

# **WILTON RESOURCES INC.**

## **Management Discussion and Analysis**

**For the years ended December 31, 2017 and 2016**

## MANAGEMENT DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of Wilton Resources Inc. ("Wilton" or the "Company") should be read in conjunction with the audited annual consolidated financial statements of the Company for the years ended December 31, 2017 and 2016 (the "Consolidated Financial Statements"), together with the notes thereto. Amounts herein are expressed in Canadian dollars except where indicated otherwise. The Consolidated Financial Statements and all comparative information herein have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Additional information regarding the Company is available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

This MD&A is dated April 30, 2018, and was prepared by management of the Company. The board of directors of the Company approved this MD&A on April 30, 2018.

### FORWARD-LOOKING INFORMATION

*Certain statements contained in this MD&A constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "potential", "targeting", "intend", "could", "might", "should", "believe", "prospect", "future", "possible", "can", "speculative", "perhaps" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A. The Company does not intend, and does not assume any obligation, to update or revise these forward-looking statements except as required pursuant to applicable securities laws.*

*Forward looking information and statements are included throughout this MD&A and include, but are not limited to, statements pertaining to the following:*

- *the Company's ability to continue as a going concern;*
- *the potential impacts of access to capital conditions*
- *the Company's pursuit of to acquire oil and natural gas properties in various international locations including in the Middle East and Africa;*
- *the Company's liquidity and capital resources; and*
- *the nature of the risks faced by the Company.*

*The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:*

- *general economic conditions in Canada, the United States and globally including reduced availability of debt and equity financing generally;*
- *industry conditions, including fluctuations in the price of oil, NGL and natural gas;*
- *governmental regulation of the oil and gas industry, including environmental regulation;*
- *fluctuation in foreign exchange or interest rates;*
- *liabilities inherent in oil and natural gas operations;*
- *geological, technical, drilling and processing problems and other difficulties in producing reserves;*
- *uncertainties associated with estimating oil and natural gas reserves;*
- *incorrect assessments of the value of acquisitions;*
- *unanticipated operating events which can reduce production or cause production to be shut in or delayed;*
- *failure to obtain industry partner and other third party consents and approvals, when required;*
- *stock market volatility and market valuations;*
- *availability of financing on acceptable terms;*

- competition for, among other things, capital, acquisitions of reserves, undeveloped land and skilled personnel;
- competition for and inability to retain drilling rigs and other services;
- rights to surface access;
- the need to obtain required approvals from regulatory authorities; and
- general business and market conditions.

*These factors should not be considered exhaustive. Statements in respect of “reserves” are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future.*

*Forward-looking statements or information is based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although the Company believes that the expectations and assumptions reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company cannot give any assurance that they will prove to be correct. In addition to other factors and assumptions which may be identified in this document and other documents filed by the Company, assumptions have been made regarding, among other things: future exchange rates; energy markets and the price of oil and natural gas; condition of general economic, commodity and financial markets; the ability to replace and expand oil and natural gas reserves through acquisition, development or exploration; the ability to acquire oil and natural gas properties in various international locations including in the Middle East and Africa; current technology; cash flow; commodity prices; production rates; effects of regulation and environmental and tax laws; future operating costs and the Company’s ability to obtain financing on acceptable terms. Readers are cautioned that the foregoing list of factors is not exhaustive.*

*The above summary of assumptions and risks related to forward-looking information has been provided in this MD&A in order to provide readers with a more complete perspective on the Company’s future operations and prospects. Readers are cautioned that this information may not be appropriate for other purposes.*

***The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.***

## **DESCRIPTION OF THE BUSINESS**

Hackamore Capital Corp. was incorporated under the laws of the Province of Alberta on August 15, 2007 and changed its name to Wilton Resources Inc. on October 27, 2008. On July 24, 2009, the Company completed its initial public offering (“IPO”) by way of a capital pool company prospectus. The Company was listed as a capital pool company (“Capital Pool Company”) as defined in Policy 2.4 of the TSX Venture Exchange (“TSXV”) on August 5, 2009. On October 28, 2011, Wilton completed its qualifying transaction (“Qualifying Transaction”) by the acquisition of a 75% non-operated working interest in a producing oil and natural gas well located in Monitor, Alberta.

