Consolidated Financial Statements of

WILTON RESOURCES INC.

As at and for the years ended December 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Wilton Resources Inc.

We have audited the accompanying consolidated financial statements of Wilton Resources Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, the consolidated statements of operations and comprehensive loss, changes in shareholders' deficit and cash flows for the years then ended, and notes, comprising 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 our 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, we consider 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, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Wilton Resources Inc. as at December 31, 2017 and December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates Wilton Resources Inc. has a significant working capital deficit as at December 31, 2017 and requires additional capital to fund the working capital deficit, ongoing operations and its ongoing acquisition, exploration and development activities. These conditions, along with other matters as set forth in Note 2 in the consolidated financial statements, indicate the existence of a materiality uncertainty that casts significant doubt about Wilton Resources Inc.'s ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants

April 30, 2018
Calgary, Canada

WILTON RESOURCES INC.
Consolidated Statements of Financial Position
For the years ended December 31,

	Note		2017		2016
Assets					
Current Assets					
Cash		$	**185,583**	$	316,370
Accounts Receivable			**585,195**		89,218
			770,778		405,588
Property and equipment	7		**-**		26,469
Total assets		$	**770,778**	$	432,057
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities		$	**1,074,174**	$	1,003,265
Decommissioning obligation	8		**44,785**		44,125
Total liabilities			**1,118,959**		1,047,390
Shareholders' Deficit					
Share capital	9		**11,624,278**		7,033,043
Warrants	11		**2,334,493**		2,022,477
Contributed surplus			**4,059,677**		2,870,008
Deficit			**(18,366,629)**		(12,540,861)
			(348,181)		(615,333)
Total Liabilities and Shareholders' Deficit		$	**770,778**	$	432,057

Going concern 2

See accompanying notes to the consolidated financial statements.

These consolidated financial statements were approved by the Directors of the Company.

(signed) "Richard Anderson , Director (signed) " Allen Emes" , Director

WILTON RESOURCES INC.
Consolidated Statements of Operations and Comprehensive Loss
For the years ended December 31,

	Note	2017	2016
Expenses			
General and administrative	14	$ **5,359,249**	$ 1,781,623
Stock-based compensation	10	**432,140**	1,169,700
Accretion of decommissioning obligation	8	**660**	570
Impairment of property and equipment	7	**26,469**	
Net loss and comprehensive loss		$ **5,818,518**	$ 2,951,893
Loss per share - basic and diluted	12	$ **0.13**	$ 0.07

See accompanying notes to the consolidated financial statements.

WILTON RESOURCES INC.
Consolidated Statements of Cash Flows
For the years ended December 31,

	Note		2017		2016
Cash provided by (used in):					
Cash flows used in operating activities					
Net loss		$	**(5,818,518)**	$	(2,951,893)
Items not affecting cash:					
Stock-based compensation	10		**432,140**		1,169,700
Accretion			**660**		570
Impairment of property and equipment	7		**26,469**		-
Change in non-cash working capital			**3,332**		117,772
Net cash used in operating activities			**(5,355,917)**		(1,663,851)
Cash flows from financing activities					
Exercise of warrants	9		**1,861,919**		49,701
Proceeds on issuance of units (net of issue costs)	9		**3,731,611**		1,725,081
Change in non-cash working capital			**(368,400)**		-
Net cash provided by financing activities			**5,225,130**		1,774,782
Change in cash position			**(130,787)**		110,931
Cash, beginning of year			**316,370**		205,439
Cash, end of year		$	**185,583**	$	316,370

See accompanying notes to the consolidated financial statements.

