PETROLYMPIC

Petrolympic Ltd.

Consolidated Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed In Canadian Dollars)

ASSURANCE | ACCOUNTING | TAX
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Petrolympic Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Petrolympic Ltd**.** (the Company), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of $978,096 during the year ended December 31, 2018. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated financial statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Pat Kenney.

SDVC LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 25, 2019

Petrolympic Ltd.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2018	As at December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents (note 6)	**$ 102,591**	$ 215,120
Amounts receivable and other assets (note 7)	**76,843**	40,788
Total current assets	**179,434**	255,908
Non-current assets		
Equipment (note 8)	**8,555**	12,221
Reclamation bond	**10,859**	9,986
Total non-current assets	**19,414**	22,207
Total assets	**$ 198,848**	$ 278,115
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (notes 9, 14(b) and 17)	**$ 442,536**	$ 205,770
Advances from related party (note 10)	**27,300**	11,431
Total current liabilities	**469,836**	217,201
Deficiency / Equity		
Share capital (note 11)	**9,417,016**	9,196,997
Reserves	**1,366,885**	1,369,024
Deficit	**(11,054,889)**	(10,505,107)
Total deficiency / equity	**(270,988)**	60,914
Total deficiency / equity and liabilities	**$ 198,848**	$ 278,115

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

Nature of operations and going concern (note 1)
Commitments and contingencies (note 18)
Subsequent events (note 21)

On behalf of the Board:

(Signed) Mendel Ekstein
Director

(Signed) Miles Pittman
Director

Petrolympic Ltd.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended December 31, 2018	Year Ended December 31, 2017
Operating expenses		
Exploration and evaluation expenditures (note 14)	**$ 51,444**	$ 76,365
General and administrative (note 16)	**929,153**	431,005
Operating loss	**(980,597)**	(507,370)
Other Income		
Foreign exchange (loss) gain	**(14,769)**	388
Interest income	**-**	138
Net loss for the year	**$ (995,366)**	$ (506,844)
Other comprehensive income (loss)		
Item that will be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**17,270**	(1,846)
Comprehensive loss for the year	**$ (978,096)**	$ (508,690)
Basic and diluted net loss per share (note 15)	**$ (0.01)**	$ (0.00)
Weighted average number of common shares outstanding (note 15)	**109,236,941**	106,951,929

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

Petrolympic Ltd.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended December 31, 2018	Year Ended December 31, 2017
Operating activities		
Net loss for the year	**$ (995,366)**	$ (506,844)
Adjustment for:		
Depreciation (note 8)	**3,666**	5,236
Share-based payment (note 12)	**429,527**	92,158
Change in unrealized foreign exchange	**4,607**	10,764
Non-cash working capital items:		
Amounts receivable and other assets	**(36,055)**	64,587
Accounts payable and accrued liabilities	**236,766**	(213,843)
Reclamation bond	**(873)**	702
Net cash and cash equivalents used in operating activities	**(357,728)**	(547,240)
Financing activities		
Loan repayments (note 10)	**-**	(3,136)
Loan proceeds (note 10)	**14,155**	8,391
Net proceeds from private placement (note 11(b))	**150,000**	472,203
Net proceeds from stock option exercise	**66,667**	-
Net cash and cash equivalents provided by financing activities	**230,822**	477,458
Effect of exchange rate fluctuations on cash in foreign currency held	**14,377**	(12,610)
Net change in cash and cash equivalents	**(112,529)**	(82,392)
Cash and cash equivalents, beginning of year	**215,120**	297,512
Cash and cash equivalents, end of year (note 6)	**$ 102,591**	$ 215,120

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

Petrolympic Ltd.
Consolidated Statements of Changes in Equity / Deficiency
(Expressed in Canadian Dollars)

		Reserves				
	Share capital	Contributed surplus	Warrant reserve	Other comprehensive loss	Deficit	Total
Balance, December 31, 2016	**$ 8,887,828**	**$ 1,200,789**	**$ 505,649**	**$ (411)**	**$ (10,588,612)**	**$ 5,243**
Common share units issued (note 11(b))	475,500	-	-	-	-	475,500
Fair value of warrants issued (note 11(b))	(163,034)	-	163,034	-	-	-
Cost of issuance (note 11(b))	(3,297)	-	-	-	-	(3,297)
Share-based payment (note 12)	-	92,158	-	-	-	92,158
Reclassification of expired options	-	(84,700)	-	-	84,700	-
Reclassification of expired warrants	-	-	(505,649)	-	505,649	-
Net loss for the year	-	-	-	(1,846)	(506,844)	(508,690)
Balance, December 31, 2017	**$ 9,196,997**	**$ 1,208,247**	**$ 163,034**	**$ (2,257)**	**$ (10,505,107)**	**$ 60,914**
Common share units issued (note 11(b))	150,000	-	-	-	-	150,000
Fair value of warrants issued (note 11(b))	(31,981)	-	31,981	-	-	-
Stock options exercised	102,000	(35,333)	-	-	-	66,667
Share-based payment (note 12)	-	429,527	-	-	-	429,527
Reclassification of expired options	-	(445,584)	-	-	445,584	-
Foreign operations currency translation reserve	-	-	-	17,270	-	17,270
Net loss for the year	-	-	-	-	(995,366)	(995,366)
Balance, December 31, 2018	**$ 9,417,016**	**$ 1,156,857**	**$ 195,015**	**$ 15,013**	**$ (11,054,889)**	**$ (270,988)**