The consolidated financial statements of the Company comprise accounts of the Company and its subsidiaries (collectively, the “Company” or “Wilton”). Wilton is an oil and gas exploration and development company. The Company is pursuing oil and gas properties in various international locations including the Middle East and Africa.

The common shares of the Company (“Common Shares”) are listed for trading on the TSXV with the trading symbol WIL.

## **GOING CONCERN**

As at December 31, 2017, the Company has a working capital deficit of \$303,396 and has no production revenue from its Canadian oil and gas property as the well was shut-in since October 2013 due to uneconomical natural gas prices. The consolidated financial statements of the Company comprise accounts of the Company and its subsidiaries (collectively, the “Company” or “Wilton”). Wilton is an oil and gas exploration and development company. The Company is pursuing oil and gas properties in various international locations including the Middle

East and Africa. In order to settle its existing liabilities and continue operations, including its ongoing oil and natural gas acquisition, exploration and development activities, Wilton will require additional financing. The amount of capital required cannot be quantified until additional transactions are identified and completed. Failure to obtain such financing on a timely basis could cause Wilton to forfeit its interest in its property, to miss certain acquisition opportunities and/or to reduce or terminate its operations. There can be no assurance that debt or equity financing, will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Wilton. Moreover, future activities may require Wilton to alter its capitalization significantly. The inability of Wilton to access sufficient capital for its operations could have a material adverse effect on Wilton's financial condition, results of operations or prospects.

These conditions create a material uncertainty which casts significant doubt on the Company's ability to continue as a going concern.

The Company's access to capital will impact its ability to complete exploration and development activities, acquire international concessions and to ultimately achieve profitable operations. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue as a going concern and therefore be required to realize its assets and liabilities in other than the normal course of business and potentially at amounts significantly different from those recorded in these consolidated financial statements.

## HIGHLIGHTS

As of December 31	2017	2016	2015
Cash used in operations	\$ (5,355,917)	\$ (1,663,851)	\$ (1,093,960)
Cash from financing activities	5,225,130	1,774,782	1,201,453
Net loss	(5,818,518)	(2,951,893)	(2,130,067)
Loss per share - basic and diluted	(0.13)	(0.07)	(0.07)

As at	December 31, 2017	December 31, 2016	December 31, 2015
Total assets	\$ 770,778	\$ 432,057	\$ 309,951
Current assets	770,608	405,588	277,494
Current liabilities	1,074,174	1,003,265	868,330
Working capital deficiency	303,396	597,677	590,836
Common Shares outstanding	49,474,846	41,037,173	36,126,923

## SUMMARY OF QUARTERLY RESULTS

The following table summarizes the Company's quarterly financial results:

Three months ended,	December 31		September 30		June 30		March 31	
	2017	2016	2017 <sup>(1)</sup> Adjusted	2016	2017 <sup>(1)</sup> Adjusted	2016	2017	2016
Expenses								
General and administrative	\$ 403,797	\$ 513,201	\$ 395,503	\$ 226,968	\$ 4,183,762	\$ 683,028	\$ 376,187	\$ 358,645
Accretion of decommissioning obligations	165	-	165	190	165	190	165	190
Share based compensation	430,871	1,005,300	-	-	1,269	-	-	164,400
Impairment of property and equipment	26,469	-	-	-	-	-	-	-
Loss for the period	\$ 861,302	\$ 1,518,501	\$ 395,668	\$ 227,158	\$ 4,185,196	\$ 683,218	\$ 376,352	\$ 523,235
Loss per share – basic and diluted	\$ 0.02	\$ 0.04	\$ 0.09	\$ 0.01	\$ 0.10	\$ 0.02	\$ 0.01	\$ 0.01

<sup>(1)</sup> Pursuant to an arrangement with a consultant, the Company incurred fees in the quarter ended June 30, 2017 relating to identifying and acquiring certain international oil and gas interests. These previously-disclosed fees should have been expensed in the Company's condensed interim financial statements when incurred in the quarter ended June 30, 2017 rather than when paid in the quarter ended September 30, 2017. The above-noted table reflects the correct timing of this cost.

