

TENTH AVENUE PETROLEUM CORP.
CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017
AND DECEMBER 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Tenth Avenue Petroleum Corp.:

We have audited the accompanying consolidated financial statements of Tenth Avenue Petroleum Corp., which comprise the consolidated statements of financial position as at December 31, 2017, and the consolidated statements of loss, comprehensive loss, changes in shareholders' equity, and cash flows, for the year 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 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 audit. We conducted our audit 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continues)

Independent Auditor's Report to the Shareholders of Tenth Avenue Petroleum Corp.: *(continued)*

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Tenth Avenue Petroleum Corp. as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes the conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2016, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on May 1, 2017.

Calista LLP

Calgary, Alberta
April 30, 2018

Chartered Professional Accountants

TENTH AVENUE PETROLEUM CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In Canadian Dollars

As at	Note	December 31, 2017	December 31, 2016
ASSETS			
CURRENT			
Cash and cash equivalents		\$ 8,227	\$ 1,442
Trade and other receivables		52,150	21,733
Short term investments		14,022	-
Prepaid expenses and deposits		988	6,862
		\$ 75,387	\$ 30,037
Restricted cash held in trust	3	206,281	208,411
Property and equipment	4	1,576,158	196,151
		\$ 1,857,826	\$ 434,599
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		\$ 253,879	\$ 114,086
Asset retirement obligation	7	186,574	190,215
		\$ 440,453	\$ 304,301
Loan payable	6	1,359,958	-
Asset retirement obligation	7	215,712	24,855
Total Liabilities		\$ 2,016,123	\$ 329,156
SHAREHOLDERS' EQUITY			
Share capital	8	12,465,831	12,365,831
Warrants	9	-	-
Contributed surplus		9,659,522	9,644,362
Deficit		(22,283,650)	(21,904,750)
		\$ (158,297)	\$ 105,443
		\$ 1,857,826	\$ 434,599
Going concern	1		

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

Signed "Craig Leggatt"
Craig Leggatt Director

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

TENTH AVENUE PETROLEUM CORP.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED

In Canadian Dollars

	Note	December 31, 2017	December 31, 2016
REVENUE			
Oil & natural gas sales		\$ 416,440	\$ 102,816
Royalties		(97,740)	(13,150)
Other revenue		5,033	-
		323,733	89,666
EXPENSES			
Production and transportation		291,747	15,070
General and administrative		293,644	102,704
Share based compensation	9	15,160	-
Depletion, depreciation and impairment	4	48,480	47,251
		649,031	165,025
Operating income(loss) from continuing operations		(325,298)	(75,359)
Other (income) expense items			
Interest income		(22)	(643)
Interest expense and accretion		53,624	2,430
		\$ (378,900)	\$ (77,146)
INCOME(LOSS) PER SHARE			
Basic and diluted		\$ (0.05)	\$ (0.01)

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

TENTH AVENUE PETROLEUM CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED

In Canadian Dollars

	December 31, 2017	December 31, 2016
Operating activities		
Net loss	\$ (378,900)	\$ (77,146)
Depletion, depreciation and impairment	48,480	47,251
Interest expense and accretion, non-cash	53,062	2,430
Share based compensation	15,160	-
Foreign exchange	(1,806)	6,042
Changes in non-cash working capital	101,229	20,577
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(162,775)	(846)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Issue of shares	100,000	-
Increase in Loan	1,359,958	-
	1,459,958	-
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Restricted cash held in trust	-	354
Purchase of property and equipment	(1,290,398)	-
	(1,290,398)	354
INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	6,785	(492)
Foreign exchange on cash balance	-	(535)
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,785	(1,027)
CASH AND CASH EQUIVALENTS, beginning of year	1,442	2,469
CASH AND CASH EQUIVALENTS, end of year	\$ 8,227	\$ 1,442
Supplemental cash flow information		
Cash Paid for Interest	-	-

