



Avanti Energy Inc.

Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Avanti Energy Inc.

We have audited the accompanying consolidated financial statements of Avanti Energy Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity 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.

Auditors' 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 auditors' 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Avanti Energy Inc. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Emphasis of Matter

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

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 24, 2018

Avanti Energy Inc.

(in Canadian Dollars)

Consolidated Statements of Financial Position

As at December 31,	2017	2016
ASSETS		
Current		
Cash and cash equivalents (Note 3)	\$ 585,575	\$ 106,007
Sales taxes and other receivables (Note 10)	35,430	207,725
Prepaid expenses	16,435	2,827
	637,440	316,559
Non-current assets		
Exploration and evaluation assets (Note 6)	4,784,614	4,653,314
Property and equipment (Note 7)	80,600	80,734
	\$ 5,502,654	\$ 5,050,607
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 183,369	\$ 260,006
Due to related parties (Note 13)	3,929	1,318
Advances received (Note 6)	18,463	-
	205,761	261,324
Reclamation obligation (Note 6)	169,000	148,000
Convertible debentures (Note 9)	466,996	441,392
	841,757	850,716
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	11,987,427	10,676,367
Equity reserves (Notes 8, 9)	945,310	945,310
Deficit	(8,271,840)	(7,421,786)
	4,660,897	4,199,891
	\$ 5,502,654	\$ 5,050,607

Nature and continuance of operations (Note 1)
Event after the reporting period (Note 17)

Approved by the board:

Director

Director

Avanti Energy Inc.

(in Canadian Dollars)

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31,	2017	2016
Expenses		
Administrative (Note 4)	711,540	586,684
Consulting fees (Note 13)	25,387	161,386
Depreciation (Note 7)	134	136
Impairment of long term deposit (Note 5)	-	65,363
Accretion and finance costs (Notes 6,9)	77,944	30,250
Loss on foreign exchange	8,044	11,990
Management fees (Note 13)	300,000	300,000
Professional fees	59,049	54,765
Share-based payments (Note 8)	-	304,481
Transfer agent and filing fees	21,588	33,648
Recovery of operating expenses - Colle Santo (Note 6)	(353,632)	(658,374)
Loss and comprehensive loss	\$ (850,054)	\$ (890,329)
Basic and diluted loss per share	\$ (0.11)	\$ (0.14)
Weighted average number of shares outstanding - basic and diluted	7,835,413	6,483,444

Avanti Energy Inc.

(in Canadian Dollars)

Consolidated Statements of Cash Flows

For the years ended December 31,	2017	2016
OPERATING ACTIVITIES		
Loss for the year	\$ (850,054)	\$ (890,329)
Items not affecting cash:		
Impairment of long term deposit	-	65,363
Accretion of convertible debentures (Note 9)	25,604	8,074
Accretion of reclamation obligation (Note 6)	12,340	10,450
Depreciation	134	136
Share-based payments	-	304,481
Unrealized foreign exchange loss (Note 6)	8,660	(3,384)
Write off of other receivables - administrative	42,617	-
Changes in non-cash working capital items:		
Sales taxes and other receivables, prepaid expenses	116,070	(1,837)
Accounts payable and accrued liabilities, due to related parties, and advances received	(51,319)	32,182
Cash used in operating activities	(695,948)	(474,864)
INVESTING ACTIVITIES		
Exploration and evaluation assets expenditures	(131,300)	(372,388)
Cash used in investing activities	(131,300)	(372,388)
FINANCING ACTIVITIES		
Common shares issued for cash	1,350,160	364,800
Share issue costs	(43,344)	(4,240)
Convertible debentures issued for cash	-	500,000
Convertible debentures – issue costs	-	(17,214)
Cash provided by financing activities	1,306,816	843,346
Change in cash and cash equivalents during the year	479,568	(3,906)
Cash and cash equivalents, beginning of year	106,007	109,913
Cash and cash equivalents, end of year	\$ 585,575	\$ 106,007
Cash paid for:		
Interest (Note 9)	\$ 40,000	\$ 11,726
Income taxes	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 14)

Avanti Energy Inc.