## DISCUSSION OF OPERATIONS

The Company's business development plan is focused upon acquiring international oil and natural gas interests. Wilton's general and administrative expenses for the year ended December 31, 2017 increased to \$5,359,249 from the 2016 comparative amount of \$1,781,623. The Company is dedicating resources, including to third party consultants, to identify and evaluate potential international oil and natural gas property acquisitions.

### General and administrative details:

	2017	2016
Professional	\$ 288,407	\$ 606,322
Consulting	4,543,453	739,875
Office and administrative	210,491	164,919
Travel and meals	316,898	270,504
Total	\$ 5,359,249	\$ 1,781,620

General and Administrative costs increased during the year ended December 31, 2017, primarily due to payments made to consultants of the Company in connection with acquiring an international oil and natural gas property and which are included in the Company's Consulting costs for the period. During the year, the Company made a payment to a consultant in the amount of \$3.7 million for reaching certain milestones in relation to a proposed acquisition of international oil and gas interests, which contributed to the increase in general and administrative year-over-year. There have also been increased travel and meal costs and office and administrative costs as there has been increased activity in acquiring an international oil and natural gas property during the year ended December 31, 2017. Going forward, Rick Anderson, Chief Executive Officer and a Director, will no longer receive consulting fees from the Company but will receive short term compensation as an employee. The Company will transition the status in 2018 and applicable expense will be recorded in Office and administrative.

The Company did not receive any revenue from production during the year ended December 31, 2017 as the Company's only well was shut-in. The well was on production from December 2007 to September 2013 and has since been a shut-in due to uneconomical natural gas prices. Management has impaired the balance of the property value.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company is exposed to liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

As previously highlighted under the Going Concern section of this Management Discussion and Analysis, significant doubt exists about the Company's ability to continue as a going concern. As at December 31, 2017, the Company had cash of \$185,583 compared with \$316,370 at December 31, 2016. The Company continues to experience negative operating cash flow as a result of no revenue from its Canadian oil and natural gas asset coupled with the Company's ongoing expenses related to its international oil and natural gas business development activities. The Company anticipates a negative operating cash flow will continue until such time as international oil and natural gas assets are acquired or developed.

As at December 31, 2017, the Company's working capital deficiency was \$303,396.

In order to satisfy its existing liabilities and maintain further operations, Wilton will require additional financing in order to carry out its ongoing oil and natural gas acquisition, exploration and development activities. The amount of capital required cannot be quantified until additional transactions are identified and completed. Failure to obtain such financing on a timely basis could cause Wilton to forfeit its interest in its property, to miss certain acquisition opportunities and/or to reduce or terminate its operations. Upon any resumption of production, any decrease of Wilton's revenues from its reserves as a result of lower oil and natural gas prices or otherwise will affect Wilton's ability to expend the necessary capital to replace its reserves or to maintain its production. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Wilton. Moreover, future activities may require Wilton to alter its capital structure significantly. The inability of Wilton to access sufficient capital for its operations could have a material adverse effect on Wilton's financial condition, results of operations or prospects. Unfavorable global economic conditions, unfavorable global oil market conditions, scarce credit and volatile capital markets may exacerbate Wilton's liquidity risk.

## **OFF BALANCE SHEET ARRANGEMENTS**

The Company is not a party to any off balance sheet arrangements or transactions.

