

PROAM EXPLORATIONS CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ProAm Explorations Corporation

We have audited the accompanying consolidated financial statements of ProAm Explorations Corporation, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 ProAm Explorations Corporation as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
May 01, 2017

An independent firm associated with
Moore Stephens International Limited

MOORE STEPHENS

PROAM EXPLORATIONS CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31
(Expressed in Canadian Dollars)

	Notes	2016	2015
ASSETS			
Current			
Cash		\$ 27,029	\$ 11,686
Marketable Securities	4	6,630	713
Accounts receivable	5	4,617	5,181
		<u>38,276</u>	<u>17,580</u>
Exploration and evaluation assets	7	2	2
Property and equipment	8	527,235	566,715
TOTAL ASSETS		<u>\$ 565,513</u>	<u>\$ 584,297</u>
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities	6	\$ 40,403	\$ 72,436
Due to related parties	13	41,390	42,054
		<u>81,793</u>	<u>114,490</u>
Decommissioning liabilities	9	17,355	16,537
		<u>99,148</u>	<u>131,027</u>
Equity			
Share capital	11	7,234,763	7,234,763
Reserves	12	2,690,558	2,698,450
Deficit		(9,458,956)	(9,479,943)
		<u>466,365</u>	<u>453,270</u>
		<u>\$ 565,513</u>	<u>\$ 584,297</u>

Nature and continuance of operations - Note 1

Approved and authorized by the Board on May 01, 2017

"Donald L. MacDonald" Director

"W. Rex Davidson" Director

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

PROAM EXPLORATIONS CORPORATION**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

For the year ended December 31

(Expressed in Canadian Dollars)

	Notes	2016	2015
REVENUE			
Oil and gas revenue		\$ 31,709	\$ 66,949
EXPENSES			
Accretion, amortization and depletion	8, 9	13,198	27,843
Operating expenses		33,918	71,665
General and administrative (Schedules)		28,588	51,407
		<u>75,704</u>	<u>150,915</u>
Net loss from operations		(43,995)	(83,966)
OTHER			
Impairment of exploration and evaluation asset	7	-	(67,951)
Farm out income	7	60,000	
Gain on settlement of debt	6	25,924	
Write down of asset on sale	8	(20,942)	
		<u>20,987</u>	<u>(151,917)</u>
Net income (loss) for the year		20,987	(151,917)
Other comprehensive income (loss)			
Foreign currency (loss)/ gain on translation of foreign operations		(3,892)	39,932
Unrealized (loss)/gain on short term investments		(4,000)	235
		<u>(7,892)</u>	<u>40,167</u>
COMPREHENSIVE INCOME EARNINGS/(LOSS) FOR THE YEAR		\$ 13,095	\$ (111,750)
Basic and diluted earnings/(loss) per common share		\$ 0.00	\$ (0.01)
Weighted average number of common shares outstanding			
		15,283,936	15,283,936

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

PROAM EXPLORATIONS CORPORATION

CONSOLIDATED SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended December 31

(Expressed in Canadian Dollars)

	Notes	2016	2015
GENERAL AND ADMINISTRATIVE EXPENSES			
Filing and agent transfer fees		\$ 14,061	\$ 14,446
Management fees	13	-	10,000
Office and miscellaneous		1,573	2,027
Professional fees		12,954	24,934
		<u>\$ 28,588</u>	<u>\$ 51,407</u>

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

PROAM EXPLORATIONS CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31

(Expressed in Canadian Dollars)