(in Canadian Dollars)

Consolidated Statements of Changes in Shareholders' Equity For the years ended December 31,

	Number of shares	Share capital	Equity reserves	Deficit	Total
Balance, December 31, 2015	6,178,592	\$ 10,330,297	\$ 596,056	\$ (6,531,457)	\$ 4,394,896
Private placement	364,800	364,800	-	-	364,800
Share issue costs	-	(18,730)	-	-	(18,730)
Equity component of convertible debentures	-	-	44,773	-	44,773
Share-based payments	-	-	304,481	-	304,481
Loss for the year	-	-	-	(890,329)	(890,329)
Balance, December 31, 2016	6,543,392	\$ 10,676,367	\$ 945,310	\$ (7,421,786)	\$ 4,199,891
Balance, December 31, 2016	6,543,392	\$ 10,676,367	\$ 945,310	\$ (7,421,786)	\$ 4,199,891
Private placement	8,095,900	1,344,130	-	-	1,344,130
Share issue costs – cash	-	(39,100)	-	-	(39,100)
Share issue costs – shares	-	(1,470)	-	-	(1,470)
Warrant exercises	5,000	7,500	-	-	7,500
Loss for the year	-	-	-	(850,054)	(850,054)
Balance, December 31, 2017	14,644,292	\$ 11,987,427	\$ 945,310	\$ (8,271,840)	\$ 4,660,897

Avanti Energy Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Avanti Energy Inc. (the "Company" or "AVN") is a resource company whose common shares trade on the TSX Venture Exchange ("TSX-V") and is in the business of acquiring, developing, exploring and evaluating oil and gas properties. The Company was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the *British Columbia Business Corporations Act* on March 7, 2011.

The Company's head office is located at Suite 810, 609 Granville Street, Vancouver, British Columbia V7Y 1G5 and its registered and records office address is Suite 1750, 1185 West Georgia Street, Vancouver, British Columbia, V6E 4B6.

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The Company will require additional financing or outside participation to undertake further exploration and subsequent development of its exploration and evaluation assets. Future operations of the Company are dependent on its ability to raise additional equity or debt financing, and the attainment of profitable operations. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

The Company has determined that its exploration and evaluation assets which comprise the Colle Santo project in Italy, contains established reserves that are economically recoverable (Note 6). The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the Company's ability to obtain the required permitting (Note 6), and the necessary financing, to complete the development of those reserves, and upon future production or proceeds from the disposition thereof.

Avanti Energy Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in Canadian dollars)

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Effective November 3, 2017, the Company consolidated its common shares on a 10-old for 1-new basis, whereby each ten old common shares are equal to one new common share without par value. All references to common shares, stock options, warrants and weighted average number of shares outstanding in these consolidated financial statements reflect the share consolidation unless otherwise noted.

Principles of consolidation

These consolidated financial statements include the financial statements of the Company and the following subsidiaries:

Avanti SA	100%	Inactive company
Avanti Oil	100%	Inactive company
CMI Energia	100%	Exploration company
Lucana Idrocarburi S.R.L.	80%	Inactive company

All intercompany transactions, balances, revenues and expenses are eliminated on consolidation.

Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Critical judgments in applying accounting policies

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1. In addition, management has made judgments regarding the functional currency of the Company, and has determined that the functional currency of the Company and its subsidiaries is the Canadian dollar.

Key sources of estimation uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting our financial statements include, but are not limited to, the following:

Avanti Energy Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in Canadian dollars)

2. BASIS OF PREPARATION (cont'd)

Significant accounting judgments, estimates and assumptions (cont'd)

Share-based payments

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based payment expense for the year along with the assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 8.

Reserve estimates

Reserve engineering is an inherently complex and subjective process of estimating underground accumulations of petroleum and natural gas. The process relies on interpretations of available geological, geophysical, engineering and production data. The accuracy of a reserves estimate is a function of the quality and quantity of available data, the interpretation of that data, the accuracy of various economic assumptions and the judgment of those preparing the estimate. Because these estimates depend on many assumptions, all of which may differ from actual results, reserves estimates and estimates of future net revenue may be different from the sales volumes ultimately recovered and net revenues actually realized. Changes in market conditions, regulatory matters and the results of subsequent drilling, testing and production may require revisions to the original estimates. Estimates of reserves impact: (i) the assessment of whether or not a new well has found economically recoverable reserves; (ii) depletion rates; and (iii) the determination of the realizable value of oil and gas properties for impairment tests, all of which could have a material impact on earnings.