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

1. Nature of operations and going concern

Petrolympic Ltd. (the "Company" or "Petrolympic") was incorporated under the Business Corporations Act (Ontario). Petrolympic is an exploration company, engaged in the acquisition, exploration and development of petroleum and natural gas properties. At the date of these consolidated financial statements, the Company has not yet discovered any significant deposits, nor has it earned any profit from its activities. The Company's common shares are listed on the TSX Venture Exchange under the symbol PCQ and on the OTCQX International under the symbol PCQRF. The primary office is located at The Canadian Venture Building, 82 Richmond Street East, Toronto, Ontario, Canada, M5C 1P1. The Company's year end is December 31st.

Petrolympic is at an early stage of development and, as is common with many exploration companies, it raises financing for its exploration and acquisition activities in discrete tranches. The Company had a working capital deficiency of $290,402 at December 31, 2018 (December 31, 2017 - working capital of $38,707). As at December 31, 2018, the Company has a deficit of $11,054,889 (December 31, 2017 - $10,505,107). For the year ended December 31, 2018, the Company had a comprehensive loss of $978,096 (year ended December 31, 2017 - comprehensive loss of $508,690). For the year ended December 31, 2018, the Company had total cash outflows of $112,529 (year ended December 31, 2017 - cash outflows of $82,392).

The Company's ability to continue as a going concern is dependent upon its obtaining additional financing and eventually achieving profitable production in the future. These conditions raise material uncertainties which cast significant doubt as to the Company's ability to continue as a going concern. The Company is currently evaluating various options in order to address its financing needs. There can be no assurance that the Company's financing activities will continue to be successful or sufficient.

These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to continue as a going concern and was required to realize its assets or discharge its obligations in anything other than the ordinary course of operations. These adjustments could be material.

2. Significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2018.

The policies applied in these consolidated financial statements are based on IFRSs issued and outstanding as of December 31, 2018. These financial statements were approved by the Board of Directors on April 25, 2019.

(b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the year. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in note 2(s).

2. Significant accounting policies (continued)

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Petrolympia Inc., Petrolympic USA, Inc. and Oil-lympia Oil and Gas Inc.

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed or has rights to variable returns from an investee and has the ability to affect those returns through its power over the investee. The results of subsidiaries acquired or disposed of during the periods presented are included in the consolidated statement of loss and comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

(d) Foreign currencies

The functional currency of the Company and its subsidiary Petrolympia Inc. is the Canadian Dollar. The functional currency of the subsidiaries Petrolympia USA, Inc. and Oil-lympia Oil and Gas Inc. is the US dollar. For the purpose of the consolidated financial statements, the results and financial position are expressed in Canadian Dollars.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At each financial reporting date, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the consolidated statement of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot rate at the date of the initial transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

The financial results and position of the US subsidiaries are translated as follows: (i) assets and liabilities are translated at the period end exchange rates prevailing at the reporting date; and (ii) income and expenses are translated at average exchange rates for the period. Exchange differences arising on translation of the US subsidiaries are recognized in other comprehensive loss. These differences are reclassified and recognized in loss and comprehensive loss in the period in which the foreign operation is disposed.

(e) Financial instuments

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and
ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

i) amortized cost;
ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial instruments consist of the following:

Financial assets:	**Classification:**
Cash and cash equivalents	FVTPL
Reclamation Bond	Amortized cost
Financial liabilities:	**Classification:**
Accounts payable and accrued liabilities	Amortized cost
Advances from related party	Amortized cost

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

As of December 31, 2018 and December 31, 2017, except for cash and cash equivalents, none of the Company's financial instruments are recorded at fair value in the consolidated statements of financial position. Cash and cash equivalents are classified as Level 1.

(f) Exploration and evaluation expenditures

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of petroleum and natural gas properties, property option payments and evaluation activity. Tax credits related to exploration and evaluation expenditures are netted against the related exploration and evaluation expenditures in the period in which they are recognized (see note 2(r)).

All consideration received or receivable for property sales are credited to operations.