## **TRANSACTIONS WITH RELATED PARTIES**

In 2014, the Company entered into an agreement with Rick Anderson, Chief Executive Officer and a Director, whereby the Company pays Mr. Anderson for office and equipment rental. During the year ended December 31, 2017, the Company recorded \$48,000 as an expense for office and equipment rental (2016 - \$48,000). At December 31, 2017, Mr. Anderson owed the Company \$204,641 (December 31, 2016 - \$68,654) representing amounts that will be drawn down, as incurred on behalf of Wilton in addition to expenses reimbursed by the Company.

## **FOURTH QUARTER RESULTS**

During the three months ended December 31, 2017, compared to the respective prior quarter, no material event or development occurred in respect of the Company's financial condition, financial performance or cash flows, other than as otherwise disclosed herein.

## **ACCOUNTING POLICIES & CRITICAL ACCOUNTING ESTIMATES**

Management is required to make judgments, assumptions and estimates in the application of International Financial Reporting Standards ("IFRS") that may have a significant impact on the financial results of the Company. Details outlining the Company's accounting policies are contained in the notes to the consolidated financial statements.

The preparation of consolidated financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of such consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. The Company evaluates its estimates on an ongoing basis and bases them on various assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The Company has applied all Standards and Interpretations issued or adopted by the International Accounting Standards Board (“IASB”). The following recent IFRS pronouncements have not been adopted by the Company.

## **NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

**IFRS 9 – Financial Instruments** replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018 with early adoption permitted. The Company currently does not expect a significant impact on its financial statements.

**IFRS 15 – Revenue from contracts with Customers** establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018 with early adoption permitted. The Company will adopt IFRS 15 using the modified retrospective approach on January 1, 2018. The Company is still in the process of reviewing all of its contracts and fully assessing the financial statement impact, but does not believe it will have a significant impact.

**IFRS 16 – Leases** sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (‘lessee’) and the supplier (‘lessor’) and replaces the previous leases standard, IAS 17 Leases. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Company is in the early stages of evaluating the impact of IFRS 16 on its consolidated financial statements and the extent of the impact has not yet been determined.

## **ISSUED AND OUTSTANDING SECURITIES INFORMATION**

### (a) Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares, issuable in series, none of which are issued and outstanding as of the date hereof.

### (b) Common Shares

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value.

The holders of Common Shares are entitled to dividends, if and when declared by the board of directors, to one vote per share at meetings of the shareholders of the Company and, upon dissolution, to share equally in such assets of the Company as are distributable to the holders of Common Shares.

## Issued share capital

The Company had 49,474,846 Common Shares outstanding as of December 31, 2017. As of April 30, 2018, the Company had 51,349,118 Common Shares outstanding.

On August 8, 2017, the Company closed a private placement for an aggregate of 5,000,000 units of the Company at a purchase price of \$0.80 per unit for gross proceeds of \$4,000,000 (net proceeds of \$3,731,611 after deducting offering costs) (the “August 2017 Unit Offering”). Each unit sold pursuant to the August 2017 Unit Offering consisted of one Common Share and one Common Share purchase warrant. The fair value assigned to the purchase warrants sold under to the August 2017 Unit Offering was \$1,310,924. Each purchase warrant entitles the holder thereof to purchase an additional Common Share for a period of twenty-four months from the date of issuance at an exercise price of \$1.20 per Common Share. The fair value of the purchase warrants granted pursuant to the August 2017 Unit Offering was estimated using the Black-Scholes option pricing model based on the date of grant using the following assumptions:

Annualized volatility	114%
Dividend yield	0%
Risk-free interest rate	0.75%
Expected option life	2 years

In connection with the August 2017 Unit Offering, the Company paid a finder’s fee of \$240,000 (being 6.0% of the gross proceeds raised from applicable subscriptions in the offering) and granted 300,000 finder warrants. Each of the finder’s warrants granted pursuant to the August 2017 Unit Offering entitles the holder to purchase one Common Share for a period of twenty-four months from the date of issuance at an exercise price of \$0.80 per Common Share.