WILTON RESOURCES INC.
Consolidated Statements of Changes in Shareholders' Deficit
For the Years ended December 31, 2017 and 2016

	Share capital	Contributed surplus	Warrants/ agents' options	Deficit	Total
Balance at January 1, 2017	$ 7,033,043	$ 2,870,008	$ 2,022,477	$ (12,540,861)	$ (615,333)
Issue of common shares, net	2,282,686	-	-	-	2,282,686
Warrants issued on financing (notes 9 and 11)	-	-	1,448,925	-	1,448,925
Share-based compensation (note 10)	-	432,140	-	-	432,140
Share-based compensation to settle debt (note 10)	-	60,000	-	-	60,000
Warrants expired		697,529	(697,529)	-	-
Value attributed to warrant expiration extension (note 11)	-	-	7,250	(7,250)	-
Warrants exercised (note 9)	2,308,549	-	(446,630)	-	1,861,919
Net loss and comprehensive loss	-	-	-	(5,818,518)	(5,818,518)
Balance at December 31, 2017	**$ 11,624,278**	**$ 4,059,677**	**$ 2,334,493**	**$ (18,366,629)**	**$ (348,181)**
Balance at January 1, 2016	$ 6,162,174	$ 1,700,308	$ 830,564	$ (9,300,968)	$ (607,922)
Issue of common shares, net	785,800	-	-	-	785,800
Warrants issued on financing (notes 9 and 11)	-	-	939,281	-	939,281
Share-based compensation (note 10)	-	1,169,700	-	-	1,169,700
Value attributed to warrant expiration extension (note 11)	-	-	288,000	(288,000)	-
Warrants exercised (note 9)	85,069	-	(35,368)	-	49,701
Net loss and comprehensive loss	-	-	-	(2,951,893)	(2,951,893)
Balance at December 31, 2016	**$ 7,033,043**	**$ 2,870,008**	**$ 2,022,477**	**$ (12,540,861)**	**$ (615,333)**

See accompanying notes to the consolidated financial statements.

1. General business description

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.

The address of the Company is 1900, 520- 3rd Ave SW, Calgary, Alberta, T2P 0R3.

2. 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.

3. Basis of presentation

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These consolidated financial statements were authorized for issue by the Board of Directors of the Company on April 30, 2018.

3.2 Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. The following companies have been consolidated within the Company's financial statements.

Subsidiary	**Registered**	**Holding**
Beacon Upstream Limited	Nigeria	45%
Wilton Overseas Holding SA	Panama	100%
Wilton Investment Holdings SA	Panama	100%

There are no transactions in any of the entities listed above.

3.3 Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

3.4 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain instruments as outlined in the accounting policies, which are measured at fair value.

3.5 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets, liabilities and equity as at December 31, 2017:

Estimating oil and gas reserves

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

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

Determination of cash generating units ("CGUs")

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

Decommissioning provision

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

Impairment testing

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

Fair values of stock options and warrants

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

4. Significant accounting policies

4.1 Cash

Cash comprises of cash on hand, cash at bank and short- term investments include investments in highly liquid instruments with original maturities of three months or less.

4.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

4.2.1 *Financial assets*

Financial assets include accounts receivable and cash. Purchases and sale of financial assets are recognized on the settlement date, which is the date in which the asset is delivered to or by the Company. Financial assets are derecognized when the rights to receive cash flows have expired or are transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets are classified in the following categories at the time of the initial recognition based on the purpose for which the financial assets were acquired:

<u>Classification</u>

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy. The Company has

designated cash as held for trading.

<u>Recognition and measurement</u>

Financial assets carried at fair value through profit or loss are initially recognized, and subsequently carried, at fair value, with changes recognized in the statement of operations and comprehensive loss. Transaction costs are expensed when incurred.

Loans and receivables

Loans and receivables are non- derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non- current assets. Assets in this category include accounts receivable which are classified as current assets in the statement of financial position.

The Company has designated accounts receivable as loans and receivables.

Recognition and measurement

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized by applying the effective interest rate, except for short- term receivables when the recognition of interest would be immaterial.

Available- for- sale financial assets

Available- for- sale financial assets are non- derivatives that are either designated in this category or not classified in any of the other categories. They consist of investments in equity securities and certain other debt securities. They are included in other non- current financial assets unless management intends to dispose of the investments within 12 months of the reporting date. Changes in fair value of available- for- sale financial assets are recorded in comprehensive loss until realized, at which time they are recorded through the Statement of operations. The Company does not have any financial assets recorded as available- for- sale.

4.2.2 *Financial liabilities*

Financial liabilities primarily consist of accounts payable and accrued liabilities. Financial liabilities are initially measured at fair value and subsequently measured at amortized cost for liabilities that are not hedged, and fair value for liabilities that are hedged. Non- performance risk, including the Company's own credit risk for financial liabilities, is considered when determining the fair value of financial liabilities.