	Share Capital		Reserves				Deficit	Total
	Number of shares	Amount	Share-based payment reserve	Foreign currency translation reserve	Investment revaluation reserve			
Balance at December 31, 2014	15,283,936	\$ 7,234,763	\$ 2,713,096	\$ 10,704	\$ (65,517)	\$ (9,328,026)	\$ 565,020	
Net loss for the year	-	-	-	-	-	(151,917)	(151,917)	
Unrealized gain on short term investments	-	-	-	-	235	-	235	
Foreign exchange gain	-	-	-	39,932	-	-	39,932	
Balance at December 31, 2015	15,283,936	7,234,763	2,713,096	50,636	(65,282)	(9,479,943)	453,270	
Net income for the year	-	-	-	-	-	20,987	20,987	
Unrealized loss on short term investments	-	-	-	-	(4,000)	-	(4,000)	
Foreign exchange loss	-	-	-	(3,892)	-	-	(3,892)	
Balance at December 31, 2016	15,283,936	\$ 7,234,763	\$ 2,713,096	\$ 46,744	\$ (69,282)	\$ (9,458,956)	\$ 466,365	

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

PROAM EXPLORATIONS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
As at December 31, 2016
(Expressed in Canadian Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the year	\$ 20,987	\$ (151,917)
Non-cash operating items		
Accretion, amortization and depletion	13,198	27,843
Income from shares from farming out	(10,000)	-
Gain on settlement of debt	(25,924)	-
Impairment of exploration and evaluation assets	-	67,951
Write down of asset on sale	20,942	-
Changes in non-cash working capital items		
Decrease in receivables	564	6,407
Increase (decrease) in accounts payable	(4,682)	26,374
Decrease in due to related parties	(664)	(1,919)
	<u>14,421</u>	<u>(25,261)</u>
EFFECT OF FOREIGN EXCHANGE	<u>922</u>	<u>(1,114)</u>
Change in cash for the year	15,343	(26,375)
Cash, beginning	<u>11,686</u>	<u>38,061</u>
Cash, ending	<u>\$ 27,029</u>	<u>\$ 11,686</u>

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

1. Nature and continuance of operations

ProAm Explorations Corporation (the "Company") was incorporated under the laws of the province of British Columbia. The Company's shares trade on the TSX Venture Exchange (the "Exchange") (symbol ("PMX")). The corporate headquarters and registered office of the Company is located at 867 West 3rd Street, North Vancouver, British Columbia, V7P 1E2.

The Company's principal business activities are oil and gas production and the exploration and development of its exploration and evaluation assets ("E&EA"). The Company is in the process of exploring and developing its E&EA, however, on the basis of information to-date, has not yet determined whether any of these E&EA contain reserves which are economically recoverable. The underlying value of these E&EA is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete their development and upon future profitable production.

Uncertainties exist which could adversely affect the Company's ability to continue to finance its activities. These uncertainties cast significant doubt about the Company's ability to continue as a going concern. Management's plan may include continuing to pursue sources of financing and reducing overhead costs. With the use of existing funds and revenue from oil and gas interests, management expects that the Company will have sufficient capital to fund operations for the upcoming fiscal year. Further discussion of liquidity risk has been disclosed in Note 14.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. Summary of significant accounting policies

Basis of preparation

These 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 issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

	Country of incorporation	Percentage owned*	
		2016	2015
OSEC Petroleum Canada Limited	Canada	100%	100%
OSEC Trading Corp.	Canada	100%	100%
OSEC Petroleum Inc.	USA	100%	100%

*Percentage of voting power is in proportion to ownership.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

2. Summary of significant accounting policies (cont'd)

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 useful life of equipment, the recoverability of the carrying value of E&EA and property and equipment, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and provisions for restoration and environmental obligations.

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 E&EA expenditures, property and equipment or operating expenses;
- the classification of financial instruments; and
- the determination of the functional currency of the Company.

Foreign currency translation

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currencies of the subsidiaries are as follows:

	Functional currency
OSEC Petroleum Canada Limited	Canadian
OSEC Trading Corp.	Canadian
OSEC Petroleum Inc.	U.S.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses

2. Summary of significant accounting policies (cont'd)

Foreign currency translation (cont'd)

arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit and loss. The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Company's foreign currency translation reserve in the statement of comprehensive income. These differences are recognized in the profit or loss in the period in which the operation is disposed.

Exploration and evaluation expenditures

Acquisition and exploration costs are accumulated on a field-by-field basis. Acquisition and exploration expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Costs incurred before the legal rights to explore an area have been obtained are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units (CGUs).

