Consolidated Financial Statements

(Expressed in Canadian dollars)

San Angelo Oil Limited

For the years ended June 30, 2017 and 2016

MNP LLP

INDEPENDENT AUDITORS' REPORT

To the Shareholders of San Angelo Oil Limited:

We have audited the accompanying consolidated financial statements of San Angelo Oil Limited, which comprise the consolidated statements of financial position as at June 30, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of San Angelo Oil Limited as at June 30, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that San Angelo Oil Limited has a history of net losses and has an accumulated deficit. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on San Angelo Oil Limited's ability to continue as a going concern.

MNP LLP

Vancouver, British Columbia
October 27, 2017

Chartered Professional Accountants

SAN ANGELO OIL LIMITED
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	As at June 30, 2017	As at June 30, 2016
	$	$
ASSETS		
Current		
Cash	**97,451**	219,793
Other receivables	**1,537**	4,776
Prepaid expenses	**5,821**	-
Total current assets	**104,809**	224,569
Equipment, net *(Note 3)*	**-**	6,407
	104,809	230,976
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**16,692**	50,596
Total current liabilities	**16,692**	50,596
Shareholders' equity		
Share capital *(Note 4)*	**2,820,369**	2,820,369
Share premium	**930,383**	930,383
Warrants *(Note 4)*	**120,754**	120,754
Contributed surplus	**105,092**	105,092
Accumulated other comprehensive income	**-**	182,656
Deficit	**(3,888,481)**	(3,978,874)
Total shareholders' equity	**88,117**	180,380
	104,809	230,976

Nature of operations and going concern (Note 1)
Subsequent events (Note 10)

"Eileen Au"
Director

"Danny Lee"
Director

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

SAN ANGELO OIL LIMITED
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

For years ended	**June 30, 2017**	June 30, 2016
Expenses		
Accretion	**$ -**	$ 75,383
Amortizaton *(Note 3)*	**948**	13,506
Consulting fees	**4,600**	50,084
Management fees	**18,000**	7,200
Insurance	**-**	29,374
Legal	**31,039**	53,700
Office and miscellaneous	**1,157**	23,856
Professional fees	**16,050**	19,082
Regulatory fees	**8,950**	15,112
Salaries and benefits *(Note 5)*	**-**	54,247
General exploration	**2,213**	-
Transfer agent	**8,837**	18,551
Travel	**-**	395
Loss on modification of convertible debenture	**-**	715,313
Loss before other items	**91,794**	1,075,803
Other expense (income)		
Interest income	**-**	(793)
Gain on sale of subsidiary	**(4,875)**	-
Foreign exchange	**(182,827)**	2,242
Write off of interest expense	**-**	(27,123)
Write down of equipment	**5,515**	57,733
Exploration property write-off	**-**	1,418,875
	(182,187)	1,450,934
Net income (loss) for the year before taxes	**$ 90,393**	$ (2,526,737)
Net income (loss) for the year	**$ 90,393**	$ (2,526,737)
Exchange differences from translation of foreign operations	**(182,656)**	99,506
Comprehensive loss for the year	**$ (92,263)**	$ (2,427,231)
Basic income (loss) per share	**$ 0.01**	$ (0.82)
Diluted income (loss) per share	**$ 0.01**	$ (0.82)
Weighted average number of shares outstanding	**6,492,750**	3,086,175

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

SAN ANGELO OIL LIMITED
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Number of issued and outstanding shares	Share capital	Number of issued and outstanding warrants	Warrants	Share premium	Convertible debentures equity component	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total equity
	#	$	#	$	$	$	$	$	$	$
Balance, July 1, 2015	**2,092,750**	**1,838,322**	**873,250**	**120,754**	**-**	**215,070**	**25,092**	**(1,452,137)**	**83,150**	**830,251**
Loss on modification of convertible debenture	-	-	-	-	-	715,313	-	-	-	715,313
Shares issued for debt conversion	2,200,000	914,424	-	-	-	-	-	-	-	914,424
Units, issued at $0.05	3,000,000	150,000	3,000,000	-	-	-	-	-	-	150,000
Units issuance expense	-	(2,377)	-	-	-	-	-	-	-	(2,377)
Seed shares cancelled	(800,000)	(80,000)	-	-	-	-	80,000	-	-	-
Equity component – convertible debenture	-	-	-	-	930,383	(930,383)	-	-	-	-
Other comprehensive income for the period	-	-	-	-	-	-	-	-	99,506	99,506
Net loss for the year	-	-	-	-	-	-	-	(2,526,737)	-	(2,526,737)
Balance, June 30, 2016	**6,492,750**	**2,820,369**	**3,873,250**	**120,754**	**930,383**	**-**	**105,092**	**(3,978,874)**	**182,656**	**180,380**
Balance, July 1, 2016	**6,492,750**	**2,820,369**	**3,873,250**	**120,754**	**930,383**	**-**	**105,092**	**(3,978,874)**	**182,656**	**180,380**
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	(182,656)	(182,656)
Net income for the year	-	-	-	-	-	-	-	90,393	-	90,393
Balance, June 30, 2017	**6,492,750**	**2,820,369**	**3,873,250**	**120,754**	**930,383**	**-**	**105,092**	**(3,888,481)**	**-**	**88,117**

