-	(35,533)
Accretion expense	-	186	186
Balance September 30, 2018	$ -	$ 19,890	$ 19,890

10. 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 September 30, 2018, the Company has recorded a decommissioning provision of $19,890 (December 31, 2017 - $55,237). 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.

11. IMPAIRMENT LOSSES AND REVERSALS

(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

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	For the nine months ended September 30,	
	2018	2017
	$	$
Non-cash information:		
Fair value of warrants issued	-	145,900
Fair value of warrants and options exercised	-	20,215
Fair value of warrants expired	124,435	383,170
Equity settle employee benefits reversed transferred to deficit	-	321,719
Shares issued on debt settlement	-	115,524

13. 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 September 30, 2018, 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 September 30, 2018.

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.

As at September 30, 2018, 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.

14. 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.

(Expressed in US Dollars)

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 period.

15. OTHER RECEIVABLES

	September 30, 2018	December 31, 2017
Goods and services tax receivable	$ 2,416	$ 2,724

16. 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.

During the period ended September 30, 2018, $32,953 of exploration costs was incurred by the Company.