Revenue from the sale of property is recognized once the sale is complete and all risks and rewards of ownership have been transferred to the purchaser.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for extraction activities. Capitalization ceases when the properties are capable of commercial production, with the exception of development costs that give rise to a future benefit.

2. Significant accounting policies (continued)

(g) Finance costs

Costs incurred on the issuance of the Company's equity instruments are charged directly to the respective equity account.

(h) Flow-through shares

The Company, from time to time, finances a portion of its planned exploration and development activities through the issue of flow-through shares. Under the terms of the flow-through agreements, the income tax deductions attributable to the capital expenditures are renounced to the subscribers. The difference between the subscription price of the flow-through shares and the common share prices at the date of issuance is initially recognized as a liability on the consolidated statement of financial position. The liability is then transferred to the consolidated statement of loss and comprehensive loss as other income when the Company has made the required expenditures and renounced to the tax authorities.

(i) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks and on hand, and guaranteed investment certificates with an original maturity of three months or less, which are readily convertible into a known amount of cash.

(j) Joint Arrangements

The Company determines whether the joint arrangement entered into by the Company is a joint operation or a joint venture based upon the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Where the Company determines the joint arrangement represents a joint operation, the Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Where the Company determines the joint arrangement represents a joint venture, the Company recognizes its interest in a joint venture as an investment and accounts for this investment using the equity method, whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the Company’s share of the net assets of the joint venture. The Company’s share of the joint venture’s profit or loss and other comprehensive income (loss) is included in Company’s profit or loss and other comprehensive income (loss), respectively.

2. Significant accounting policies (continued)

(k) Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized based on the cost of an item of equipment, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Percentage	Method
Oil and gas equipment	30%	Declining balance

An asset's residual value, useful life and depreciation method are reviewed on an annual basis and adjusted if appropriate.

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

The recoverable amount is the higher of fair value less disposal costs and value in use. In assessing value in use, the estimated future cash flows are discounted at a rate that reflects current market assessments of the pre-tax time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statements of (loss) income.

(l) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at December 31, 2018 or December 31, 2017.

(m) Share-based payment transactions

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

2. Significant accounting policies (continued)

(m) Share-based payment transactions (continued)

The fair value of share-based payments to non-employees and other share-based payments are based on the fair value of the goods or services received. If the Company cannot estimate reliably the fair value of the goods or services received, the Company is required to measure their value, and the corresponding increase in contributed surplus, indirectly, by reference to the fair value of the equity instruments granted at the date the Company receives the goods or services.

The fair value of unexercised options is adjusted to deficit on expiry.

(n) Equity

In situations where the Company issues units, the value of warrants is bifurcated using the relative fair value method. Proceeds from issuances by the Company of units consisting of shares and warrants are allocated between share capital and reserve for warrants on a relative fair value bases by first determining the relative fair value of the warrants and shares. The relative fair value of the shares and warrants is estimated using the share price at the time of financing and the Black-Scholes option pricing model.

The fair value of unexercised warrants is adjusted to deficit on expiry.

On extension of the expiry date of warrants, the Company does not recognize any value related to the adjustment.

(o) Income taxes

Income tax on the profit or loss for the year presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

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

2. Significant accounting policies (continued)

(p) Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of an oil and gas property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate under IFRS. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

(q) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

(r) Refundable tax credit for resources

The Company is eligible for a refundable tax credit for resources for petroleum and natural gas industry companies in relation to eligible expenses incurred in Quebec, Canada. The refundable tax credit for resources represents up to 35% (December 31, 2017 - 35%) of the amount of eligible expenditures incurred. This tax credit is recognized as a credit to eligible exploration and evaluation costs expensed during the year, when the tax credit's collectability is reasonably assured.

(s) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the inputs used in accounting for share-based payment transactions in profit or loss; and
- As more fully described in notes 11 and 12, calculation of the fair value of stock options and warrants issued requires the use of estimates of inputs in the applicable stock option valuation models.

2. Significant accounting policies (continued)

(s) Significant accounting judgments and estimates (continued)

Critical accounting judgments

- Management assumptions of no material restoration, rehabilitation and environmental provision, based on the facts and circumstances that existed during the year.
- The categorization of financial assets and liabilities and functional currency determination are accounting policies that require management to make judgments or assessments.
- Management's judgment is used in the method used to establish fair value of flow-through shares. Additionally, management's judgment is applied in determining whether qualified expenditures have been incurred. Differences in judgment between management and regulatory authorities can materially increase the flow-through premium liability and outstanding commitments.
- Management's judgment is used in determining the eligible expenditures used in the recognition of tax credits receivable.
- Management applied judgment in determining the Company's ability to continue as a going concern.