Impairment of Non-Financial Assets

The Company assesses property and equipment, and exploration and evaluation assets, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least annually. The assessment of any impairment is dependent upon estimates of recoverable amounts that take into account factors such as reserves, economic and market conditions, timing of cash flows, the useful lives of assets and their related salvage values.

Decommissioning provisions

Provisions for decommissioning obligations associated with the Company's oil and gas operations are based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, prices, discovery and analysis of site conditions and changes in clean up technology.

Stage of Development

The Company is in the business of acquiring, developing, exploring and evaluating oil and gas properties. The Company has current reserve estimates on its exploration and evaluation assets but has not yet commenced commercial production, and the Company has no history of earnings or cash flow from its operations. As a result of the foregoing, the Company is considered to be in the exploration stage.

Avanti Energy Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in Canadian dollars)

2. BASIS OF PREPARATION (cont'd)

Significant accounting judgments, estimates and assumptions (cont'd)

Deferred tax Assets and Liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

The Company considers cash and cash equivalents to include cash on deposit, cash held in trust, highly liquid short term interest bearing variable rate Guaranteed Investment Certificates, and Bankers' Acceptance Papers. As at December 31, 2017, the Company had cash on hand of \$585,575 (2016: \$92,570), and short term interest bearing notes classified as cash equivalents of \$nil (2016: \$13,437).

Share-based payments

The Company's stock option plan allows Company employees, directors, officers and consultants to acquire shares of the Company. The fair value of options granted is recognized as share-based payment expense with a corresponding increase in equity reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. In situations where equity instruments are issued to consultants and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Avanti Energy Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Exploration and evaluation assets

Pre-exploration costs

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

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to exploration and evaluation assets are capitalized by property. Off-site consulting, management and lease operating costs are expensed to profit or loss. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a resource interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the exploration and evaluation asset interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be under development. Exploration and evaluation assets are also tested for impairment before the assets are transferred to property and equipment.

Foreign exchange

The functional and reporting currency of the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions denominated in other currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at the statement of financial position date to reflect exchange rates prevailing at that date. Non-monetary assets and liabilities are translated at historical exchange rates. Gains and losses on translation are included in determining profit or loss for the year.

Avanti Energy Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company, in addition to the proportionate amount of equity reserves originally created at the issuance of the stock options or warrants. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of a common share at the issuance date of the unit offering and any residual remaining is allocated to common share purchase warrants.

Avanti Energy Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments

Financial assets

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

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

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

Held-to-maturity investments – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

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

Avanti Energy Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments (cont'd)

Financial liabilities

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

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

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest rate method.

The Company has classified its cash and cash equivalents as fair value through profit and loss, and sales taxes and other receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities, due to related parties, advances received and convertible debentures are classified as other financial liabilities.

Financial instruments measured at fair value are classified into one of three levels in a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

See Note 11 for relevant disclosures.

Reclamation obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement or reclamation (decommissioning) of property interests (exploration and evaluation assets). The net present value of future rehabilitation cost estimates is capitalized to the related assets along with a corresponding increase in the reclamation provision in the year incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the reclamation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year.

Avanti Energy Inc.

Notes to the Consolidated Financial Statements

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(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of long-lived assets

At each financial position reporting date the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the year.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Property and Equipment

Well equipment included within property and equipment comprises parts and supplies available for use in future development and production of natural gas assets. The initial cost comprises costs directly attributable to the acquisition of these assets. Items of well equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation of the well equipment begins when the items are in the location and condition necessary to be capable of operating in the manner intended by the Company. For impairment testing, these items are considered a single cash-generating unit.

Property and equipment may also include costs incurred in developing oil and natural gas reserves and maintaining or enhancing production from such reserves. Future decommissioning costs, related to producing assets, are also capitalized to property and equipment. Property and equipment are carried at cost, less accumulated depletion, depreciation and amortization and accumulated impairment losses. Gains and losses on disposal of property and equipment are determined as the difference between proceeds from disposal and the carrying amount of the asset sold and is recognized in profit or loss.