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

SAN ANGELO OIL LIMITED
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

For the years ended		**June 30, 2017**		June 30, 2016
OPERATING ACTIVITIES				
Net income (loss) for the year	$	90,393	$	(2,526,737)
Items not affecting cash:				
Accretion		-		75,383
Amortization		948		13,506
Gain on sale of subsidiary		(4,875)		-
Loss on modification of convertible debenture		-		715,313
Write down of equipment		5,515		57,733
Impairment of exploration and evaluation assets		-		1,418,875
Foreign exchange (gain)/Loss		(182,710)		1,562
Interest write off		-		(27,123)
Changes in non-cash working capital items:				
Other receivables		(2,584)		33,889
Accounts payable and accrued liabilities		(29,029)		(127,324)
Net cash used in operating activities		(122,342)		(364,923)
INVESTING ACTIVITIES				
Redemption of short-term investment		-		250,000
Redemption of operator's bond		-		34,600
Investment in exploration and evaluation assets		-		(20,084)
Net cash generated by investing activities		-		264,516
FINANCING ACTIVITY				
Interest expense paid on convertible debentures		-		(27,726)
Funds received on issuance of share capital		-		150,000
Share issuance expenses		-		(2,377)
Net cash from financing activity		-		119,897
Effect of exchange rate changes on cash		-		9,348
Change in cash during the year		**(122,342)**		**28,838**
Cash, beginning of the year		219,793		190,955
Cash, end of the year	**$**	**97,451**	**$**	**219,793**
Cash paid for income taxes - $nil				
Cash paid for interest	$	-	$	-

Supplemental cash flow information (Note 8)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

San Angelo Oil Limited (the "Company") was incorporated under the *British Columbia Business Corporations Act* on February 11, 2014. The Company is a junior resource company engaged in the identification, and the exploration and development, of both proven and unproven reserves via drilling and/or acquisition.

The address of the Company's head office is located at Suite 650 – 669 Howe Street, Vancouver, British Columbia, V6C 0B4.

To date, the Company has not earned significant revenues and is considered to be in the exploration stage. The recoverability of the costs incurred for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the projects and upon future profitable production or from the proceeds of disposition. The Company will require additional capital to fund any future property acquisitions and exploration programs as well as for administrative purposes. If management is unable to obtain additional funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these consolidated financial statements. These factors indicate the existence of material uncertainties that may cast significant doubt as to the Company's ability to continue as a going concern.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharges its liabilities in the normal course of business. The Company had net income of $90,393 during the year ended June 30, 2017, and as of that date, the Company had an accumulated deficit of $3,888,481 and net working capital of $88,117.

The continuity of the Company's operations is dependent on raising future financings for working capital and for the acquisition and exploration of new projects. Management believes that it will be able to secure the necessary financing through a combination of the issuance of new equity or debt instruments. However, there is no assurance that the Company will be successful in these actions. There can be no assurance that adequate financing will be available or available at terms favorable to the Company. Should it be determined that the Company is no longer a going concern, adjustments which could be significant, could be required to the carrying value of the assets and liabilities. These consolidated financial statements do not reflect any adjustments to the carrying value of the assets or liabilities or any impact on the consolidated statements of loss and comprehensive loss, and consolidated statement of financial position classifications that would be necessary should the going concern assumption not be appropriate.

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared using accounting policies in compliance with IFRS, International Accounting Standards ("IAS"), and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") issued by the International Accounting Standards Board ("IASB").

The policies applied in these financial statements are based on IFRS issued and effective as at the date the Board of Directors approved these financial statements for issue.