4.2.3 *Equity instruments*

Common shares are classified as equity. Incremental costs directly attributable to the common shares are recognized as a deduction from equity, net of any tax effects.

4.2.4 *Impairment*

The Company addresses at each reporting date whether there is objective evidence that a financial asset, other than those at fair value through profit and loss, or a group of financial assets, is impaired. When an impairment has occurred, the loss is recognized in the statement of operations and comprehensive loss.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Receivables that are assessed not to be impaired are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables may include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in the national or local economic conditions that may default on receivables.

For financial assets carried at amortized cost, the amount of impairment loss recognized is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the financial assets' original effective interest rate.

When an available- for- sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive loss are reclassified to the statement of operations in the period.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited through the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations or comprehensive loss.

With the exception of available- for- sale equity instruments, an impairment loss on financial assets is reversed if the reversal can be related objectively to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through the statement of operations to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. Any increase in fair value subsequent to an impairment loss with respect to available- for- sale equity instruments is recognized in comprehensive loss.

4.3 Income taxes

Income tax expense or recovery is comprised of current and deferred tax. Income tax expense or recovery in the statement of operations and comprehensive loss except to the extent that it relates to items recognized in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, plus any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, including carry forward of non- capital losses, can be utilized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they are related to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, where the intention is to settle current tax liabilities and asset on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that the related tax benefit will be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future profit will allow the deferred tax asset to be recovered.

4.4 Share- based compensation

Options granted to employees and directors are recorded at their estimated fair value using a Black- Scholes option pricing model. The associated compensation cost is recognized over the vesting period of the options, net of an estimated forfeiture rate. When the options are exercised, share capital is adjusted to recognize the proceeds received and the associated non- cash compensation costs.

4.5 Warrants

Warrants granted to non-employees are recorded at the fair value of the goods or services received in the statement of operations and comprehensive loss. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is estimated using a Black-Scholes option pricing model.

4.6 Exploration and evaluation assets

Pre- license costs are recognized in the statement of operations and comprehensive loss as incurred. Costs associated with acquiring an exploration license, including costs to acquire acreage and exploration rights, legal and other professional fees and land brokerage fees are capitalized as exploration and evaluation ("E&E") assets. Geological, geophysical and seismic costs associated with assessing exploration licenses are also capitalized to E&E. Land acquisition costs and expenditures directly associated with exploratory wells are capitalized as E&E assets and remain capitalized until the Company has made a determination of reserves or has chosen to discontinue all exploration activities in the associated area. E&E assets are not subject to depreciation and depletion.

At least annually a review of each exploration area is carried out to identify whether technical feasibility and

commercial viability has been achieved, which is often when proved reserves have been discovered. Upon determination of technical feasibility and commercial viability, E&E assets, including land acquisition costs, related seismic and costs directly associated with exploratory wells attributable to those reserves are first tested for impairment and then reclassified from E&E assets to property and equipment. E&E assets are assessed for impairment if (i) sufficient data exists to determine the lack of technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E assets
are allocated to CGU's, which are the smallest group of assets capable of generating largely independent cash inflows.

If no reserves are identified, the capitalized exploration costs and relevant dry hole costs are charged to the statement of operations and comprehensive loss as impairment.

4.7 Property and equipment

Petroleum and natural gas assets

Development and production costs, including E&E transfers, proved property acquisitions, seismic and geological analysis of proved reserves, drilling, completion, equipping and tying in of development wells, facility and road construction, and decommissioning costs related to oil and gas reserves which have reached technical feasibility and commercial viability are capitalized within property and equipment.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as petroleum and natural gas assets only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the statement of operations and comprehensive loss as incurred. Such capitalized subsequent petroleum and natural gas assets 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.

Repairs, maintenance and the day- to- day servicing of the items of property and equipment are expensed as incurred. The carrying amount of any replaced or sold component is derecognized and any gains or losses from the divestiture of property and equipment are recognized in the statement of operations and comprehensive loss.