Costs incurred subsequent to the determination of technical feasibility and commercial viability are recognized as oil and gas interests (within property and equipment) only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are expensed to profit or loss as incurred. Such capitalized petroleum 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. The carrying amount of any replaced or sold component is derecognized.

Avanti Energy Inc.

Notes to the Consolidated Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Exchanges of development and production assets (swaps, farm-outs or farm-ins) are measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received, nor the asset given up is reliably measurable. The cost of the acquired asset is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. Any gain or loss on derecognition of the asset given up is recognized in profit or loss.

Depletion

The net carrying value of producing oil and gas interests is depleted using the unit of production method based on estimated proven, and probable reserves, taking into account the future development costs required to produce the reserves.

New Accounting Standards

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company.

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018. The Company does not expect the adoption of this standard to significantly affect these consolidated financial statements.
- IFRS 15: New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers, effective for annual periods beginning on or after January 1, 2018. The Company does not expect the adoption of this standard to significantly affect these consolidated financial statements.
- IFRS 16: Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of this standard.

4. ADMINISTRATIVE

	Year ended	
	2017	2016
Advertising, promotion & investor relations	\$ 74,626	\$ 95,795
Write-off of other receivables	42,617	-
Office and other	124,816	137,422
Travel and meals	10,354	19,729
Salaries and benefits	184,931	174,442
General exploration	274,196	159,296
	\$ 711,540	\$ 586,684

Avanti Energy Inc.

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(in Canadian dollars)

5. LONG TERM DEPOSIT

On June 10, 2010, the Company's subsidiary, Avanti Oil paid €50,000 (\$65,363) as consideration for the deposit to purchase 75% of the shares of an Italian company, or the option to receive a like amount of the gas development activities of the Italian company in the Cugno le Macine concession, an oil and gas concession in the Region of Basilicata, Italy. During the year ended December 31, 2016, the Company determined that given the lack of project advancement on the concession, the long-term deposit was impaired and was written-off in full.

6. EXPLORATION AND EVALUATION ASSETS

	Colle Santo, Italy
Balance – December 31, 2015	\$ 4,297,992
Additions	372,388
Change in estimates related to reclamation obligation	(17,066)
Balance – December 31, 2016	\$ 4,653,314
Additions	131,300
Balance – December 31, 2017	\$ 4,784,614

Colle Santo, Italy

The Company's wholly-owned subsidiary CMI Energia ("CMI"), is the operator and owner of a 90% working interest in the Colle Santo natural gas project. The natural gas field has established reserves, but is not yet permitted to produce. The 90% interest in the project is beneficially owned as follows:

- 33.3% - the Company (operator, through CMI)
- 41.7% - Syndicate of investors including Avanti Exploration, LLC (Note 13)
- 15% - Dove Energy BV ("Dove")

The Company receives funding from these parties for work performed by CMI on the project, which is recorded as a recovery of operating expenses - Colle Santo.

During the year ended December 31, 2017, \$353,632 was recorded as a recovery of operating expenses (2016: \$658,374).

As at December 31, 2017, unspent funds recorded as advances received amounted to \$18,463 (2016: \$nil).

Avanti Energy Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

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6. EXPLORATION AND EVALUATION ASSETS (cont'd)

Reclamation Obligation

Balance, December 31, 2015	\$ 158,000
Change in estimates	(17,066)
Accretion expense	10,450
Foreign exchange	<u>(3,384)</u>
Balance, December 31, 2016	\$ 148,000
Accretion expense	12,340
Foreign exchange	<u>8,660</u>
Balance, December 31, 2017	\$ 169,000

The Company's reclamation obligation consists of costs accrued based on the current best estimate of the plug and abandonment liability expense to be incurred upon the cessation of economic use of well locations. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the reporting date, known legal requirements and estimates prepared by a third party specialist. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

The present value of the estimated costs for the decommissioning of the Colle Santo wells at the end of their useful lives is estimated to be \$169,000 (€115,209) (2016: \$148,000 (€102,864)). As operator, the Company has recorded the obligation at 100%. The obligation is subject to a pro-rata allocation to the working interest holders who are expected to incur their proportionate expenditure for the 66.7% working interest held by joint venture partners.