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

TENTH AVENUE PETROLEUM CORP.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY FOR THE YEARS ENDED

In Canadian Dollars

	December 31, 2017	December 31, 2016
SHAREHOLDERS' EQUITY		
<u>Share capital</u>		
Balance, beginning of year	\$ 12,365,831	\$ 12,365,831
Private placement	100,000	-
Balance, end of year	\$ 12,465,831	\$ 12,365,831
<u>Warrants</u>		
Balance, beginning of year	\$ -	\$ 7,820
Warrants expired	-	(7,820)
Balance, end of year	\$ -	\$ -
<u>Contributed surplus</u>		
Balance, beginning and end of year	\$ 9,644,362	\$ 9,636,542
Warrants expired	-	7,820
Share based compensation	15,160	-
Balance, end of year	\$ 9,659,522	\$ 9,644,362
<u>Accumulated other comprehensive income</u>		
Balance, beginning of year	\$ -	\$ -
Foreign exchange translation adjustment	-	-
Transfer of translation adjustment realized on discontinued operations	-	-
	\$ -	\$ -
<u>Deficit</u>		
Balance, beginning of year	\$ (21,904,750)	\$ (21,827,604)
Net loss	(378,900)	(77,146)
Balance, end of year	\$ (22,283,650)	\$ (21,904,750)
TOTAL SHAREHOLDERS' EQUITY	\$ (158,297)	\$ 105,443

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

TENTH AVENUE PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In Canadian Dollars

DECEMBER 31, 2017

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

1. GOING CONCERN

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

As the Company incurred losses has a working capital deficit and will need capital to fund its planned operating, exploration and development activities, there is a material uncertainty which casts significant doubt on the Company's ability to continue as a going concern. For the year ended December 31, 2017, the Company incurred a net loss of \$378,900 (December 31, 2016 – \$77,146) and has working capital deficit of \$365,066 (December 31, 2016 - \$274,264) and an accumulated deficit of \$22,283,650 (December 31, 2016 - \$21,904,750).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and measurement

Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated financial statements of the Company include the accounts of Tenth Avenue Petroleum Corp. and its subsidiaries (collectively referred to as ("the Company")) and have been prepared by management. These financial statements were authorized for issue by the Board of Directors on April 30, 2018.

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss, share based compensation and business acquisitions which are measured at fair value.

Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Financial results as determined by actual events may differ from these estimates. These financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

The significant estimates and judgments in the financial statements include:

Estimating oil and gas reserves

The Company engages a qualified, independent oil and gas reserves evaluator to perform an estimation of the Company's oil and gas reserves annually. Reserves form the basis for the calculation of depletion charges and assessment of impairment of oil and gas assets. Reserves are estimated using the reserve definitions and guidelines prescribed by National Instrument 51-101 and the Canadian Oil and Gas Evaluation Handbook.

Proved plus probable reserves are defined as the "best estimate" of quantities of oil, natural gas and related substances estimated to be commercially recoverable from known accumulations, from a given date forward, based on drilling, geological, geophysical and engineering data, the use of established technology and specified economic conditions. It is equally likely that the actual remaining quantities recovered will be greater than or less than the sum of the estimated proved plus probable reserves. The estimates are made using all available geological and reservoir data as well as historical production data. Estimates are reviewed and revised as appropriate. Revisions occur as a result of changes in prices, costs, fiscal regimes and reservoir performance or a change in the Company's plans with respect to future development or operating practices.

TENTH AVENUE PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In Canadian Dollars

DECEMBER 31, 2017

Determination of Cash Generating Units

The recoverability of development and production asset carrying values are assessed at the CGU level. Determination of what constitutes a CGU is subject to management's judgment. The asset composition of a CGU can directly impact the recoverability of the assets included therein. In assessing the recoverability of oil and gas properties, each CGU's carrying value is compared to its recoverable amount, defined as the greater of fair value less costs to sell and value in use.

Asset Retirement Obligation

The Company estimates obligations under environmental regulations in respect of decommissioning and site restoration. These obligations are determined based on the expected present value of expenses required in the process of plugging and abandoning wells, dismantling of wellheads, production and transportation facilities and restoration of producing areas in accordance with relevant legislation, discounted from the date when expenses are expected to be incurred. Most of the abandonment of future expenses, estimated logistics of performing abandonment work and the discount rate used to calculate the present value of future expenses would have a significant effect on the carrying amount of the decommissioning provision.

Impairment testing

When impairment testing of property and equipment is completed for each CGU, it is based on estimates of proved plus probable reserves, production rates, oil and natural gas prices, future costs, discount rate and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and may impact the financial statements of future periods.