Depletion

Petroleum and natural gas assets are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Petroleum and natural gas assets are depleted using the unit- of- production method over their reserve life based on proved plus probable reserve volumes, unless the useful life of the asset is less than the reserve life, in which case the asset is depreciated over its estimated useful life using the straight- line method. Future development costs are included in costs subject to depletion. Reserves and estimated future development costs are determined annually by qualified independent reserve engineers. Changes in factors such as estimates of reserves that affect unit- of- production calculations are dealt with on a prospective basis.

Proved plus probable reserves are estimated using independent reserves reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially viable.

Such reserves may be considered commercially viable if management has the intention of developing and producing them and such intention is based upon:

(a) a reasonable assessment of the future economics of such production;

(b) a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and,

(c) evidence that the necessary production, transmission and transportation facilities are available or can be made available.

Reserves may only be considered proved plus probable if their ability to be produced is supported by either actual production or a conclusive formation test.

Disposals

Petroleum and natural gas assets are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on derecognition of the asset, calculated as the difference between the proceeds on disposal, if any, and the carrying value of the asset, is recognized in the statement of operations and comprehensive loss in the year of derecognition.

Assets held under finance leases will be depreciated over the expected lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

4.8 Loss per share

Basic loss per share is calculated by dividing the net loss attributable to shareholders of the Company by the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to determine the dilutive effect of issued instruments such as options and warrants. This method assumes that proceeds received from the exercise of in- the- money instruments are used to repurchase common shares at the average market price for the year. These instruments are not included in the per share calculation if the effect of their inclusion is antidilutive.

4.9 Revenue and expense recognition

Revenue derived from the sale of the Company's petroleum and natural gas products is recognized when title to the product passes from the Company to its customer and if collection is reasonably assumed.

4.10 Business combinations

The Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non- controlling interest in the acquire, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in the statement of operations and comprehensive loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

4.11 New accounting standards and interpretations

The following are the standards, amendments and interpretations used by IASB and applicable to the Company but are not yet effective and have not been early adopted in these consolidated financial statements.

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.

5. Determination of fair values

Certain of the Company's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair values of cash, accounts receivable, and accounts payable and accrued liabilities approximates their carrying values due to their short term to maturity.

The significance of inputs used in making fair value measurements for assets and liabilities measured at fair value are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly and are based on valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Cash is measured at fair value based on a Level 1 designation.

6. Financial risk management

6.1 Overview

The Company's planned operations will expose it to a variety of financial risks that arise as a result of its operating and financing activities:

- credit risk;
- liquidity risk; and,
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

The Company employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Company's business objectives and risk tolerance levels. While the Directors have the overall responsibility for the establishment and oversight of the Company's risk management framework, management has the responsibility to administer and monitor these risks.

6.2 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk at December 31, 2017 and 2016 is as follows:

		Carrying amount		Carrying amount
		2017		**2016**
Cash	$	185,583	$	316,370
Accounts receivable		585,195		89,218
Total	$	770,778	$	405,588

Cash consists of cash bank balances. The Company manages the credit exposure related to cash by selecting financial institutions with high credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

The Company's accounts receivable relates to amounts owing to the Company for warrants exercised and GST receivables which are from the Canadian government and is subject to credit risk that would be considered normal in the environment.

6.3 Liquidity risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements: (a) The Company will not have sufficient funds to settle a transaction on the due date; (b) The Company will be forced to sell financial assets at a value which is less than the fair value; or, (c) The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements including amounts projected to complete the Company's existing capital expenditure program are continuously monitored and adjusted as input variables change. As these variables change, liquidity risks may necessitate the Company to conduct equity issues or obtain project debt financing.

The Company's liquidity risk is reflected in Note 2, Going Concern. The Company will require additional funding to reduce its exposure to liquidity risk. The Company continuously monitors its actual and forecast cash flows to review whether there are adequate reserves to meet the maturing profiles of its liabilities (see note 2). The following table outlines the maturities of the Company's liabilities:

	Contractual Cash Flows	Less than 1 year	Greater than 1 year
Accounts payable and accrued liabilities	$ 1,074,174	$ 1,074,174	$ -

6.4 Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's net income or the value of financial instruments. The objective of the Company is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates.