The estimated gross costs of the obligation is estimated at \$717,679 (€489,850) (2016: \$685,257 (€485,000)). The Company estimates that the timing of incurring the expenditures is 14 years to 2031, an inflation rate of 1% (2016: 1%), and discounted using a credit adjusted rate of 12% (2016: 12%).

Avanti Energy Inc.

Notes to the Consolidated Financial Statements

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7. PROPERTY AND EQUIPMENT

	Well Equipment
Cost	
Balance – December 31, 2017, 2016 and 2015 ⁽¹⁾	\$ 81,041
Accumulated depletion and depreciation	
Balance – December 31, 2015	\$ 171
Depreciation	136
Balance – December 31, 2016	\$ 307
Depreciation	134
Balance – December 31, 2017	\$ 441
Carrying amounts	
Balance as at December 31, 2016	\$ 80,734
Balance as at December 31, 2017	\$ 80,600

⁽¹⁾ The Company's subsidiary, CMI owns equipment that is not yet subject to depreciation as these items are not yet in the location and condition necessary to be capable of operating in the manner intended by the Company.

8. SHARE CAPITAL

Effective November 3, 2017, the Company consolidated its common shares on a 10-old for 1-new basis, whereby each ten old common shares are equal to one new common share without par value. All references to common shares, stock options, warrants and weighted average number of shares outstanding in these consolidated financial statements reflect the share consolidation unless otherwise noted.

Authorized

Unlimited common shares with no par value.

During the year ended December 31, 2017, the Company:

- (i) issued 5,000 shares upon the exercise of existing warrants for proceeds of \$7,500.
- (ii) closed two tranches of a non-brokered private placement unit financing - aggregating the issuance of 888,800 units at a price of \$0.70 per unit, with each unit comprising one common share and one warrant for gross proceeds of \$622,160. Each warrant is exercisable into one common share at a price of \$1.50 per share until either April 24, 2018 or May 4, 2018.
- (iii) closed two tranches of a non-brokered private placement unit financing - aggregating the issuance of 7,205,000 units at a price of \$0.10 per unit, with each unit comprising one common share and one warrant for gross proceeds of \$720,500. Each warrant is exercisable into one common share at a price of \$0.12 per share until either November 21, 2022 or December 7, 2022.
- (iv) The Company incurred \$39,100 in cash share issue costs and \$1,470 in non-cash share issue costs through the issuance of 2,100 finders' units; resulting in an aggregate \$40,570 in share issue costs pursuant to its private placements during the year.

Avanti Energy Inc.

Notes to the Consolidated Financial Statements

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(in Canadian dollars)

8. SHARE CAPITAL (cont'd)

During the year ended December 31, 2016, the Company:

- (i) closed two tranches of a non-brokered private placement unit financing - aggregating the issuance of 364,800 units at a price of \$1.00 per unit, with each unit comprising one common share and one-half warrant (182,400 warrants) for gross proceeds of \$364,800. Each whole warrant was exercisable into one common share at a price of \$1.50 per share until either February 4, 2017 (expired), or March 11, 2017 (expired). The Company incurred \$18,730 in share issue costs.

Escrow shares

- (i) *Private placement shares*

Certain shares issued in the private placement of March 2016 were the subject of an Escrow Agreement dated March 11, 2016. As at December 31, 2017, 41,310 (2016: 68,850) common shares remained held in escrow, after the original 10% release. The escrow shares are released from escrow as follows:

- 10% released as of March 14, 2016 (the date of TSX-V acceptance).
- an additional 15% released on each of the six, twelve, eighteen, twenty-four⁽¹⁾, thirty and thirty-six months following the initial release on March 14, 2016.

⁽¹⁾ 13,770 common shares were released from Escrow subsequent to year end.

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less an applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

As at December 31, 2017, the following options were outstanding and exercisable:

Number of options	Exercise price	Remaining life (years)	Expiry date
207,500	\$ 2.00	0.90	November 25, 2018
20,000	\$ 2.05	1.10	February 5, 2019
252,500	\$ 1.20	3.10	February 4, 2021
480,000			

Avanti Energy Inc.