The technical feasibility and commercial viability of extracting a resource is considered to be determined when proven reserves are determined to exist. A review of each exploration license or data field is carried out, at least annually, to ascertain whether proven reserves have been discovered. Upon determination of proven reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to separate category within tangible assets referred to as property and equipment.

Property and equipment

Property and equipment, which includes oil and gas properties and production assets, are measured at cost, less accumulated depreciation and accumulated impairment losses. Property and equipment assets are grouped into CGUs for impairment testing.

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, as long as the facts and circumstances indicate that the field has commercially viable reserves.

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 asset retirement obligation, and for qualifying assets, 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 and equipment.

2. Summary of significant accounting policies (cont'd)

Property and equipment (cont'd)

Where commercial production in an area of interest has commenced, oil and gas properties are depreciated on a unit-of-production basis over the proven 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 and probable 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 future development expenditure to develop the proved and probable reserves. Changes in factors such as estimates of proved and probable reserves that affect unit-of production calculations do not give rise to prior year financial period adjustments and are dealt with on a prospective basis.

Depreciation for equipment is recognized in profit or loss on the following basis, and at half the annual rate in the year of acquisition, at the following rate:

Computers	30% declining basis
Well equipment	7 year, straight line basis

Decommissioning liabilities

The Company reviews and recognizes legal obligations associated with the retirement of tangible long-lived assets, including rights to explore or exploit natural resources and equipment. When such obligations are identified and measurable, the estimated fair values of the obligations are recognized on a systematic basis over the remaining period until the obligations are expected to be settled. On recognition of the liability, there is a corresponding increase in the carrying amount of the related assets known as decommissioning liabilities, which is depleted on a unit-of-production basis over the life of the assets. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings and for revisions to the estimated future cash flows. Actual costs incurred upon settlement of the obligations are charged against the liability.

Share-based payments

The Company has a stock option plan. 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 the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions.

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.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management

2. Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. The Company does not have any derivative financial assets and liabilities.

Impairment of assets

The carrying amount of the Company's assets (which include property and equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognized in the statement of loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however,

2. Summary of significant accounting policies (cont'd)

Impairment of assets (cont'd)

not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Cash

Cash include cash on hand and deposits held at call with banks.

Revenue

Revenue from the sale of oil and natural gas is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party, can be reasonably estimated and collectability is reasonably assured. This is generally at the time product enters the pipeline or any other means of transportation. Revenue is measured net of any royalties.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Loss per share

Loss per share is calculated by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees. 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

2. Summary of significant accounting policies (cont'd)

Loss per share (cont'd)

the beginning of the year. The Company computes diluted earnings per share using the treasury stock method to determine the dilutive effect of securities or other contracts. Under this method, the diluted weighted average number of shares is calculated assuming the proceeds that arise from the exercise of outstanding, in-the-money options are used to purchase common shares of the Company at their average market price for the year. No adjustment to diluted earnings per share or diluted shares outstanding is made if the result of the calculations is anti-dilutive.

3. Accounting standards issued by not yet effective

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on its consolidated financial statements.

IFRS 9 – Financial Instruments

In July 2016, 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.

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.

IFRS 15 – Revenue from Contracts with Customers

In May 2016, IASB issued IFRS 15 to replace IAS 18 – Revenue, which establishes a new single five-step control-based revenue recognition model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with early 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.

4. Marketable Securities

Short-term investments consist of shares of unrelated listed companies.

5. **Accounts receivable**

	December 31, 2016	December 31, 2015
Trade receivables	\$ 4,327	\$ 4,079
Other receivables	290	1,102
	\$ 4,617	\$ 5,181

6. **Accounts payables and accrued liabilities**

	December 31, 2016	December 31, 2015
Trade payables	\$ 30,403	\$ 52,436
Accrued liabilities	10,000	20,000
	\$ 40,403	\$ 72,436

During the year the Company signed a quit claim agreement with an operator to waive the outstanding balance owed by OSEC Petroleum Canada Limited, resulting in a gain on debt settlement of \$25,924.