On April 1, 2016, the Company closed the second tranche of a private placement for an aggregate of 2,725,500 units of the Company at a purchase price of \$0.40 per unit for gross proceeds of \$1,090,200 (net proceeds of \$1,023,140 after deducting offering costs)(the “April 2016 Unit Offering”). Each unit sold pursuant to the April 2016 Unit Offering consisted of one Common Share and one Common Share purchase warrant. The fair value assigned to the purchase warrants sold under the April 2016 Unit Offering was \$484,533. Each purchase warrant entitles the holder to purchase an additional Common Share for a period of twenty-four months from the date of issuance at an exercise price of \$0.60 per Common Share. The fair value of the purchase warrants granted pursuant to the April 2016 Unit Offering was estimated using the Black-Scholes option pricing model based on the date of grant using the following assumptions:

Annualized volatility	195%
Dividend yield	0%
Risk-free interest rate	0.45%
Expected option life	2 years

If at any time prior to the expiry of the purchase warrants granted under the April 2016 Unit Offering the trading price of the Common Shares exceeds \$1.25 for a period of twenty-one consecutive trading days, the Company may provide notice that such purchase warrants will expire twenty-one days after the date of the notice.

In connection with April 2016 Unit Offering, the Company paid a finder’s fee of \$76,314 (being 7.0% of the gross proceeds raised from applicable subscriptions in the offering) and issued 190,785 finder’s warrants. Each of the finder’s warrants granted pursuant to the April 2016 Unit Offering entitles the holder to purchase one Common Share for a period of twenty-four months from the date of issuance at a price of \$0.40. The fair value of the finder’s warrants granted under the April 2016 Unit Offering was \$0.33 per warrant.

On March 23, 2016, the Company closed the first tranche of a private placement of 2,008,000 units of the Company at a purchase price of \$0.40 per unit for gross proceeds of \$803,200 (net proceeds of \$701,941 after deducting offering costs) (the “March 2016 Unit Offering”). Each unit sold pursuant to the March 2016 Unit Offering consisted of one Common Share and one Common Share purchase warrant. The fair value assigned to the purchase warrants

sold under the March 2016 Unit Offering \$346,810. Each purchase warrant entitles the holder to purchase an additional Common Share for a period of twenty-four months from the date of issuance at an exercise price of \$0.60 per Common Share. The fair value of the purchase warrants granted pursuant to the March 2016 Unit Offering was estimated using the Black-Scholes option pricing model based on the date of grant using the following assumptions:

Annualized volatility	194%
Dividend yield	0%
Risk-free interest rate	0.46%
Expected option life	2 years

If at any time prior to the expiry of the purchase warrants granted under the March 2016 Unit Offering the trading price of the Common Shares exceeds \$1.25 for a period of twenty-one consecutive trading days, the Company may provide notice that such purchase warrants will expire twenty-one days after the date of the notice.

In connection with the March 2016 Unit Offering, the Company paid a finder's fee of \$56,224 (being 7.0% of the gross proceeds raised from applicable subscriptions in the offering) and issued 140,560 finders warrants. Each of the finder's warranted granted pursuant to the March 2016 Unit Offering entitles the holder to purchase one Common Share for a period of twenty-four months from the date of issuance at a price of \$0.40. The fair value of the finder's warrants granted under the March 2016 Unit Offering \$0.32 per warrant.