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8. SHARE CAPITAL (cont'd)

Stock options (cont'd)

A summary of stock option activity is as follows:

	Options	Weighted average exercise price
Balance outstanding and exercisable, December 31, 2015	302,500	\$ 2.00
Granted	302,500	1.20
Forfeited	(20,000)	2.00
Balance outstanding and exercisable, December 31, 2016	585,000	\$ 1.60
Expired	(5,000)	1.00
Forfeited	(100,000)	1.60
Balance outstanding and exercisable, December 31, 2017	480,000	\$ 1.58

These options entitle the holder thereof the right to acquire one common share for each option held. The weighted average remaining life of outstanding options is 2.07 (2016: 3.03) years.

During the year ended December 31, 2017, the Company granted nil (2016: 302,500) stock options with a fair value of \$nil (2016: \$304,481) or \$nil (2016: \$1.01) per option.

The options granted to directors and officers during the year ended December 31, 2017, vested on the grant date. The fair value of each option was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	2017	2016
Risk-free interest rate	-	0.48%
Expected life	-	5 years
Expected volatility	-	124.73%
Expected dividend yield	-	Nil
Weighted average fair value per option	-	\$1.00

Expected volatility is determined using the historical share price volatility of the Company for a term equal to the expected life of the options.

Avanti Energy Inc.

Notes to the Consolidated Financial Statements

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(in Canadian dollars)

8. SHARE CAPITAL (cont'd)

Warrants

As at December 31, 2017, the following warrants were issued and outstanding:

Number of warrants	Exercise price	Remaining life (years)	Expiry date
667,100	\$ 1.50	0.31	April 24, 2018
223,800	\$ 1.50	0.34	May 4, 2018
5,400,000	\$ 0.12	4.90	November 23, 2022
1,805,000	\$ 0.12	4.94	December 7, 2022
8,095,900			

A summary of warrant activity is as follows:

	Warrants	Weighted average exercise price
Balance, December 31, 2015	14,599	\$ 1.60
Expired (unexercised)	(14,599)	1.60
Issued	182,400	1.50
Balance, December 31, 2016	182,400	\$ 1.50
Issued	890,900	1.50
Issued	7,205,000	0.12
Exercised	(5,000)	(1.50)
Expired (unexercised)	(177,400)	(1.50)
Balance, December 31, 2017	8,095,900	\$ 0.27

Avanti Energy Inc.

Notes to the Consolidated Financial Statements

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9. CONVERTIBLE DEBENTURES

On September 15, 2016, the Company issued secured, redeemable, convertible debentures in the principal amount of \$500,000. The Company recorded issuance costs of \$21,909 associated with the professional fees and financing costs incurred. The debentures mature on June 30, 2019 and bear interest at 8% per annum, with interest payable at the end of each calendar quarter. Interest is payable in cash, and not convertible into Units. The principal is convertible, in whole or in part, into Units of the Company at the option of the holder. The debentures may be redeemed by the Company at any time after June 30, 2017, upon advance seven-day written notice to the holder by the Company. Certain related parties subscribed to this offering (Note 13).

Should holders elect to convert the debentures in whole or in part, the principal amount will convert to Units at \$1.50 per Unit effective July 1, 2017 until maturity. Each Unit will comprise one common share and one-half warrant. Each whole warrant gives the holder the right to purchase one common share of the Company until June 30, 2019. The warrant exercise price is \$1.50 up to June 30, 2019; effective July 1, 2019, the exercise price is \$2.00 until expiry.

The net proceeds were allocated first to the fair value of the convertible debenture, with the remaining \$44,773 allocated to the equity component included within equity reserves. The fair value was determined by using an interest rate approximating the Company's market rate of interest for a similar debt instrument (12%). The liability component of the debt is accreted to its face value over the term of the convertible debentures.

During the year ended December 31, 2017, the Company incurred interest expense of \$40,000 (2016 - \$11,726).