(t) Adoption of New Accounting Standard

IFRS 9 Financial Instruments:

Effective January 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact to the Company's consolidated financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

The new hedge accounting guidance had no impact on the Company's consolidated financial statements.

Below is a summary showing the classification and measurement bases of the Company's financial instruments as at January 1, 2018 as a result of adopting IFRS 9, along with comparison to IAS 39.

Classification	IAS 39	IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Reclamation bond	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Advances from related party	Other financial liabilities	Amortized cost

2. Significant accounting policies (continued)

(u) Recent accounting pronouncements

Certain new standards, amendments and interpretations are effective for annual periods beginning after January 1, 2019 and have not been applied in these financial statements. None of these are expected to have a significant impact on the Company's financial statements.

IFRS 16 Leases:

On January 13, 2016, the IASB issued IFRS 16 which supersedes existing standards and interpretations under IAS 17, Leases. IFRS 16 requires all leases, including financing and operating leases, to be reported on a company’s balance sheet. The new standard will provide greater transparency on a company’s lease assets and liabilities. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

3. Capital risk management

The Company manages its capital to ensure that funds are available or are scheduled to be raised to provide adequate funds to carry out the Company’s defined exploration programs and to meet its ongoing administrative costs. The Company considers its capital to be equity, which comprises share capital, reserves and deficit, which at December 31, 2018, totaled ($270,988) (December 31, 2017 - $60,914).

This is achieved by the Board of Directors’ review and acceptance of exploration budgets that are achievable within existing resources and the timely matching and release of the next stage of expenditures with the resources made available from private placements or other fund raisings.

The Company is not subject to any material externally imposed capital requirements or covenants other than the obligation to incur eligible expenditures with respect to the flow-through shares issued (refer to notes 14(a)) and Policy 2.5 of the TSXV Venture Exchange (“TSXV”) which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2018, the Company is not compliant with Policy 2.5.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

There were no changes in the Company's approach to capital management during the year ended December 31, 2018.

4. Financial risk management

(i) Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency and commodity and equity price risk). Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(ii) Credit risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. Cash and cash equivalents are held with select major Canadian chartered banks, from which management believes the risk of loss to be minimal.

4. Financial risk management (continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company’s liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2018, the Company had cash and cash equivalents of $102,591 (December 31, 2017 - $215,120) to settle current liabilities of $469,836 (December 31, 2017 - $217,201). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity and the Company's ability to continue as a going concern (see note 1). The Company's ability to continually meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

(iv) Market risk

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

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance with its cash management policy.

(b) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is exposed to foreign currency risk with respect to the expenditures incurred by its US subsidiaries.

(v) Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period:

(a) The Company has no interest bearing debt at December 31, 2018.

(b) The Company has subsidiaries with balances denominated in US dollars. Sensitivity to a plus or minus five percentage point change in exchange rates would lead to a $1,400 gain/loss in the reported net loss and comprehensive loss for the year ended December 31, 2018.

(Expressed in Canadian Dollars)

5. Categories of financial instruments

		As at December 31, 2018		As at December 31, 2017
Financial assets:				
FVTPL				
Cash and cash equivalents	$	102,591	$	215,120
Amortized cost				
Reclamation bond	$	10,859	$	9,986
Financial liabilities:				
Amortized cost				
Accounts payable and accrued liabilities	$	442,536	$	205,770
Advances from related party	$	27,300	$	11,431

As at December 31, 2018, the fair value of the Company's financial instruments approximates their carrying value due to the short-term or highly-liquid nature of the instruments.

6. Cash and cash equivalents

		As at December 31, 2018		As at December 31, 2017
Cash	**$**	**92,591**	$	205,120
Guaranteed investment certificates		**10,000**		10,000
Total	**$**	**102,591**	$	215,120

7. Amounts receivable and other assets

		As at December 31, 2018		As at December 31, 2017
Sales tax receivable - (Canada)	**$**	**1,436**	$	3,064
Prepaid expenses		**75,407**		37,724
	$	**76,843**	$	40,788

(Expressed in Canadian Dollars)

8. Equipment

Cost

		Oil and gas equipment
Balance, December 31, 2016, December 31, 2017 and December 31, 2018	**$**	**56,947**

Accumulated depreciation

		Oil and gas equipment
Balance, December 31, 2016	**$**	**39,490**
Depreciation		5,236
Balance, December 31, 2017	**$**	**44,726**
Depreciation		3,666
Balance, December 31, 2018	**$**	**48,392**

Carrying amounts

		Oil and gas equipment
At December 31, 2017	**$**	**12,221**
At December 31, 2018	**$**	**8,555**

9. Accounts payable and accrued liabilities

		As at December 31, 2018		As at December 31, 2017
Trade payables	**$**	**53,947**	$	124,814
Accrued liabilities (note 17(b))		**388,589**		80,956
	$	**442,536**	$	205,770

10. Advances from related party

During the year ended December 31, 2018, the Company received $14,155 (10,900USD) in advances from Mendel Ekstein who is a major shareholder and director of the Company. Advances of $27,300 (20,012USD) were outstanding at December 31, 2018.