These financial statements have been prepared using accounting policies consistent with those used in the 2016 Annual Financial Statement and were authorized for issue by the Board of Directors (the "Board") on October 27, 2017.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost convention, except for financial assets classified as fair value through profit and loss ("FVTPL") which are measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and are presented in Canadian dollars.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned controlled U.S. subsidiaries, San Angelo Operating Corp and 1116669 B.C. Ltd. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company balances have been eliminated upon consolidation. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In October 2016, the Company completed the sale of all of the issued and outstanding shares of its wholly owned and controlled U.S. subsidiary, San Angelo Operating Corp. for nominal consideration to a previous director of the Company. No finder's fee was paid in connection with this sale. The Company recognized a gain of $4,875 is connection with this sale.

Functional and presentation currency

Items included in the consolidated financial statements of the Company and its previously owned and controlled subsidiary are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional and reporting currency of the Company is the Canadian dollar.

Cash and Cash Equivalents

Cash consists of deposits held in banks. Cash equivalents include demand deposits together with other highly liquid short-term investments with maturity dates of less than 90 days at the time of issuance. The Company places its cash and cash equivalents with institutions of high-credit worthiness.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Regular way purchases and sales of FVTPL financial assets are accounted for at trade date, as opposed to settlement date. The Company has classified cash and short-term investments as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company's other receivables are classified as loans and receivables.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. The Company does not have any financial liabilities in this category.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without deduction for transaction costs. For financial instruments that are not traded in active markets, the fair value is determined using appropriate valuation techniques, such as using a recent arm's length market transaction, discounted cash flow analysis or other valuation models.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of Financial Assets

The Company assesses at each reporting date whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Equipment

Equipment is stated 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.

The Company's equipment consists of computers, furniture and well equipment. Amortization is recorded over the estimated useful life of the asset on the following basis:

Computers	3 years straight-line
Furniture	3 years straight-line
Well equipment	5 years straight-line

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit and loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets

Pre-exploration expenditures

Expenditures made by the Company before acquiring the legal right to explore a specific area do not meet the definition of an asset, and therefore are expensed by the Company as incurred.

Exploration and evaluation expenditures

Once a legal right to explore has been obtained, acquisition costs incurred are capitalized as exploration and evaluation assets. These assets include, but are not limited to, exploration license expenditures, leasehold property acquisition costs, evaluation costs including drilling costs directly attributable to an identifiable well and directly attributable general and administrative costs. These costs are accumulated in cost centres by property and are not subject to depletion until technical feasibility and commercial viability has been determined.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying value exceeds the recoverable amount.

The technical and commercial viability of extracting petroleum resources is considered to be determinable when proved and probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved and probable reserves have been discovered. Upon determination of proved and probable reserves, exploration and evaluation assets attributable to these reserves are tested for impairment and reclassified to oil and gas properties.

Development and production costs

Oil and gas development and production assets are measured at cost less accumulated depletion, depreciation and accumulated impairment losses. Development and production assets are grouped in cash-generating units ["CGU"] for impairment testing. A CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds of disposal with the carrying amount and the difference is recognized in profit or loss.

Subsequent costs

Costs incurred subsequent to commercial production including the costs of replacement are recognized in profit and loss as incurred unless they increase the future economic benefits in the assets to which they relate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)

Impairment

Exploration and evaluation assets are assessed for impairment when they are reclassified to developing and producing assets, as oil and gas properties, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Fair value less costs to sell is determined to be the amount for which the asset could be sold in an arm's length transaction. Fair value less costs to sell can be determined by using an observable market or by using discounted future net cash flows.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior years are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amounts. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depletion and depreciation, if no impairment loss had been recognized.

Share Capital

Financial instruments issued by the Company are classified as equity to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocated value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of common shares issued in private placements is determined to be the more easily measurable component and are valued at their fair value, as determined by the closing price on the effective date. The balance, if any, was allocated to the attached warrants.

Interest Income

Interest income is recorded on an accrual basis using the effective interest rate method.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties subject to common control are also considered to be related. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations and it is probable that there will be a requirement to settle. The provision is measured at the best estimate of the present value of the expenditure required to settle the obligation using a pre-tax rate reflecting current market assessment, the time value of money and risk specific to the obligation. Future increases resulting from the passing of time will be recognized as an accretion expense.

The Company had no provisions as at June 30, 2017 and 2016.