	Number of Common Shares	Number of Stock Options	Number of Warrants/Agents Options
<b>Balance at January 1, 2017</b>	<b>41,037,173</b>	<b>4,100,000</b>	<b>10,596,445</b>
Common Shares Issued	5,000,000	-	-
Common Warrants Issued on Financing	-	-	5,000,000
Finder Warrants Issued on Financing	-	-	300,000
Warrants Exercised	3,437,673	-	(3,437,673)
Warrants Expired	-	-	(2,259,600)
Options Issued	-	740,000	-
<b>Balance at December 31, 2017</b>	<b>49,474,846</b>	<b>4,840,000</b>	<b>10,199,172</b>

During the year ended December 31, 2017, the Company issued 740,000 stock options (2016 – 685,000). Stock options issued and outstanding as of December 31, 2017 were as follows:

Exercise Price	Number Outstanding	Number Exercisable	Issue Date	Expiration Date
\$0.80	400,000	400,000	July 24, 2013	July 24, 2018
\$0.90	200,000	200,000	August 15, 2013	August 15, 2018
\$0.99	50,000	50,000	September 13, 2013	September 13, 2018
\$0.80	100,000	100,000	December 18, 2013	December 18, 2018
\$0.65	400,000	400,000	July 10, 2014	July 10, 2019
\$0.30	375,000	375,000	December 29, 2014	December 29, 2019
\$0.18	685,000	685,000	February 17, 2016	February 17, 2021
\$0.59	1,740,000	1,740,000	October 31, 2016	October 31, 2021
\$0.63	150,000	150,000	December 2, 2016	December 2, 2021
\$0.80	180,000	90,000	June 22, 2017	June 22, 2022
\$0.85	560,000	560,000	October 13, 2017	October 13, 2022
	<b>4,840,000</b>	<b>4,750,000</b>		

The fair value of the options granted during 2017 was as follows: June 22, 2017 - \$0.59 and October 13, 2017 - \$0.72.

The fair value of the options granted on October 13, 2017 was estimated using the Black-Scholes option pricing model based on the date of grant using the following assumptions:

Annualized volatility	112%
Dividend yield	0%
Risk-free interest rate	1.72%
Expected option life	5 years

The fair value of the options granted in 2017 was estimated using the Black-Scholes option pricing model based on the date of grant using the following assumptions:

Annualized volatility	115%
Dividend yield	0%
Risk-free interest rate	0.66%
Expected option life	5 years

The share based compensation for the year ended December 31, 2017 was \$492,140, of which \$60,000 was netted against amounts owing to a consultant as a settlement for prior services provided with the remaining \$432,140 expensed as share-based compensation.

As at December 31, 2017, the Company had total purchase and finder's warrants outstanding as follows:

<b>Exercise price</b>		<b>Number outstanding</b>	<b>Expiration date</b>	<b>Conversion price</b>
\$0.60	(1), (3)	2,008,000	March 23, 2018	\$1.25
\$0.40	(2), (4)	70,279	March 23, 2018	-
\$0.60	(1), (5)	2,725,500	April 1, 2018	\$1.25
\$0.40	(2), (4)	95,393	April 1, 2018	-
\$1.20	(1)	5,000,000	August 8, 2019	-
\$0.80	(2)	300,000	August 8, 2019	-
		10,199,172		

Note (1): If at any time prior to the expiry of the purchase warrants the trading price of the common shares exceeds the conversion price for a certain period of time, the Company may provide notice to the holder of the purchase warrants that the warrants will be subject to early expiry.

Note (2): These warrants were issued to agents as finder's warrants. Other than the right of the holders of the warrants to receive the number of common shares that they are entitled to under the terms of the finder's warrants, the holders do not retain any right(s) of conversion or right(s) of acceleration on the 465,672 finders warrants expiring March 2018, April 2018 and August 2019.

Note (3): As of April 30, 2018, 1,007,000 of these warrants were exercised on March 22, 2018 and the remaining 1,001,000 warrants expired unexercised.

Note (4): As of April 30, 2018, these warrants were exercised in their entirety on March 21, 2018.

Note (5): As of April 30, 2018, 701,600 of these warrants were exercised on April 1, 2018 and the remaining 2,023,900 warrants expired unexercised.