7. **Exploration and evaluation assets**

	December 31, 2016	December 31, 2015
Balance, beginning of the year	\$ 2	\$ 61,650
Impairment of exploration and evaluation asset	-	(67,951)
Foreign exchange adjustment	-	6,303
	\$ 2	\$ 2

Included in exploration and evaluation assets are the following:

Tucker County, West Virginia: A 3.6% revenue, net of royalty, interest in 1 unproven well. During the year ended December 31, 2015, the Company determined the Tucker County property to be impaired and recognized an impairment charge of \$67,951 to reduce the carrying value to \$1.

Samuel Lake Property: Pursuant to certain agreements, the Company owns an option to acquire an undivided 100% interest, subject to a 2.5% NSR, in certain claims comprising the Samuel Lake Property. At December 31, 2016, the Company holds its interest in the Samuel Lake Property at a nominal value of \$1.

Agreement with Canyon Copper Corp. ("Canyon")

During the year ended December 31, 2016, the Company granted Canyon the sole and exclusive right and option to acquire an undivided 71% right, title and interest in and to the Samuel Lake Property. Canyon can exercise the Option by completing all of the following:

- 10 days after the Exchange Acceptance Date, \$50,000 (paid) and 200,000 common shares of Canyon (issued with a fair value of \$10,000)
- On or before the second anniversary of the Agreement, an additional \$50,000, and 200,000 common shares of Canyon
- On or before the third anniversary of the Agreement, an additional \$100,000 and 200,000 common shares of Canyon
- Incurring the following optional Expenditures on the property for an aggregate of \$2,500,000 over 6 years:

7. **Exploration and evaluation assets (cont'd)**

- On or before the second anniversary of the Agreement, Canyon shall incur a minimum of \$500,000 in expenditures
- On or before the third anniversary of the Agreement, Canyon shall incur an additional \$500,000 in expenditures
- On or before the sixth anniversary expending a further \$1,500,000
- Canyon will pay the Company a 2.5% Net Smelter Return on commencement of commercial production. Canyon shall have the right to purchase the 1% NSR for the fixed sum of \$1,500,000.
- If Canyon fails to make a payment to maintain the option in good standing, Canyon may pay the Company within 30 days, 105% of the payment amount.

During the year the Company earned \$60,000 from the Canyon agreement.

8. **Property and equipment**

The Company owns working interests in a number of oil and gas properties as follows:

United States

Eastern Ohio: 4 oil producing wells ranging from a 2.8% - 4.24% revenue, net of royalty, interest.

Indiana County, Pennsylvania: A 75% revenue, net of royalty, interest in 41 oil producing wells and a 37.5% revenue, net of royalty, interest in 1 additional oil producing well.

Logan County, Arkansas: 4 oil producing wells ranging from a 5.3% - 10.1% revenue, net of royalty, interest.

Oklahoma City, Oklahoma: A 10.5% revenue, net of royalty, interest in 2 oil producing wells.

Canada

Alberta: Interest in multi oil producing wells ranging from 0.6% - 18.0% working interest in 4 oil producing wells.

During the year the Company signed an agreement with an operator to waive the outstanding balance owed by the Company of \$25,924. In return, the Company agreed to assign the assets back to the operator. As a result, the related assets, with a net book value of \$20,942, were written off.