Fair values of Stock Options and Warrants

The amounts recorded for fair values of stock options and warrants are based on estimates of the expected volatility of the Company's share price, expected lives of the options and warrants, and expected future dividend rates and other relevant assumptions.

Property and equipment and Exploration and Evaluation Assets

Exploration and Evaluation Assets

Costs of exploring for and evaluating oil and natural gas properties (exploration and evaluation assets or "**E&E Assets**") are capitalized within exploration assets. These costs include lease acquisition costs, geological and geophysical expenditures, costs of drilling and completion of wells, plant and production equipment costs and related overhead charges. E&E assets do not include costs of general prospecting, or evaluation costs incurred prior to having obtained the legal rights to explore an area, which are expensed as incurred. Interest is not capitalized on E&E Assets.

E&E Assets are not depleted or depreciated and are carried forward until technical feasibility and commercial viability is considered to be determined. The technical feasibility and commercial viability is generally considered to be determined when proved plus probable reserves are determined to exist and the production of oil and gas has commenced. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved plus probable reserves have been discovered and production has commenced. Upon determination of proved plus probable reserves and commencement of production, E&E Assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to oil and natural gas interests, a separate category within Property Plant and Equipment ("**PP&E**").

Property, Plant and Equipment

PP&E is stated at cost; less accumulated depletion, depreciation and amortization, and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, and costs attributable to bring the asset into operation, and the initial estimate of decommissioning obligation. Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of PP&E are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis.

TENTH AVENUE PETROLEUM CORP.

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Depletion and depreciation

The net carrying value of developed and producing fields are depleted using the unit of production method by reference to the ratio of production in the period to the related proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually. Total proved plus probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrated with a 50 percent statistical probability.

Other property and equipment are depreciated over their estimated useful lives at the following annual rates and methods:

Water-well disposal assets	10%	straight line
Vehicles	20%	declining balance
Computer equipment	30%	declining balance
Office equipment	20%	declining balance

Depreciation methods, useful lives and residual values are reviewed at least annually.

Impairment – Property, Plant and Equipment

For the purpose of impairment testing, PP&E are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets – cash generating unit (“CGU”).

The carrying amounts of PP&E are reviewed at each reporting date to determine whether there is any indication of impairment, such as decreased commodity prices or downward revisions in reserves volumes. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount is the greater of the value in use or fair value less costs to sell.

Value in use is based on the estimated future cash flows 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. The recoverable amount is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of income.

Impairment losses recognized in respect of CGU's are allocated to reduce the carrying amounts of the assets in the unit on a pro rata basis.

Impairment losses, except those on goodwill, recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been permitted to be recognized.

Impairment – Exploration and Evaluation Assets

E&E Assets are tested for impairment where there is an indication that a particular exploration and evaluation project may be impaired. Examples of indications of impairment include the decision to no longer pursue the E&E project or expiry of the rights to explore or failure to receive regulatory approval. In addition, E&E assets are assessed for impairment upon their reclassification to producing assets (oil and natural gas interests in PP&E). In assessing the impairment of E&E Assets, the carrying value of the E&E assets would be compared to their estimated recoverable amount, and in certain circumstances, could include any surplus from PP&E impairment testing of related CGUs. The impairment of E&E Assets is recognized as additional depletion and depreciation expense in the income statement.

TENTH AVENUE PETROLEUM CORP.

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Decommissioning obligations

Decommissioning obligations include legal obligations to retire tangible long-lived assets such as well sites, pipelines, and production facilities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the balance sheet date. Subsequent to the initial measurement, the obligations are adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision were established.

The Company's estimates of future asset retirement obligations are based on reclamation standards that meet current regulatory requirements. The estimate of the total liability of future site restoration costs may be subject to change based on amendments to laws and regulations and as new information concerning the Company's operations becomes available. Accordingly, the amount of the liability will be subject to re-measurement at each reporting period. Any adjustments to this liability will impact the related asset.