Earnings (Loss) Per Share

Earnings per share is calculated by dividing the net earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the reporting period. The calculation of diluted earnings per share assumes the outstanding options and warrants are exercised and proceeds are used to repurchase common share at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share and is only recognized when the effect is dilutive.

Income Taxes

Income tax expense comprises current and deferred taxes.

Current income tax

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

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

Deferred tax (continued)

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

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

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

Significant Accounting Estimates and Judgments

The preparation of these 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 financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Estimates and Judgments (continued)

Going concern evaluation

Significant judgments used in the preparation of these financial statements relate to the assessment of the Company's ability to continue as a going concern. Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the period year ended June 30, 2017. Management prepares the financial statements on a going concern basis unless Management either intends to liquidate the entity or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. As a result of the assessment, Management concluded the going concern basis of accounting is appropriate.

New Standards, Amendments and Interpretations Issued

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning on July 1, 2016, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of these consolidated financial statements are disclosed below. Management anticipates that all the pronouncements will be adopted in the accounting policy for the first period beginning after the effective date of the pronouncement.

The Company continues to evaluate the impact the implementation of these standards will have on the financial statements.

There were no new standards adopted by the Company during the year ended June 30, 2017.

<u>Accounting standards anticipated to be effective in future periods:</u>

IFRS 9 - Financial Instruments. This IFRS introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39 - Financial Instruments: Recognition and measurement, derecognition of financial assets and financial liabilities. The required adoption date for IFRS 9 is January 1, 2018.

IFRS 15 - Revenue from Contracts with Customers. This IFRS establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will be effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

IFRS 16 – Leases. This IFRS, which supersedes IAS 17 – Leases, specifies how to recognize, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, has also been applied.

(Expressed in Canadian dollars)

3. EQUIPMENT

	Computer $	Equipment $	Well equipment $	Total $
Cost				
Balance, June 30, 2015	**2,843**	**35,143**	**47,082**	**85,068**
Effect of changes to foreign exchange rate	-	1,562	3,876	5,438
Write off	-	(6,775)	(50,958)	(57,733)
Balance, June 30, 2016	**2,843**	**29,930**	**-**	**32,773**
Effect of changes to foreign exchange rate	-	434	-	434
Write off	-	(5,515)	-	(5,515)
Balance, June 30, 2017	**2,843**	**24,849**	**-**	**27,692**
Accumulated amortization				
Balance, June 30, 2015	**948**	**11,714**	**-**	**12,662**
Amortization for the year	948	12,558	-	13,506
Effect of changes to foreign exchange rate	-	198	-	198
Balance, June 30, 2016	**1,896**	**24,470**	**-**	**26,366**
Amortization for the year	947	-	-	947
Effect of changes to foreign exchange rate	-	379	-	379
Balance, June 30, 2017	**2,843**	**24,849**	**-**	**27,692**
Net carrying value				
Balance, June 30, 2016	**947**	**5,460**	**-**	**6,407**
Balance, June 30, 2017	**-**	**-**	**-**	**-**

During the year ended June 30, 2017, the Company wrote off $5,515 (year ended June 30, 2016: $6,775) in office furniture as the Company had determined that it had no recoverable value. During the year ended June 30, 2016, the Company also wrote off $50,958 of well equipment.

(Expressed in Canadian dollars)

4. SHARE CAPITAL

The Company has an unlimited number of common shares without par value authorized for issuance.

On May 26, 2016, the Company completed a ten (10) for one (1) basis share consolidation. All current and comparative references to the number of common shares, weighted average number of common shares, loss per common share, stock options and warrants have been updated retrospectively to give effect to this share consolidation.

	Number of issued and outstanding shares	Share capital
Balance, June 30, 2015	2,092,750	$ 1,838,322
Shares issued upon convertible debt conversion	2,200,000	914,424
Shares cancelled	(800,000)	(80,000)
Shares issued for cash pursuant to a non-brokered private placement	3,000,000	150,000
Less share issuance expense, net of taxes	-	(2,377)
Balance, June 30, 2016 and 2017	6,492,750	$ 2,820,369

On December 29, 2015, the Company issued 2,200,000 common shares for the conversion of $1,100,000 in total aggregate amount of convertible debentures outstanding at an amended price of $0.50 per common share (previously convertible at $2.00 per common share). The Company has also eliminated the warrants underlying these Debentures. Out of the 2,200,000 common shares issued to the debenture holders, 536,250 common shares underlying the Debentures will remain subject to an escrow agreement while the remaining 1,663,750 common shares underlying the Debentures will be free trading.