8. Property and equipment (cont'd)

	Furniture and Computers \$	Well equipment \$	Oil and natural gas properties \$	Total \$
Cost				
As at December 31, 2014	41,860	62,480	3,404,497	3,508,837
Foreign exchange adjustment	-	12,058	268,534	280,592
As at December 31, 2015	41,860	74,538	3,673,031	3,789,429
Written off during the year	-	-	(1,500,239)	(1,500,239)
As at December 31, 2016	41,860	74,538	2,172,792	2,289,190
Accumulated amortization and depletion				
As at December 31, 2014	39,718	52,834	2,860,007	2,952,559
Amortization and depletion	250	9,383	17,046	26,679
Foreign exchange adjustment	-	10,970	232,506	243,476
As at December 31, 2015	39,968	73,187	3,109,559	3,222,714
Amortization and depletion	250	-	11,751	12,001
Depletion of written off asset	-	-	(1,479,297)	(1,479,297)
Foreign exchange adjustment	-	-	6,537	6,537
As at December 31, 2016	40,218	73,187	1,648,550	1,761,955
Net Book Value				
As at December 31, 2015	\$1,892	\$1,351	\$563,472	\$566,715
As at December 31, 2016	\$1,642	\$1,351	\$524,242	\$527,235

9. Decommissioning Liabilities

The asset retirement obligations were estimated based on the Company's net ownership interest in all wells and facilities, the estimated cost to abandon and reclaim the wells and facilities and the estimated timing of the cost to be incurred in future periods. A credit adjusted risk-free rate of 10% and an inflation rate of 2% was used to calculate the present value of US \$11,251. A Canadian property included in this amount has a retirement obligation of \$577. The asset retirement obligations for the years ended are as follows:

Balance at January 1, 2014	\$ 13,000
Accretion	1,164
Foreign exchange adjustment	2,373
Balance, December 31, 2015	16,537
Accretion	1,197
Foreign exchange adjustment	(379)
Balance, December 31, 2016	\$ 17,355

10. Income tax expense and deferred tax assets and liabilities

The components of the Company's income tax recovery are as follows:

	2016	2015
Income (loss) for the year before income taxes	20,987	\$ (151,917)
Statutory tax rates	22.2%	32.3%
Expected income tax recovery at the statutory tax rate	4,659	(49,033)
Increase (decrease) resulting from		
Permanent differences	50	(433)
Change in valuation allowance	(4,709)	49,466
	\$ -	\$ -

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

	December 31, 2016	December 31, 2015
Exploration and evaluation assets and oil and gas	\$ 4,134,371	\$ 4,115,736
Loss carry-forwards	1,359,112	1,411,223
Equipment	(824)	(1,312)
Decommissioning Liability	17,308	16,537
	\$ 5,509,966	\$ 5,542,184

At December 31, 2016, the Company has the following tax pools available for deduction in future years which expire as follows:

	Canadian non-capital losses	US non-capital losses	Canadian resource pools
2027	\$ 59,659	\$ -	\$ -
2028	52,978	-	-
2029	154,765	55,539	-
2030	68,293	92,073	-
2031	157,496	112,147	-
2032	138,444	41,603	-
2033	186,893	-	-
2034	88,494	16,532	-
2035	28,838	102,803	-
2036	-	2,554	-
No expiry	-	-	4,134,371
	\$ 935,860	\$ 423,251	\$ 4,134,371

The taxable entities have historically made tax losses, and the existence of future taxable profits cannot be assessed as probable. Accordingly, the future tax benefit of the above noted tax pools have been offset by recognition of a valuation allowance in these financial statements.

11. Share capital

Authorized share capital

Unlimited number – Common shares without par value.

100,000,000 – Class A voting common shares with no par value

4,474,000 – Preferred shares with no par value.

526,000 – 15% cumulative Series A preferred shares with no par value.

Issued share capital

The Company did not issue any common shares during the years ended December 31, 2016 and 2015.

As at December 31, 2016 and December 31, 2015, the Company owns 2,920,207 of its own Class A voting common shares acquired at an average cost of \$889,957. These shares are recorded as a reduction on equity.

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares.

The Company expenses the fair value of all stock-based compensation awards as determined using the Black-Scholes Option Pricing Model.

The Company did not issue any stock options during the years ended December 31, 2016 and 2015.

The changes in options during the years ended December 31, 2016 and 2015 are as follows:

	December 31, 2016		December 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning	1,000,000	\$ 0.05	1,000,000	0.05
Outstanding, ending	1,000,000	\$ 0.05	1,000,000	\$ 0.05

Details of options outstanding as at December 31, 2016 are as follows:

Exercise price	Weighted average contractual life	Number of options outstanding/exercisable
\$0.05	2.39	1,000,000

12. Reserves

Share based payment reserve

The share based payment 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 transferred to share capital.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of subsidiaries of the Company that have a functional currency other than the Canadian dollar.