Share based compensation

The grant date fair value of options granted to employees, officers, and directors is recognized as share based compensation expense with a corresponding increase in contributed surplus over the vesting period. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. A Black-Scholes option pricing model was used to estimate share based compensation with various assumptions that are detailed in note 11. As the Company does not pay dividends a dividend rate was not considered in the Black-Scholes model. For options and other share based payments to non-employees, compensation costs are generally measured based on the estimated fair value of the goods or services received.

Revenue recognition

Revenue from the sale of petroleum and natural gas is recognized based on volumes delivered to customers at contractual delivery points and rates and when collection is reasonably assured.

Interest income is recognized when earned.

Per share calculations

Loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted per share calculations reflect the exercise or conversion of potentially dilutive securities or other contracts to issue shares at the later of the date of grant of such securities or the beginning of the period.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense 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 is the expected tax payable on the taxable income 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 tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference 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 the related tax benefit will be realized.

TENTH AVENUE PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In Canadian Dollars

DECEMBER 31, 2017

Flow-through shares

The Company may from time to time issue flow-through shares to finance a portion of its expenditure program. Pursuant to the terms of flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. The Company recognizes a deferred tax liability for flow-through shares and a deferred tax expense, at the moment the eligible expenditures are incurred. The difference between the quoted price of the common shares or the amount recognized in common shares and the amount the investors pay for the shares (the "premium") is recognized as an other liability which is reversed as a deferred tax recovery when eligible expenditures have been made. In instances where the Company has sufficient available tax loss carry forwards or other deductible temporary differences available to offset the renounced tax deductions, the realization of the deductible taxable differences will be credited to income in the period of renunciation.

Jointly owned assets

A percentage of the Company's exploration and production activities are conducted jointly with others, whereby two or more parties jointly own the assets. These financial statements reflect only the Company's share of these jointly owned assets and, once production commences, a proportionate share of the relevant revenue and related costs.

Financial Instruments

All financial instruments are classified into one of the following five categories: fair value through profit and loss, held-to-maturity, loans and receivables, available-for sale financial assets, or other financial liabilities. On initial recognition financial instruments are recognized at fair value. Subsequent measurement and recognition of changes in the value of financial instruments depends on their classification.

Cash and cash equivalents, restricted cash held in trust, accounts receivable and deposits are classified as loans and receivables and are measured at amortized cost using the effective interest method. At each balance sheet date, the Company assesses whether loans and receivables are impaired and any impairment is recognized in the statement of loss. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost using the effective interest method.

Business Combinations

For acquisitions goodwill as determined under IFRS represents the excess of the cost of the acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired assets or company. The costs of an acquisition is measured at fair value of the assets given, equity instruments issued, and debt incurred or assumed at the acquisition date. The fair values of the assets and liabilities are determined and compared to the fair value of considerations paid. If the net value of the consideration paid exceed the fair value of the net assets then goodwill is recognized

Foreign currency translation and transactions

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Canadian parent entity and its Canadian subsidiaries is the Canadian dollar and the functional currency of the Company's US subsidiary, which was discontinued in 2015, is the US dollar.

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss.

Assets and liabilities of the US subsidiary are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of the US subsidiary are translated to Canadian dollars at exchange rates at the dates of transactions. Foreign currency differences are recognized in other comprehensive income. Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized directly in equity in other comprehensive income.

TENTH AVENUE PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017

In Canadian Dollars

Presentation of statement of loss

The Company's consolidated statement of loss is prepared primarily by the nature of the expense.

New Accounting Pronouncements

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

(a) IFRS 15 Revenue from Contracts with Customers:

As of January 1, 2018, the Company will be required to adopt IFRS 15 Revenue from Contracts with Customers. The new standard replaces IAS 11 Construction Contracts; IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The new standard dictates the recognition and measurement requirements for reporting the nature, amount, timing and uncertainty of revenue resulting from an entity's contracts with customers. The Company will be adopting this standard on January 1, 2018. The Company have reviewed IFRS 15 and concluded that the adoption will not have any impact on its net income or financial position. However the standard will require expanded disclosures in the notes of the Company's consolidated financial statements.

(b) IFRS 9 Financial Instruments:

As of January 1, 2018, the Company will be required to adopt IFRS 9 Financial Instruments, which is the result of the first phase of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has two classification categories: amortized cost and fair value. In addition, updates have also been applied surrounding hedge accounting requirements which are now more aligned with an entity's risk management activities. The Company will be adopting this standard on January 1, 2018. The Company have reviewed IFRS 9 and concluded that the adoption will not have any impact on its net income or financial position.