The following warrants were exercised during the year ended December 31, 2017 for 3,437,673 common shares:

Grant date	Exercise Date	Exercise Price	Fair value of Warrants	Cash Proceeds	Shares Issued/Warrants Exercised
March 23, 2016	January 27, 2017	0.40	0.32	\$ 28,112	70,281
April 1, 2016	February 6, 2017	0.40	0.33	38,157	95,392
February 27, 2015	February 24, 2017	0.50	0.11	573,500	1,147,000
March 17, 2015	March 14, 2017	0.50	0.11	46,750	93,500
March 17, 2015	March 17, 2017	0.50	0.11	179,000	358,000
June 29, 2015	June 29, 2017	0.60	0.14	366,000	610,000
November 30, 2015	August 11, 2017	0.40	0.14	2,100	5,250
November 15, 2015	October 23, 2017	0.60	0.12	69,000	115,000
November 4, 2015	October 23, 2017	0.40	0.14	2,800	7,000
November 4, 2015	November 2, 2017	0.40	0.14	1,400	3,500
November 4, 2015	November 2, 2017	0.60	0.14	180,000	300,000
November 27, 2015	November 24, 2017	0.40	0.14	700	1,750
November 27, 2015	November 24, 2017	0.60	0.14	6,000	10,000
December 30, 2015	December 29, 2017	0.60	0.13	360,000	600,000
December 30, 2015	December 29, 2017	0.40	0.13	8,400	21,000
				\$ 1,861,919	3,437,673

As at the date of this report, the Company had 51,349,118 Common Shares, 4,840,000 stock options and 5,300,000 share purchase warrants issued and outstanding.

## BUSINESS RISKS

Readers are cautioned that the following is a summary only of certain risk factors and is not exhaustive and is qualified in its entirety by reference to, and must be read in conjunction with the additional information on these and other factors that could affect the Company's operations and financial results that are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)).

The Company's access to capital will impact its ability to complete exploration and development activities, acquire international concessions and to ultimately achieve profitable operations. The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. The consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

Oil and natural gas exploration involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These include the uncertainty of finding new reserves, the volatility of commodity prices, operational risks, the cost of capital available to fund exploration and development programs, regulatory issues and taxation, and the requirements of new environmental laws and regulations.

There is no assurance that expenditures made on future exploration by Wilton will result in new discoveries of oil or natural gas in commercial quantities. Without the continual addition of new reserves, any existing reserves that Wilton may have at any particular time and the production there from will decline over time as such existing reserves are depleted. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling

conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

The long-term commercial success of Wilton depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that Wilton will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Wilton may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blowouts, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on Wilton and its future results of operations, liquidity and financial condition.

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, including geo political events, all of which are beyond the control of the Company. Oil prices are expected to remain volatile and may decline in the near future as a result of global excess supply due to the increased growth of shale oil production in the United States, declines in global demand for exported crude oil commodities, and recent decisions by the Organization of the Petroleum Exporting Countries in respect of member countries' production of oil, among other factors. These recent fluctuations have had a material impact on the oil and natural gas industry.

The Company may elect not to produce from certain wells at lower prices in the future. All these factors could result in a material decrease in the Company's future net production revenue, causing a reduction in its oil and gas exploration, development and acquisition activities.

In addition, bank borrowings available to the Company in the future, if any, will be in part determined by the borrowing base of the Company. A sustained material decline in prices from prior relatively higher average prices could reduce the Company's future borrowing base, therefore reducing the bank credit available to the Company.