The Company had no interest rate swaps or financial contracts in place as at or during the years ended December 31, 2017 and 2016.

Commodity price risk

The Company's financial performance is closely linked to natural gas and crude oil prices. While the Company may employ the use of various financial instruments in the future to manage these price exposures, the Company is not currently using any such instruments. The Company currently has not obtained any hedging instruments to mitigate the potential effects of price fluctuations. The Company does not currently have significant commodity price risk exposure.

Foreign exchange risk

The Company mainly transacts in Canadian dollars which is the Company's functional currency, therefore, the exposure to foreign currency fluctuation risk is minimal.

6.5 Capital management

The Company's capital management policy is to maintain a capital base that optimizes the Company's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its shareholders. The Company intends to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities, which considers the Company's early stage of development and the requirement to sustain future development of the business (see note 2).

The Company will manage its capital structure and make changes to it in the light of changes to economic conditions and the risk characteristics of the nature of the business. The Company considers its capital structure to include shareholders' equity/deficit and working capital deficit. In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek debt financing and adjust its capital spending to manage its current and projected capital structure.

The Company is not subject to externally imposed capital requirements.

7. Property and equipment

Petroleum and natural gas		
Cost		
Balance at January 1, 2016	$	867,190
Additions		-
Balance December 31, 2016	$	867,190
Accumulated depletion and impairment		
Balance at January 1, 2017	$	834,733
Change in decommissioning obligations		5,988
Impairment of property and equipment		26,469
Balance December 31, 2017	$	867,190
Net book value, December 31, 2017	**$**	**-**

The depletion of petroleum and natural gas properties is recognized as depreciation and depletion in the statement of operations and comprehensive loss. No depletion was recorded for the years ended December 31, 2017 and 2016 as there was no production. The impairment of petroleum and natural gas properties, and any eventual reversal thereof, are recognized as impairment of property and equipment in the statement of operations and comprehensive loss.

Due to negative reserve revisions caused by the continuing weakened commodity prices and the extended period of time that the Company's well has been shut-in, management impaired the balance of the property of $26,469 as at December 31, 2017.

8. Decommissioning obligation

Decommissioning obligations are estimated based on the Company's net working interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in the future periods. These costs are expected to be incurred between 2015 – 2023, depending on the estimated reserve life. The undiscounted amount of the estimated costs at December 31, 2017 was $52,756 (2016 - $52,756). The estimated costs have been discounted at a risk free rate of 1.5% (2016 - 1.5%) and an inflation rate of 1.2% (2016 - 1.2%) has been applied.

Balance, January 1, 2016	$	49,543
Accretion expense		570
Change in estimate – assumptions		(5,988)
Balance, December 31, 2016		44,125
Accretion expense		660
Balance December 31, 2017	**$**	**44,785**

9. Share capital

(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, as 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.

	Number of shares
Balance at January 1, 2016	36,126,923
Common shares issued	4,733,500
Warrants exercise	176,750
Balance at December 31, 2016	41,037,173
Common shares issued	5,000,000
Warrants exercised	3,437,673
Balance, December 31, 2017	49,474,846

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 warrant 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.

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

The following warrants were exercised during the year ended December 31, 2016 for 176,750 common shares:

Grant date	Exercise Date	Exercise Price	Fair value of Warrants	Cash Proceeds	Shares Issued/Warrants Exercised
February 17, 2015	May 17, 2016	0.40	0.25	$ 2,100	5,250
November 30, 2015	May 17, 2016	0.25	0.19	27,099	108,395
March 17, 2015	August 5, 2016	0.25	0.19	7,902	31,605
November 4, 2015	September 9, 2016	0.40	0.25	4,200	10,500
December 30, 2015	September 9, 2016	0.40	0.23	8,400	21,000
				$ 49,701	176,750

10. Stock options

	Number of options
Balance at January 1, 2016	2,925,000
Options granted	2,575,000
Options expired and cancelled	(1,400,000)
Balance, December 31, 2016	4,100,000
Balance at January 1, 2017	4,100,000
Options granted	740,000
Balance, December 31, 2017	4,840,000

At December 31, 2017, the Company had 4,840,000 (2016 - 4,100,000) issued and outstanding stock options. The options are held by officers, directors and consultants of the Company. These options vested on grant except the options granted on June 22, 2017.