(c) IFRS 16 Leases:

As of January 1, 2019, the Company will be required to adopt IFRS 16 Leases, which will replace IAS 17 Leases. For lessees applying the new standard, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The Company plans to adopt IFRS 16 on January 1, 2019 and is currently assessing the potential impact of this adoption on the Company's consolidated financial statements.

3. RESTRICTED CASH HELD IN TRUST

Restricted cash held in trust includes \$206,281 (2016 - \$208,411) held by the Alberta Energy and Utilities Board, \$124,629 (2016 - \$124,629) held by British Columbia Minister of Energy, Mines and Petroleum Resources and USD \$24,152 (2016 - USD \$24,152) held by the Texas Railway Commission.

TENTH AVENUE PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017

In Canadian Dollars

4. PROPERTY AND EQUIPMENT

COSTS

	Oil and Natural Gas Assets	Water-well assets	Other assets	Total
	\$	\$	\$	\$
Balance, December 31, 2015	824,380	155,800	72,678	1,052,858
Change in estimated asset retirement obligation	(4,189)	-	-	(4,189)
Balance, December 31, 2016	820,191	155,800	72,678	1,048,669
ARO additions	176,244	-	-	176,244
Purchases - P&NG	972,890	-	-	972,890
Purchase - Tangible	280,000	-	-	280,000
	1,429,134	-	-	1,429,134
Foreign exchange and other adjustments	(647)	-	-	(647)
Balance, December 31, 2017	2,248,678	155,800	72,678	2,477,156

ACCUMULATED DEPLETION, DEPRECIATION

Balance, December 31, 2015	626,718	113,146	65,403	805,267
Depletion, depreciation for the year	29,925	15,580	1,746	47,251
Balance, December 31, 2016	656,643	128,726	67,149	852,518
Depletion, depreciation for the year	29,767	15,580	3,133	48,480
Balance, December 31, 2017	686,410	144,306	70,282	900,998
CARRYING AMOUNT	\$	\$	\$	\$
December 31, 2016	163,548	27,074	5,529	196,151
December 31, 2017	1,562,268	11,494	2,396	1,576,158

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

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

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

TENTH AVENUE PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017

In Canadian Dollars

The calculation of the final statement of adjustments is set out below:

	\$
Purchase Price:	
P&NG Rights	1,120,000
Tangibles	279,990
Miscellaneous Interest	10
GST on Tangible	14,000
Total Purchase Price	1,414,000
Interest	9,528
Net Operating Income	(257,412)
P&NG Rental Payments	6,230
Surface Rental Payments	6,898
Inventory (Oil & NGL)	41,928
Adjusted Purchase Price	31,754
Adjusted Purchase Price	1,252,926

A reconciliation of the net operating income used in the final statement of adjustments is set out below: (the vendor operated the assets until August 31, 2017)

Net Operating Income							Total
		May-17	June-17	July-17	August-17	September-17	\$
Gas							
Production	Mcf	48,694	40,264	47,331	46,660	-	182,949
Oil Production	Bbl	-	-	-	876	-	876
Liquids							
Production	Bbl	583	753	437	381	-	2,154
	Boe/d	281	243	268	288	-	216
Production Revenue		161,670	136,782	111,470	135,590	-	545,512
Royalties		(38,976)	(30,262)	(26,617)	(650)	-	(96,505)
GCA		23,592	23,592	23,592	23,592	-	94,368
Operating Expenses		(73,043)	(59,252)	(75,234)	(73,222)	(5,210)	(285,960)
Net operating income		\$73,243	\$70,860	\$33,210	\$61,718	\$ (5,210)	\$ 257,412

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5. EXPLORATION AND EVALUATION ASSETS

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

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

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

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

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

6. LOAN PAYABLE

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

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

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7. ASSET RETIREMENT OBLIGATIONS

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

The following table reconciles the asset retirement obligations:

Asset Retirement Obligations	2017	2016
Balance, beginning of year	\$ 215,070	\$ 218,885
Addition during the year	\$ 176,244	-
Change in estimate	(2,887)	(4,189)
Foreign exchange	(6,324)	(2,056)
Accretion expense	20,183	2,430
Balance, End of year	\$ 402,286	\$ 215,070
Less: current portion	(186,574)	(190,215)
Long-term portion	\$ 215,712	\$ 24,855

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

8. SHARE CAPITAL

Authorized:

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

Issued:

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

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

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9. CONTRIBUTED SURPLUS

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

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

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

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

10. WARRANTS

The following table reflects share purchase warrants activity from January 1, 2017 to December 31, 2017 and the weighted average exercise price.