	Liability Component		Equity Component
	Face Value	Carrying Value	Carrying Value
Balance as at December 31, 2015	\$ -	\$ -	\$ -
Issued	500,000	453,175	46,825
Issue costs	-	(19,857)	(2,052)
Accretion	-	8,074	-
Balance as at December 31, 2016	\$ 500,000	\$ 441,392	\$ 44,773
Accretion	-	25,604	-
Balance as at December 31, 2017	\$ 500,000	\$ 466,996	\$ 44,773

10. SALES TAXES AND OTHER RECEIVABLES

	As at December 31,	
	2017	2016
Sales taxes (Note 11)	\$ 35,430	\$ 126,180
Receivables/advances – Colle Santo Project	-	81,545
	\$ 35,430	\$ 207,725

Avanti Energy Inc.

Notes to the Consolidated Financial Statements

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(in Canadian dollars)

11. FINANCIAL INSTRUMENTS

Fair value

The Company's consolidated financial instruments consist of cash and cash equivalents, sales taxes and other receivables, accounts payable and accrued liabilities, due to related parties, advances received, and convertible debentures. The carrying value of sales taxes and other receivables, accounts payable and accrued liabilities, due to related parties, and advances received, approximate fair value due to their short terms to maturity. The fair value of the convertible debenture is \$500,000 which is the face value of the debentures. Cash and cash equivalents is measured at fair value using level 1 inputs.

The Company's risk exposures and the impact on the consolidated financial statements are summarized below.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents is held at large Canadian, Italian and US financial institutions. The Company's sales taxes and other receivables consists mainly of government sales tax ("GST") receivable due from the Government of Canada, and IVA sales tax receivable from the Government of Italy. As a result, the Company does not believe it is exposed to significant credit risk, however, the Company's maximum exposure is equal to the carrying value of these balances.

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's current financial liabilities have maturities within the next fiscal year. The Company intends to settle these with funds from its positive working capital position.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company is exposed to interest rate risk to the extent that the cash and cash equivalents maintained at the financial institutions is subject to a floating rate of interest. The Company's convertible debentures bear interest at fixed rates. The interest rate risk on cash and equivalents is not considered significant. The Company has no exposure to interest rate risk on its convertible debentures.

Avanti Energy Inc.

Notes to the Consolidated Financial Statements

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11. FINANCIAL INSTRUMENTS (cont'd)

Fair value (cont'd)

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, sales taxes and other receivables, and accounts payable and accrued liabilities that are denominated in a foreign currency. As at December 31, 2017, a 10% fluctuation in the foreign exchange rate of the Euro or United States dollar against the Canadian dollar would affect the Company's loss and comprehensive loss for the year by less than \$1,000.

c) Price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and gas are impacted not only by the relationship between the Canadian dollar, European dollar and United States dollar, but also by world economic events that dictate the levels of supply and demand. The Company does not have any financial risk management contracts in place as at December 31, 2017 to manage this risk.

12. CAPITAL MANAGEMENT

The Company's capital structure consists of the components of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing, issuances of convertible debentures and amounts due to related parties. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements. The Company may raise additional debt or equity financing in the future to meet its obligations.

13. RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Avanti Energy Inc.

Notes to the Consolidated Financial Statements

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13. RELATED PARTY TRANSACTIONS (cont'd)

Key Management Personnel	Year ended December 31,	
	2017	2016
Salaries and short term benefits ⁽ⁱ⁾	\$ 541,372	\$ 550,894
Share-based payments	-	276,801
	\$ 541,372	\$ 827,695

⁽ⁱ⁾Salaries and short term benefits include \$300,000 (2016: \$300,000) in Management fees, \$225,800 (2016: \$250,894) in Consulting fees, and \$15,572 (2016: \$89,508) in Administrative expense recorded on the Statements of Loss and Comprehensive Loss.

During the year ended December 31, 2017, the Company entered into the following transactions with key management personnel and/or related entities:

Related party	Nature of transaction
Mark Frascogna. LLC ("Frascogna")	Consulting fees for the services provided by Mark Frascogna as Senior Vice President
Contact Financial Corp. ("CFC")	Rent and shared office expenses up to June 30, 2017
Pacific Equity Management Corp. ("PEMC")	Management fees for services provided by CEO, CFO, VP Corporate Development, VP Finance, Accountant, and Administrator. Under a separate agreement rent and shared office expenses commencing July 1, 2017.
Avanti Exploration LLC ("AVX")	Joint Interest Agreement regarding the Colle Santo project with a former common director.
Dove Energy Srl ("Dove")	Joint Interest Agreement regarding the Colle Santo project with a former common director.
Intergie Srl ("Intergie")	Joint Interest Agreement regarding the Colle Santo project with a former common director.