During the year ended December 31, 2017, the Company received $8,797 (7,012USD) in advances from Mendel Ekstein who is a major shareholder of the Company. Advances of $11,431 (9,112USD) were outstanding at December 31, 2017. The advances are unsecured, do not bear any interest and are due on demand.

During the year ended December 31, 2017, the Company repaid Mendel Ekstein $3,256 (2,500USD) for his advance to the Company.

(Expressed in Canadian Dollars)

11. Share capital

a) Authorized share capital

At December 31, 2018, the authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

At December 31, 2018, the issued share capital amounted to $9,417,016.

Issued:

	Number of common shares	Amount
Balance, December 31, 2016	**105,505,199**	**$ 8,887,828**
Private placement (i)(ii)	3,118,182	475,500
Fair value of warrants issued (i)(ii)	-	(163,034)
Costs of issuance - cash	-	(3,297)
Balance, December 31, 2017	**108,623,381**	**$ 9,196,997**
Private placement (iii)	1,153,846	150,000
Fair value of warrants issued (iii)	-	(31,981)
Exercise of stock options	666,667	102,000
Balance, December 31, 2018	**110,443,894**	**$ 9,417,016**

(i) On March 24, 2017, the Company closed a non-brokered private placement (the "March 2017 Offering"), consisting of 1,300,000 units ("March 2017 Units") at a price of $0.135 per March 2017 Unit to raise aggregate gross proceeds of $175,500. Each March 2017 Unit consists of one common share of the Company and one common share purchase warrant ("March 2017 Warrant"). Each March 2017 Warrant entitles the holder thereof to purchase a common share at $0.25 per share for a period of 36 months from closing, subject to acceleration in the event that the common shares trade at or above $0.40 for 30 consecutive trading days.

A value of $68,020 was estimated for the 1,300,000 March 2017 Warrants on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $0.16; expected volatility of 116% using the historical price history of the Company; risk-free interest rate of 0.89%; and an expected average life of 36 months.

(ii) On October 3, 2017, the Company closed a non-brokered private placement (the "October 2017 Offering"), consisting of 1,818,182 units ("October 2017 Units") at a price of $0.165 per October 2017 Unit to raise aggregate gross proceeds of $300,000. Each October 2017 Unit consists of one common share of the Company and one common share purchase warrant ("October 2017 Warrant"). Each October 2017 Warrant entitles the holder thereof to purchase a common share at $0.25 per share for a period of 18 months from closing, subject to acceleration in the event that the common shares trade at or above $0.40 for 30 consecutive trading days.

A value of $95,014 was estimated for the 1,812,182 October 2017 Warrants on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $0.15; expected volatility of 125% using the historical price history of the Company; risk-free interest rate of 1.52%; and an expected average life of 18 months.

(Expressed in Canadian Dollars)

11. Share capital (continued)

b) Common shares issued (continued)

(iii) On October 22, 2018, the Company closed a non-brokered private placement (the "October 2018 Offering"), consisting of 1,153,846 units ("October 2018 Units") at a price of $0.13 per October 2018 Unit to raise aggregate gross proceeds of $150,000. Each October 2018 Unit consists of one common share of the Company and one common share purchase warrant ("October 2018 Warrant"). Each October 2018 Warrant entitles the holder thereof to purchase a common share at $0.25 per share for a period of 20 months from closing, subject to acceleration in the event that the common shares trade at or above $0.40 for 30 consecutive trading days.

A value of $31,981 was estimated for the 1,153,846 October 2018 Warrants on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $0.085; expected volatility of 119% using the historical price history of the Company; risk-free interest rate of 2.25%; and an expected average life of 20 months.

12. Stock options

The following table reflects the continuity of stock options for the periods presented:

	Number of stock options	Weighted average exercise price ($)
Balance, December 31, 2016	**9,730,002**	**0.17**
Expired	(1,100,000)	0.12
Granted (i)	1,100,000	0.12
Balance, December 31, 2017	**9,730,002**	**0.17**
Granted (ii),(iii)	5,350,000	0.11
Expired	(5,783,335)	0.13
Exercised	(666,667)	0.10
Balance, December 31, 2018	**8,630,000**	**0.17**

(Expressed in Canadian Dollars)

12. Stock options (continued)

(i) On May 30, 2017, the Company granted 1,100,000 options of the Company at a price of $0.12 per share, expiring May 30, 2022. The fair value of these options at the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of $0.10; 128% volatility; risk-free interest rate of 0.94%; and a dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options. The fair value assigned to these options was $92,158. During the year ended December 31, 2018, $nil was expensed in the consolidated statement of loss and comprehensive loss with a corresponding amount allocated to contributed surplus (year ended December 31, 2017 - $92,158). These options have fully vested.