Volatility in oil and natural gas prices makes it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers may have difficulty agreeing on the value of such properties. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

The marketability and price of oil and natural gas which may be acquired or discovered by Wilton will be affected by numerous factors beyond its control. Wilton will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil produced by Wilton. The ability of Wilton to market its oil and natural gas may depend upon its ability to acquire capacity on pipelines which deliver oil and natural gas to commercial markets. Wilton will also likely be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

The Company manages these risks by contracting competent professional staff, following sound operating practices and the prudent issuance of equity to fund capital expenditures so that debt does not become a burden. Extensive geological, geophysical, engineering and environmental analyses are performed before committing to the exploration of new prospects. These analyses are used to ensure a suitable balance between risk and reward. The Company conducts its operations in a manner consistent with environmental regulations as stipulated applicable local legislation. The Company is committed to meeting its responsibilities to protect the environment wherever it may operate and anticipates making increased capital and operating expenditures as a result of the increasingly stringent laws relating to the protection of the environment. Wilton's operations are subject to the risks normally associated with the oil and natural gas industry. The Company is committed to respecting the safety of its personnel, the environment and the communities where it has operations.

The Company is presently pursuing direct investments in international oil and natural gas projects, often competing with companies that possess greater financial and other resources. There is no assurance that oil and natural gas concessions will be granted to the Company in foreign jurisdictions where the Company is making applications, nor is there assurance that any resulting exploration or development efforts will be successful. If the Company is successful in obtaining exploration prospects in foreign jurisdictions, additional capital will be required to execute the exploration and development programs.

If these international investments are successful, the Company will be exposed to the laws governing the petroleum industry with respect to matters such as taxation, environmental compliance, and other regulatory and political factors as well as shifts in the politics and labor unrest, any of which could adversely affect the Company and its exploration and production activities. The Company's business, results of operations, financial condition, and the trading price of its Common Shares could be materially adversely affected by any of the foregoing risks and by other risks, including risks related to development of petroleum properties, third party transportation, disruption to export pipelines due to vandalism, political and community unrest, oil prices, title matters, reclamation costs, oil price volatility, competition, additional funding requirements, destruction or expropriation of assets, changes to agreements with co-venturers governing commercial terms of the venture including allocation of tax burdens amongst the co-venturers, insurance, currency fluctuations, conflicts of interest, and share trading volatility. Any of these risks could have a material adverse effect on the business, operations or financial condition of the Company.

## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

All financial instruments are initially recognized at the fair value of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair value through profit or loss ("FVTPL"), held for- trading, loans and receivables, financial assets available-for-sale, financial assets held-to-maturity, and other financial liabilities.

Financial assets and financial liabilities classified as FVTPL are measured at fair value with changes in fair value recognized in net earnings or loss. Financial assets available-for-sale are measured at fair value, with changes in fair value recognized in other comprehensive income. Financial assets held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization.

Cash including short-term deposits are measured at carrying value which approximates fair value due to the short-term nature of these instruments. Accounts receivable are designated as loans and receivables. Accounts payable and accrued liabilities are designated as other financial liabilities.

The fair value of accounts receivable and accounts payable approximates the carrying value. The main financial risks affecting the Company are as follows:

### Concentration risk

A majority of the Company's cash is held by one major Canadian banking institution. Deposits held with this bank may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and bear minimal risk.

Credit risk

The Company's principal financial assets are cash and accounts receivable. The credit risk on cash is limited because the majority are deposited with banks with high credit ratings.

The Company's accounts receivable are primarily from a Director and GST from the Canadian government and are subject to credit risks that would be considered normal in this environment.

Commodity price risk

The Company's operations and financial results may be affected by fluctuations in commodity prices and exchange rates.

**SUBSEQUENT EVENTS**

On March 21, 2018, 165,672 finder's warrants were exercised at \$0.40 in exchange for 165,672 Common Shares for gross proceeds of \$66,268.80.

On March 22, 2018, 1,007,000 Common Share purchase warrants were exercised at \$0.60 in exchange for 1,007,000 Common Shares for gross proceeds of \$604,200.

On April 1, 2018, 701,600 Common Share purchase warrants were exercised at \$0.60 in exchange for 701,600 Common Shares for gross proceeds of \$420,960.