As at December 31, 2017, the Company had stock options outstanding and exercisable 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
	4,840,000	**4,750,000**		

On October 13, 2017, the Board of Directors of the Company granted 560,000 stock options to directors, officers and certain consultants of the Company. The stock options vested on the date of issuance. The stock options have an exercise price of $0.85 per share and are exercisable for a period of five years from the date of grant. The fair value of the options was $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

On June 22, 2017, the Board of Directors of the Company granted 180,000 stock options to a consultant. One-half of the stock options vest on the date of issuance and one-half vest one year from the date of issuance. The stock options have an exercise price of $0.80 per share and are exercisable for a period of five years from the date of grant. The fair value of the options was $0.59.

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.

11. Warrants

	Number of warrants
Balance at January 1, 2016	5,708,400
Warrants used in private placement	4,733,500
Warrants issued as finders fees (note 9)	331,345
Warrants exercised (note 9)	(176,750)
Balance at December 31, 2016	10,596,445
Warrants issued in private placement (note 9)	5,000,000
Warrants issued as finders fees (note 9)	300,000
Warrants exercised (note 9)	(3,437,673)
Warrants expired	(2,259,600)
Balance, December 31, 2017	10,199,172

As at December 31, 2017, the Company had the following warrants outstanding:

Exercise price		**Number outstanding**	**Expiration date**	**Conversion price**
$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.

12. Loss per share

The weighted average number of shares outstanding for the year ended December 31, 2017 was 44,912,876 (2016 – 38,826,675). For the years ended December 31, 2017 and 2016, the outstanding options, purchase and finders warrants were excluded from the diluted loss per share calculation as the instruments were anti- dilutive.

13. Income tax

The provision for income taxes differs from the expected amount calculated by applying the Company's combined Federal and Provincial corporate tax rates as result of the following:

Reconciliation of effective tax rate		December 31,		
		2017		**2016**
Loss before income taxes	$	(5,818,518)		(2,951,893)
Combined federal and provincial statutory tax rate		27.0%		27.0%
Expected income tax recovery		(1,571,000)		(797,011)
Stock-based compensation		432,140		315,819
Other non-deductible expenses		7,370		8,610
Change in unrecognized tax asset		1,125,906		472,582
Foreign exchange loss		5,847		-
Other		(263)		-
Income tax recovery	**$**	**-**	$	-

Deferred tax assets have not been recognized for the following deductible temporary differences:

	December 31,	
	2017	**2016**
Non-capital losses (Expiring 2027-2035)	$ 14,099,233	$ 8,601,691
Decommissioning liability	44,785	44,125
Share issue costs	444,639	357,465
Property and equipment	492,016	542,019
Other	41,990	60,319
Total deferred tax asset (unrecognized)	**$ 15,122,663**	$ 9,605,619

14. General and administrative

For the year ended December 31, 2017, the Company incurred general and administrative expenses of $5,359,249 (2016 – 1,781,623). The increase was primarily due to payments made to consultants of the Company in connection with acquiring an international oil and natural gas property and increased travel and meal cost and office and administrative costs supporting the increased activity for acquiring an international oil and natural gas property during the year ended December 31, 2017. 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. Going forward, Rick Anderson, Chief Executive Officer and a Director, will no longer receive consulting fees from the Company. For the 2018 financial year the Company will compensate Mr. Anderson as an employee rather than a consultant and will remit applicable taxes on behalf of Mr. Anderson.

15. Related Party Transactions

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 $204,461 (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.

16. Officers and directors compensation

	Short term compensation	Stock-based compensation	Total
2017	$ 272,000	$ 210,528	$ 482,528
2016	$ 265,000	$ 691,600	$ 956,600

Mr. Anderson received 89,200 options from the October 2017 issuance, resulting in a stock-based compensation amount of $64,224 for 2017. In 2018, Mr. Anderson will transition from receiving short term compensation as consulting fees from the Company to receiving short term compensation as an employee.

17. 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.