On December 29, 2015, the Company cancelled and returned to treasury 800,000 of the 850,000 seed shares that were issued at $0.10 per common share prior to San Angelo's initial public offering.

On May 26, 2016, the Company completed a non-brokered private placement issuing 3,000,000 units at a price of $0.05 per unit for gross proceeds of $150,000. Each unit consists of one common share and one transferable common share purchase warrant exercisable into one additional common share at an exercise price of $0.05 per common share. These warrants expire on May 26, 2021.

As at June 30, 2017, the Company has 22,950 shares held in escrow. 11,475 of these shares were released on September 10, 2017 and 11,475 shares will be released on March 10, 2018.

(a) Stock options

The Company has a stock option plan for the purchase of common shares for its directors, officers and employees (the "2014 Plan"). The maximum number of shares which may be issuable pursuant to options granted under the plan shall be the number equal to 10% of the Company's issued share capital from time to time or such additional amount as may be approved from time to time by the shareholders of the Company. The options are non-assignable and non-transferable. There is no cash settlement alternative provision for the options. The exercise price of the options is fixed by the Board of Directors of the Company at the time of the grant, subject to all applicable regulatory requirements. During the year ended June 30, 2016, the Company cancelled stock options previously issued due to the recent changes to management and the Board of Directors.

(Expressed in Canadian dollars)

4. SHARE CAPITAL (continued)

(a) Stock options (continued)

As at June 30, 2016 and 2017, there were no stock options outstanding.

(b) Agent's options

The following table summarizes the continuity of agent's options outstanding:

	Number of options #	Weighted average exercise price $
Balance, June 30, 2016	99,420	2.00
Expired	(99,420)	2.00
Balance, June 30, 2017	-	-

During the year ended June 30, 2017, 99,420 agent options expired unexercised.

(c) Warrants

The following table summarizes the continuity of warrants outstanding:

	Number of warrants #	Weighted average exercise price $
Balance, June 30, 2016	**3,873,250**	**0.72**
Expired	(873,250)	3.00
Balance, June 30, 2017	**3,000,000**	**0.05**

Warrants outstanding

Number of warrants #	Expiry date	Weighted average remaining life (in years)	Exercise price $
3,000,000	May 26, 2021	3.91	0.05

During the year ended June 30, 2017, 873,250 warrants expired unexercised.

(Expressed in Canadian dollars)

5. RELATED PARTY TRANSACTIONS

Transactions with related parties were in the normal course of operations and are measured at the exchange amount established and agreed to by the related parties.

Key management personnel compensation, including senior officers and directors of the Company:

	For the years ended	
	June 30, 2017	June 30, 2016
	$	$
Salary and benefits	**-**	48,364
Consulting fees	**18,000**	40,000
Total remuneration	**18,000**	**88,364**

6. FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The main types of risks are credit risk, liquidity risk and market risk. These risks arise from the normal course of operations and all transactions are undertaken as a going concern. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk primarily associated to cash and other receivables. The carrying amounts of assets represent the maximum credit exposure. The Company limits exposure to credit risk and liquid financial assets through maintaining its cash with institutions of high credit worthiness. Management believes that credit risk related to these amounts are nominal.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its capital in order to meet short-term business requirements, after taking into account cash flows from operations, expected capital expenditures and its holdings of cash. In the long term, the Company may have to issue additional shares to ensure there is cash available on demand for its programs. All short-term financial liabilities, being accounts payable and accrued liabilities, are payable within a 90-day period and are to be funded from cash on hand.

6. FINANCIAL INSTRUMENTS (continued)

Market risk

Interest rate risk

The Company is exposed to interest rate risk on its outstanding cash reserves. The Company's policy is to invest cash at fixed and floating interest rates in order to maintain liquidity, while achieving a satisfactory return for shareholders. The Company monitors this exposure and does not enter into any derivative contracts to manage this risk. The Company's interest rate risk mainly arises from the interest rate impact on its cash. Based on cash balance as at June 30, 2017, with other variables unchanged, a 1% change in the interest rate would have a nominal impact to net loss. The Company's financial liabilities are not exposed to interest rate risk.

Foreign currency risk

The Company previously operated in the United States and was exposed to foreign currency risk relating to United States dollars, from purchases and loans that are denominated in currencies other than the respective functional currencies of the Company's subsidiary. The Company's subsidiary had a United States dollar functional currency, with net assets that are exposed to foreign currency translation risk. The Company's subsidiary was sold during the year ended June 30, 2017 and the Company's foreign exchange risk is now minimal.