Investment revaluation reserve

The investment revaluation reserve records unrealized gains and losses arising on available-for-sale financial assets, except for impairment losses and foreign exchange gains and losses.

13. Related party transactions

Related party balances

The following amounts are due to related parties:

	December 31, 2016	December 31, 2015
Companies controlled by directors of the Company	\$41,390	\$42,054

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

The Company incurred the following transactions with companies that are controlled by directors of the Company.

	December 31, 2016	December 31, 2015
Management fees	-	\$10,000

Key management personnel compensation

	December 31, 2016	December 31, 2015
Short-term employee benefits – management fees	\$ -	\$10,000
	\$ -	\$10,000

14. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

14. Financial risk and capital management (cont'd)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and the United States. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its accounts receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes and amounts due from the Company's partners from its oil and gas properties.

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been from oil and gas revenues. Management believes that its revenues may not be adequate to pay for its day to day operations. Additional sources of funding may be required.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at December 31, 2016:

	Within one year	Between one and five years	More than five years
Trade payables	\$ 30,403	\$ -	\$ -
Due to related parties	41,390	-	-
	\$ 71,793	\$ -	\$ -

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 is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and the United States. The Company's functional currency is the Canadian dollar. The Company has not hedged its exposure to currency fluctuations.

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in United States dollars:

	December 31, 2016	December 31, 2015
Cash	\$ 2,002	\$ 3,264
Accounts receivable	2,749	2,415
Accounts payable	(22,424)	(21,536)
	\$ (17,673)	\$ (15,857)

Assuming that all variables remain constant, a 10% change in the value of the Canadian dollar against the US dollar would not materially affect the loss from operations.

14. Financial risk and capital management (cont'd)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is limited to the portion of the Company's cash held in bank accounts that earn interest. Due to the limited and short term nature of these financial instruments, fluctuations in the interest rates will not have a significant impact on their fair value. As at December 31, 2016, the Company had not entered into any derivative contracts to manage this risk.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

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

The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	December 31, 2016	December 31, 2015
Cash	\$ 27,029	\$ 11,686
Loans and receivables:		
Receivables	4,327	4,079
Available-for-sale financial instruments:		
Short-term investments	6,630	713
	\$ 37,986	\$ 16,478

Financial liabilities included in the statement of financial position are as follows:

	December 31, 2016	December 31, 2015
Non-derivative financial liabilities:		
Trade payables	\$ 30,403	\$ 52,436
Amounts due to related parties	41,390	42,054
	\$ 71,793	94,490

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount. 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.

14. Financial risk and capital management (cont'd)

The following is an analysis of the Company's financial assets measured at fair value as at December 31, 2015 and December 31, 2016:

	As at December 31, 2016		
	Level 1	Level 2	Level 3
Cash	\$ 27,029	\$ -	\$ -
Short-term investments	6,630	-	-
	\$ 33,659	\$ -	\$ -

	As at December 31, 2015		
	Level 1	Level 2	Level 3
Cash	\$ 11,686	\$ -	\$ -
Short-term investments	713	-	-
	\$ 12,399	\$ -	\$ -

15. Segmented information

Operating segments

The Company operates in a single reportable operating segment – the acquisition, exploration and development of oil and gas properties.

Geographic segments

The Company's non-current assets are located in the following countries:

	As at December 31, 2016		
	Canada	United States	Total
Revenue	\$ 16,195	\$ 15,514	\$ 31,709
Exploration and evaluation assets	1	1	2
Property and equipment	319,594	207,642	527,235

	As at December 31, 2015		
	Canada	United States	Total
Revenue	\$ 33,917	\$ 33,032	\$ 66,949
Exploration and evaluation assets	1	1	2
Property and equipment	348,683	218,032	566,715