(ii) On May 28, 2018, the Company granted 4,550,000 options of the Company at a price of $0.105 per share, expiring May 28, 2023. The fair value of these options at the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of $0.105; 129% volatility; risk-free interest rate of 2.14%; and a dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options. The fair value assigned to these options was $410,000. During the year ended December 31, 2018 the amount of $346,527 was expensed in the consolidated statement of loss and comprehensive loss with a corresponding amount allocated to contributed surplus (year ended December 31, 2017 - $nil). These options vest quarterly in equal amounts over 12 months from issuance.

(iii) On May 28, 2018, the Company extended the expiry date for 800,000 options in aggregate previously granted to management, from the current expiry date of June 26, 2018 to the new expiry date of May 28, 2023, and increased the option exercise price from $0.10 to $0.105 per share. The fair value of these options was estimated using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of $0.12; 129% volatility; risk-free interest rate of 1.97%; and a dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options. The fair value assigned to these options was $83,000. During the year ended December 31, 2018 the amount of $83,000 which was expensed in the consolidated statement of loss and comprehensive loss with a corresponding amount allocated to contributed surplus (year ended December 31, 2017 - $nil). These options have fully vested.

The following table reflects the actual stock options issued and outstanding as of December 31, 2018:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
May 20, 2019	0.360	0.38	1,330,000	1,330,000
June 20, 2019	0.370	0.47	750,000	750,000
August 21, 2020	0.100	1.64	100,000	100,000
May 30, 2022	0.120	3.41	1,100,000	1,100,000
May 28, 2023	0.105	4.41	5,350,000	3,075,000
		3.29	**8,630,000**	**6,355,000**

(Expressed in Canadian Dollars)

13. Warrants

The following table reflects the continuity of warrants for the years presented:

	Number of warrants	Grant date fair value ($)
Balance, December 31, 2016	**8,770,666**	**505,649**
Issued (note 11(b))	3,188,182	163,034
Expired	(8,770,666)	(505,649)
Balance, December 31, 2017	**3,188,182**	**163,034**
Issued (note 11(b))	1,153,846	31,981
Balance, December 31, 2018	**4,272,028**	**195,015**

The following table reflects the actual warrants issued as of December 31, 2018:

Number of warrants outstanding	Grant date fair value ($)	Exercise price ($)	Expiry date
1,818,182	86,560	0.25	April 3,2019
1,300,000	76,474	0.25	March 23, 2020
1,153,846	31,981	0.25	June 22, 2020
4,272,028	195,015	0.25	

(Expressed in Canadian Dollars)

14. Exploration and evaluation expenditures

	Year Ended December 31, 2018	2017
Québec, Canada (a)		
Gross exploration activities		
General exploration costs	**$ 1,243**	$ -
Consulting	**9,181**	33,317
Permits and licenses	**30,212**	29,985
	40,636	63,302
Tax credit receivable	**-**	(998)
Net costs	**$ 40,636**	$ 62,304
Texas, USA (b)		
Development costs	**$ 7,142**	$ 8,825
Depreciation	**3,666**	5,236
Net costs	**$ 10,808**	$ 14,061
Total exploration costs	**$ 51,444**	$ 76,365

(a) Québec Properties, Québec (Canada)

During the year ended December 31, 2018, the Company's share of exploration and evaluation expenditures on its Québec, Canada property interests amounted to $40,636 (year ended December 31, 2017 - $62,304). Total cumulative exploration and evaluation expenditures incurred on its Québec, Canada property interests to December 31, 2018 amounted to $5,939,165 (December 31, 2017 - $5,898,529).

(b) Chittim Ranch Property, Texas (USA)

During the year ended December 31, 2018, the Company's share of exploration and evaluation expenditures on its Chittim Ranch property in Texas (USA) amounted to $10,808 (year ended December 31, 2017 - $14,061). Total cumulative exploration and evaluation expenditures incurred on its Chittim Ranch property to December 31, 2018 amounted to $1,857,948 (December 31, 2017 - $1,847,140).

For the year ended December 31, 2018, the Company paid $nil in royalties to SWEPI (year ended December 31, 2017 - $nil). As at December 31, 2018, the Company owed $20,589 (15,092USD) in royalties to SWEPI (December 31, 2017 - $18,933 (15,092USD)) and this amount was included in accounts payable and accrued liabilities. The $20,589 was accrued from oil revenues earned in 2013 and 2014, it however has not been paid because the Company is currently investigating who the royalties are due to.