Fair value

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13 - *Financial Instruments: Fair Value Measurement* ("IFRS 13").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Company's financial instruments include cash, other receivables, and accounts payable and accrued liabilities. There have been no changes in levels during the period.

6. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Fair value (continued)

The significance of the inputs used in determining fair value measurements of the Company's financial instruments is provided below:

		June 30, 2017			
	Category	**Carrying value** $	**Level 1** $	**Level 2** $	**Level 3** $
Cash	FVTPL	97,451	97,451	-	-

		June 30, 2016			
	Category	**Carrying value** $	**Level 1** $	**Level 2** $	**Level 3** $
Cash	FVTPL	219,793	219,793	-	-

The fair value of cash approximates its carrying value. There have been no changes in levels throughout the year.

(Expressed in Canadian dollars)

7. INCOME TAXES

The provision for income taxes recorded in the consolidated financial statements differs from the amount which would have been obtained by applying the Canadian income tax rate of 26% (2016: 26%) to the consolidated net loss as follows:

	2017	2016
	$	$
Income (loss) before taxes	**90,393**	(2,526,737)
Statutory tax rate	**26%**	26%
Expected income tax (recovery)	**23,502**	(656,952)
Non-deductible items	**254,928**	185,981
Change in deferred tax asset not recognized	**(278,430)**	470,971
Total income tax expense (recovery)	**-**	-

The unrecognized deductible temporary differences at June 30, 2017 and 2016 are as follows:

	2017	2016
	$	$
Equipment	**313**	-
Financing costs	**29,575**	47,596
Net capital loss carryforwards	**1,167,933**	-
Non-capital loss carryforwards	**875,960**	762,048
Total unrecognized deductible temporary differences	**2,073,781**	809,644

As at June 30, 2017, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately $875,960 (2016: $762,048) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	$
2034	**71,122**
2035	**435,171**
2036	**263,273**
2037	**106,394**
	875,960

As at June 30, 2017, the Company has not recognized a deferred tax asset in respect of net capital loss carryforwards of approximately $1,167,933 (2016: $nil) which may be carried forward indefinitely to apply against future year capital gains for Canadian income tax purposes, subject to the final determination by taxation authorities.

(Expressed in Canadian dollars)

8. CAPITAL MANAGEMENT

The Company manages its cash, share capital and share purchase warrants as capital. It is management's objective to safeguard its capital in order that it will be able to continue as a going concern in the best interests of all stakeholders.

The Company's investment policy is to hold cash with institutions of high credit worthiness, in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less which can be liquidated at any time without penalties.

The Company currently has no source of revenues. As such, the Company is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any externally imposed capital restrictions. There has been no change in the Company's capital management during the year.

9. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosure of non-cash financing activities for the year ended:

	June 30 2017 $	**June 30 2016** $
Interest paid	-	27,726
Interest received	-	(794)

10. SUBSEQUENT EVENTS

On May 11, 2017, the Company announced that it has entered into a business combination agreement dated May 10, 2017 (the "Agreement") to acquire Cabral Gold Ltd. (the "Transaction"). Cabral Gold Ltd. ("Cabral") has a 100% interest in the Cuiú Cuiú gold deposit which is located in the Tapajos Region of Brazil. Pursuant to the Agreement, the Transaction will be carried out by way of a three-cornered amalgamation (the "Amalgamation"), whereby Cabral will amalgamate with a newly-incorporated wholly-owned subsidiary of San Angelo to form Cabral Gold B.C. Inc. ("Amalco"). San Angelo proposes to complete a 1:5 consolidation of its common shares (the "Consolidation") concurrently with closing, and pursuant to the Amalgamation, shareholders of Cabral will receive 0.18 of one post-Consolidation common share of San Angelo for each one common share of Cabral held (the "Exchange Ratio"). Amalco will become a wholly-owned subsidiary of San Angelo, and San Angelo proposes to change its name to Cabral Gold Inc. on closing of the Transaction. San Angelo will issue approximately 22,822,548 post-Consolidation common shares to shareholders of Cabral. In addition, outstanding options and warrants of Cabral will be exchanged for similar instruments of San Angelo exercisable for or convertible into San Angelo post consolidation common shares on the basis of the Exchange Ratio. The Agreement had not closed subsequent to the year end.