	December 31, 2017	
	Number	Weighted Average Exercise Price \$
Outstanding at beginning of year	2,000,000	0.075
Issued	-	-
Outstanding end of year	2,000,000	0.075

Details of warrants outstanding at December 31, 2017:

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

11. STOCK OPTIONS

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

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A summary of the status of the Company's stock option plan as at December 31, 2017 and December 31, 2016 and changes during the years ending on those dates is as follows:

	December 31, 2017		December 31, 2016	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding, beginning of year	377,500	0.075	686,700	0.075
Granted	510,000	-	-	-
Forfeited / Expired	(107,500)		(309,200)	(0.075)
Outstanding, end of year	780,000	0.075	377,500	0.075
Exercisable, end of year	780,000	0.075	377,500	0.075

Outstanding and exercisable stock options as at December 31, 2017 have a weighted average remaining contractual life of 1.92 years (2016 – 1.33 years).

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

12. RELATED PARTY TRANSACTIONS

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

	December 31, 2017	December 31, 2016
Wages, consulting fees and benefits	\$ 146,122	\$ 61,623
Share based compensation	\$ 15,160	0

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

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

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13. PER SHARE AMOUNTS

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

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

14. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

	Balance at December 31, 2017	Quoted Prices in Active Markets For Identical Instruments (Level 1) \$	Significant Other Observable Inputs (Level 2) \$	Significant Unobservable Inputs (Level 3) \$	Total \$
Assets:					
Cash and cash equivalents	8,228	8,228	-	-	8,228

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

The Company has Nil amount as uncollectable in 2017 (2016 - \$56,518).

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Contractual undiscounted cash flow requirements for contractual obligations as at December 31, 2017 are due as follows:

	Due in 1-3 months	Due in 4-12 months	Due in 1-2 years	Due in >2 years	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	249,431	-	-	-	249,431
Loans payable ⁽¹⁾	1,359,958	-	-	-	1,359,958
	1,609,389	-	-	-	1,609,389

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

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

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

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

15. CAPITAL DISCLOSURES

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

16. INCOME TAXES

The provision for income tax differ from the results that would be obtained by applying the combined Canadian and Provincial tax rates of approximately 27% (2016 – 27%). The reasons for these differences are as followed:

	2017	2016
Income Loss per Financial Statements	\$ (378,900) 27.0%	\$ (77,146) 27.0%
Expected income tax reduction	\$ (102,303)	\$ (20,829)
Impact of tax rate difference	-	-
Change in unrecognized tax assets	-	2,504
Stock based compensation Valuation Allowance	4,007 98,226	18,325 -
Deferred income tax recovery	\$ 0	\$ 0

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The following deferred tax assets have not been recognized in the consolidated financial statements because it is not probable that future taxable profits will be available against which they can be utilized.

	2017	2016
	\$	\$
Temporary difference related to property and equipment and asset retirement obligations	\$ 2,916,832	\$ 1,980,180
None-capital; loss carryforwards	16,374,575	19,414,000
Share issue costs	6,120	12,240
Total	\$ 19,297,527	\$ 21,406,420

Canadian and U.S. non-capital loss carryforwards of \$16,4 million (\$2016 - \$19.4 million) expire between 2026 and 2037.

17. CHANGES IN NON-CASH WORKING CAPITAL

The breakdown of the changes in the non-cash working capital is as follows:

Changes in Non-Cash Working Capital	2017	2016
Accounts receivable	(30,417)	21,165
Short term investments	(14,022)	--
Prepaid expenses and deposits	5,874	1,822
Accounts payable	139,794	(2,410)
Total	\$ 101,229	\$ 20,577