15. Net loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2018 was based on the loss attributable to common shareholders of $995,366 (year ended December 31, 2017 - $506,844) and the weighted average number of common shares outstanding of 109,236,941 (year ended December 31, 2017 - 106,951,929). Diluted loss per share did not include the effect of 8,630,000 options outstanding (December 31, 2017 - 9,730,002 options outstanding) as they are anti-dilutive. Diluted loss per share did not include the effect of 4,272,028 warrants outstanding (December 31, 2017 - 3,188,182 warrants outstanding) as they are anti-dilutive.

(Expressed in Canadian Dollars)

16. General and administrative

	Year Ended December 31, 2018	Year Ended December 31, 2017
Share-based payment (note 12)	**$ 429,527**	$ 92,158
Professional fees	**56,798**	64,158
Management fees	**362,417**	172,001
Administrative and general	**41,423**	44,065
Investor relations and promotion	**7,062**	21,131
Reporting issuer costs	**31,926**	37,492
	$ 929,153	$ 431,005

17. Related party balances and transactions

Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

As at December 31, 2018, Mendel Ekstein, an officer and director of the Company, controls or indirectly controls 26,528,736 common shares of the Company, or approximately 24% of the total common shares outstanding. As at December 31, 2018, Andreas Jacob, a director of the Company, controls or indirectly controls 11,967,625 common shares of the Company, or approximately 11% of the total common shares outstanding. As at December 31, 2018, the remaining directors and/or officers of the Company collectively control 887,541 common shares of the Company or less than 1% of the total common shares outstanding. To the knowledge of directors and officers of Petrolympic, the remainder of the Company's outstanding common shares are widely held. These holdings can change at any time at the discretion of the owner.

(a) Petrolympic entered into the following transactions with related parties. The Company defines key management as its CEO, CFO and Board of Directors.:

		Year Ended December 31, 2018	Year Ended December 31, 2017
Marrelli Support Services Inc. ("Marrelli Support")	(i)	**$ 21,939**	$ 30,276
DSA Corporate Services Inc. ("DSA Corp")	(ii)	**8,123**	8,159
DSA Filing Services Limited ("DSA Filing")	(iii)	**5,538**	2,188
Fogler Rubinoff LLP ("Fogler")	(iv)	**3,649**	844
Mendel Ekstein	(v)	**14,155**	8,797

(i) For the year ended December 31, 2018, the Company expensed $21,939 (year ended December 31, 2017 - $30,276) to Marrelli Support for the services of Carmelo Marrelli to act as Chief Financial Officer of the Company. In addition, Marrelli Support also provides bookkeeping services to the Company. Carmelo Marrelli is the president of Marrelli Support. As at December 31, 2018, Marrelli Support was owed $4,673 (December 31, 2017 - $9,335) and this amount was included in accounts payable and accrued liabilities.

(ii) For the year ended December 31, 2018, the Company expensed $8,123 (year ended December 31, 2017 - $8,159) to DSA Corp for corporate secretarial services. DSA Corp is affiliated with Marrelli Support through common ownership. As at December 31, 2018, DSA Corp was owed $738 (December 31, 2017 - $2,293) and this amount was included in accounts payable and accrued liabilities.

(iii) For the year ended December 31, 2018, the Company expensed $5,538 (year ended December 31, 2017 - $2,188) to DSA Filing for corporate filing services. DSA Filing is affiliated with Marrelli Support through common ownership. As at December 31, 2018, DSA Filing was owed $254 (December 31, 2017 - $904) and this amount was included in accounts payable and accrued liabilities.

(Expressed in Canadian Dollars)

17. Related party balances and transactions (continued)

(a) Petrolympic entered into the following transactions with related parties (continued):

(iv) For the year ended December 31, 2018, the Company expensed $3,649 (year ended December 31, 2017 - $844) to Fogler for legal services. Adam Szweras, the Corporate Secretary of Petrolympic, is a partner at Fogler. As at December 31, 2018, Fogler was owed $306 (December 31, 2017 - $670) and this amount was included in accounts payable and accrued liabilities.

(v) The total loan balance owed to the President and CEO of the Company as of December 31, 2018 amounted to $27,300 (December 31, 2017 - $11,431) (see note 10).

(vi) For the year ended December 31, 2018, the Company expensed $nil (year ended December 31, 2017 - $nil) to Borden Ladner Gervais LLP ("Borden") for legal services. Miles Pittman, a director of Petrolympic, is a partner at Borden. As at December 31, 2018, Borden was owed $nil (December 31, 2017 - $13,973) and this amount was included in accounts payable and accrued liabilities.