- (a) Paid or accrued \$15,000 (2016 - \$30,000) in rent to CFC, a company in which a director is a significant shareholder. Effective June 30, 2017 the rent agreement was terminated.
- (b) Paid \$15,000 (2016: \$nil) for rent and shared office expenses to PEMC, a company controlled by two officers of the Company. Under an Offices Services Agreement dated as of July 1, 2017, the Company is required to pay \$30,000 per annum, for three years for rent and office services.
- (c) Paid \$300,000 (2016: \$300,000) to PEMC, a company controlled by two officers for management services as disclosed in key management personnel compensation within salaries and short term benefits.
- (d) Paid \$241,372 (2016: \$247,566) to Frascogna, a company controlled by an officer for consulting fees as disclosed in key management personnel compensation within salaries and short term benefits.

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Notes to the Consolidated Financial Statements

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13. RELATED PARTY TRANSACTIONS (cont'd)

- (e) Included in other receivables is \$nil (2016: \$8,796) due from Dove, a company controlled by a former director who resigned during the year ended 2017, for exploration work completed at year end relating to Colle Santo.
- (f) Included in other receivables is \$nil (2016: \$5,863) due from Intergie, a company controlled by a former director who resigned during the year ended 2017, for exploration work completed at year end relating to Colle Santo.
- (g) Granted nil (2016: 275,000) stock options to officers and directors with a fair value of \$nil (2016: \$276,801).
- (h) Included in convertible debentures (Note 9) is \$345,000 (2016: \$345,000) the amount as subscribed by PEMC.
- (i) Due to related parties includes \$3,929 (2016: \$1,318) and is unsecured with no fixed terms for payment.
- (j) During the current and prior year, the Company entered and maintained certain agreements with AVX (Note 6), a company with a director in common until May 31, 2017, at which time AVX ceased to be a related entity.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The Company's significant non-cash investing and financing transactions during the year ended December 31, 2017 were as follows:

- a) Share issue costs of \$10,246 included within accounts payable and accrued liabilities.

The Company's significant non-cash investing and financing transactions during the year ended December 31, 2016 were as follows:

- b) Revised reclamation cost estimate capitalized to exploration and evaluation assets of \$17,066.
- c) Convertible debenture issue costs of \$4,695 (\$4,255 and \$440 between the liability and equity components respectively) included within accounts payable and accrued liabilities.
- d) Share issue costs of \$14,490 included within accounts payable and accrued liabilities.

15. SEGMENT INFORMATION

The Company operates in the acquisition, development, exploration and evaluation of oil and gas properties. The Company's non-current assets are located in Italy.

Avanti Energy Inc.

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16. INCOME TAXES

During the year the Company was the subject of a tax audit by the Canada Revenue Agency. The audit resulted in the recalculation of certain inter-company amounts. The tables below reflect the changes required by the audit.

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2017	2016
Loss for the year	\$ (850,054)	\$ (890,329)
Expected income tax (recovery)	\$ (221,000)	\$ (231,000)
Change in statutory, foreign tax, foreign exchange rates and other	372,000	(1,000)
Permanent differences	6,000	(37,000)
Share issue cost	(11,000)	(5,000)
Adjustment to prior years provision versus statutory tax returns	721,000	159,000
Change in unrecognized deductible temporary differences	(867,000)	115,000
Total income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2017	Expiry Date Range	2016	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	\$ 126,000	No expiry date	\$ 139,000	No expiry date
Share issue costs	68,000	No expiry date	38,000	No expiry date
Non-capital losses available for future periods	4,939,000	2033 to 2037	6,441,000	2030 to 2036

Tax attributes are subject to review, and potential adjustment, by tax authorities.

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Notes to the Consolidated Financial Statements

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17. EVENT AFTER THE REPORTING PERIOD

Effective April 24, 2018, 667,100 warrants expired unexercised.