(b) Remuneration of directors and key management personnel of the Company was as follows:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Salaries and benefits	**$ 362,416**	$ 148,391
Share-based payments	**429,527**	92,158
Total remuneration	**$ 791,943**	$ 240,549

Payments to directors and key management personnel of the Company include certain transactions with related parties in (a) above, and (b) remuneration to directors and key management personnel of the Company. As at December 31, 2018, directors and key management personnel of the Company were owed US$125,000 (December 31, 2017 - US$45,000) for remuneration and reimbursable expenses, excluding amounts disclosed in (a) above.

Included in accounts payable and accrued liabilities is an amount of $200,000 bonus payment to management, payable in common shares of the Company at $0.105 per share for a total of 952,381 common shares to each officer, or 1,904,762 common shares in aggregate, subject to regulatory approval.

18. Commitments and contingencies

Québec, Canada

Effective January 1, 2017, in order to maintain its petroleum and natural gas permits in good standing, the Company must pay an annual fee of $10.30 per square km. The Quebec Government has decided to maintain the annual rent obligations until further notice while completing environmental studies and preparing new Quebec oil and gas laws and regulations. Until then, permits owners must only pay the annual rental and have no work obligations to keep their permits. Present exploration expenditures (without hydraulic fracturation) are allowed and will be cumulated and credited to future permits work obligations.

The Company's operations are subject to government environmental protection legislation. Environmental consequences are difficult to identify in terms of results, timetable and impact.

At this time, to management's best knowledge, the Company's operations are in compliance with current laws and regulations.

(Expressed in Canadian Dollars)

19. Segmented information

As at December 31, 2018, the Company operates primarily in two reportable geographical segments, being the exploration for petroleum and natural gas interests in Canada and the USA. The Company maintains a head office in Toronto, Canada.

Year Ended December 31, 2018

	Canada	USA	Total
Revenues	$ -	$ -	$ -
Comprehensive loss	$ 958,526	$ 19,570	$ 978,096

Year Ended December 31, 2017

	Canada	USA	Total
Revenues	$ -	$ -	$ -
Comprehensive loss	$ 493,969	$ 14,721	$ 508,690

As at December 31, 2018

	Canada	USA	Total
Current assets	$ 173,702	$ 5,732	$ 179,434
Non-current assets	$ -	$ 19,414	$ 19,414

As at December 31, 2017

	Canada	USA	Total
Current assets	$ 249,244	$ 6,664	$ 255,908
Non-current assets	$ -	$ 22,207	$ 22,207

(Expressed in Canadian Dollars)

20. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate on the net loss for the years ended December 31, 2018 and 2017 is as follows:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Loss before income taxes and tax credits	**$ (995,366)**	$ (886,758)
Combined federal and provincial statutory income tax rate	**26.50 %**	26.50 %
Expected income tax recovery	**$ (263,775)**	$ (134,320)
Share-based compensation, other non-deductible expenses, and other	**113,825**	26,360
Effect of higher tax rates in foreign jurisdictions	**-**	(2,440)
Effect of change in foreign tax rate	**-**	9,170
True up of prior year balances	**171,114**	68,860
Reassessed non-capital losses	**899,721**	-
Change in tax benefits not recognized	**(920,885)**	32,370
Income tax expense (recovery)	**$ -**	$ -

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	As at December 31, 2018	As at December 31, 2017
Deferred income tax assets and liabilities		
Non-capital losses carried forward - Canada	**$ 762,891**	$ 1,499,497
Non-capital losses carried forward - U.S.	**722,000**	999,296
Petroleum and natural gas properties and other	**597,920**	491,798
Share issue costs deductible	**-**	10,256
Property, plant and equipment	**899**	3,748
Net deferred tax assets	**2,083,710**	3,004,595
Deferred tax assets not recognized	**(2,083,710)**	(3,004,595)
Net deferred tax assets	**$ -**	$ -

(Expressed in Canadian Dollars)

20. Income taxes (continued)

The Company's non-capital loss carry forwards expire as noted in the table below. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's non-capital income tax losses will expire as follows:

	Canada	US (USD)
2026	$ 319,130	$ -
2027	31,060	-
2028	1,003,130	-
2029	271,250	-
2030	191,290	-
2031	120,390	75,110
2032	192,450	1,327,180
2033	6,260	372,620
2034	8,360	141,410
2035	31,650	35,320
2036	31,190	25,360
2037	116,920	7,920
2038	555,750	12,250
	$ 2,878,830	$ 1,997,170

21. Subsequent events

On March 13, 2019, the Company announced that the Company has applied to the TSXV to extend the term of 1,818,182 common share purchase warrants originally issued on October 3, 2017. Upon the approval of the TSXV, the expiry dates will be extended from April 3, 2019 to October 3, 2020.

The Company also announced that a total of 850,000 options to purchase common shares of the Company have been granted to an officer at an exercise price of $0.10 per share, expiring on March 12, 2024.