ARCTIC HUNTER ENERGY INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

DECEMBER 31, 2016 AND 2015

(Unaudited)

MANAGEMENT'S COMMENTS ON
UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Arctic Hunter Energy Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgements based on information currently available.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

ARCTIC HUNTER ENERGY INC.
CONDENSED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)

		December 31, 2016		June 30, 2016
				(Audited)
ASSETS				
Current				
Cash	$	4,521	$	13,611
Amounts receivable (Note 3)		2,502		1,615
Prepaid expenses		2,199		1,328
		9,222		16,554
Property, plant and equipment (Note 4)		53,282		52,726
	$	62,504	$	69,280
LIABILITIES AND EQUITY				
Current				
Trade payables and accrued liabilities (Note 5)	$	37,004	$	38,874
Decommissioning liabilities (Note 4)		33,905		33,139
		70,909		72,013
Equity				
Share capital (Note 7)		1,734,296		1,669,571
Share capital to be issued (Note 7)		-		22,500
Reserves (Note 7)		799,766		775,750
Deficit		(2,542,467)		(2,470,554)
		(8,405)		(2,733)
	$	62,504	$	69,280

Nature and continuance of operations (Note 1)
Subsequent event (Note 12)

Approved and authorized for issue by the Board on February 27, 2017

On behalf of the Board:

"Tim Coupland" Director *"Ted Burylo"* Director

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

ARCTIC HUNTER ENERGY INC.
CONDENSED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Six Months Ended December 31, 2016	Six Months Ended December 31, 2015
PETROLEUM REVENUE	$ 22,979	$ 4,155	$ 31,951	$ 13,064
OPERATING EXPENSES				
Petroleum royalties	1,700	76	1,875	461
Petroleum production and transportation	7,363	4,998	14,998	17,200
Depletion and depreciation (Note 4)	4,882	1,304	7,410	4,446
	(13,945)	(6,378)	(24,283)	(22,107)
NET PETROLEUM PRODUCTION REVENUE	9,034	(2,223)	7,668	(9,043)
ADMINISTRATIVE EXPENSES				
Consulting fees (Note 6)	-	4,795	1,880	9,795
Director fees (Note 6)	-	-	-	1,000
Filing fees	8,396	2,433	11,551	5,708
General and administration	3,948	3,824	8,028	6,820
Management fees (Note 6)	16,500	16,500	33,000	33,000
Professional fees (Note 6)	10,296	5,635	14,246	9,657
Promotion	1,197	1,688	3,294	3,707
Rent	3,408	3,408	6,816	6,900
Share-based payments (Notes 6 and 7)	-	-	-	-
	(43,745)	(38,283)	(78,815)	(76,587)
(LOSS) BEFORE OTHER ITEMS	(34,711)	(40,506)	(71,147)	(85,630)
OTHER ITEMS				
Financing income and costs (Note 8)	(383)	(383)	(766)	(766)
NET AND COMPREHENSIVE (LOSS)	$ (35,094)	$ (40,889)	$ (71,913)	$(86,396)
NET (LOSS) PER SHARE				
Basic	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.01)
Diluted	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
Basic	7,149,946	6,416,250	7,065,163	6,416,250
Diluted	7,149,946	6,416,250	7,065,163	6,416,250

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

ARCTIC HUNTER ENERGY INC.
CONDENSED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)
(Unaudited)

	Common Shares (Number)	Common Shares (Amount)	Shares to be issued (Amount)	Stock option reserve	Warrants reserve	Deficit	Total
Balance – June 30, 2015	6,416,250	$ 1,593,482	$ -	$ 205,326	$ 558,778	$ (2,294,914)	$ 62,672
Shares to be issued	-	-	45,000	-	-	-	45,000
Loss for the period	-	-	-	-	-	(86,396)	(86,396)
Balance – December 31, 2015	6,416,250	1,593,482	45,000	205,326	$ 558,778	$ (2,381,310)	$ 21,276
Balance – June 30, 2016	6,866,250	$ 1,669,571	22,500	205,326	$ 570,424	$ (2,470,554)	$ (2,733)
Shares issued (Note 7)	475,000	95,000	-	-	-	-	95,000
Shares to be issued (Note 7)	-	-	(22,500)	-	-	-	(22,500)
Share issue costs (Note 7)	-	(6,259)	-	-	-	-	(6,259)
Warrants issued (Note 7)	-	(24,016)	-	-	24,016	-	-
Loss for the period	-	-	-	-	-	(71,913)	(71,913)
Balance – December 31, 2016	7,341,250	$ 1,734,296	$ -	$ 205,326	$ 594,440	$ (2,542,467)	$ (8,405)

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

ARCTIC HUNTER ENERGY INC.
CONDENSED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

	Six Months Ended December 31, 2016	Six Months Ended December 31, 2015
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss	$ (71,913)	$ (86,396)
Non-cash items:		
Depletion and depreciation	7,410	4,446
Financing costs	766	766
Share-based payments	-	-
Changes in non-cash working capital items:		
Amounts receivable	(887)	1,759
Prepaid expenses	(871)	(875)
Trade payables and accrued liabilities	(1,870)	7,048
Net cash used in operating activities	(67,365)	(73,252)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,966)	(1,400)
Net cash provided by (used in) investing activities	(7,966)	(1,400)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued	72,500	45,000
Share issue costs	(6,259)	-
Net cash provided from financing activities	66,241	45,000
DECREASE IN CASH	(9,090)	(29,652)
CASH, BEGINNING	13,611	45,538
CASH, ENDING	$ 4,521	$ 15,886

Supplemental cash flow information (Note 11)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Arctic Hunter Energy Inc. (the "Company") was incorporated under the Business Corporations Act of British Columbia on February 21, 2006. The Company is listed on the TSX Venture Exchange ("TSX-V") under the trading symbol "AHU". The Company is a Canadian resource exploration and development company that is involved in the acquisition, exploration and development of oil and gas properties in Western Canada.

The head office, principal address and registered and records office of the Company is #1610 – 675 West Hastings Street, Vancouver, British Columbia, Canada V6B 1N2.

On November 23, 2016, the Company consolidated its common shares on the basis of one post-consolidated common share for every four pre-consolidated common shares held. The 29,365,000 pre-consolidated common shares issued and outstanding were adjusted to 7,341,250 post-consolidated common shares. As required by International Accounting Standards ("IAS") 33 *Earnings per Share*, all references to share capital, common shares outstanding and per share amounts in these condensed financial statements and the accompanying notes for the time periods prior to the share consolidation have been restated to reflect the four for one share consolidation.

Going Concern

These financial statements have been prepared on a going concern basis which assumes the Company will realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2016, the Company had a working capital deficit of $27,782 (June 30, 2016 - $22,320) and has accumulated losses since inception of $2,542,467. Should the Company be unable to continue as a going concern, significant adjustments to asset values may be necessary. The ability of the Company to continue as a going concern is dependent upon the Company raising sufficient financing to complete exploration and development activities, the discovery of economically recoverable oil and gas reserves, and upon future profitable operations or proceeds from disposition of resource property interests. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

The condensed financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34, "*Interim Financial Reporting*" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's annual financial statements for the year ended June 30, 2016.

b) Basis of Preparation

These financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value. These financial statements are presented in Canadian dollars.

c) Significant Accounting Estimates and Assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

(Expressed in Canadian Dollars)

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of property, plant and equipment, the recoverability and measurement of deferred tax assets, and provisions for decommissioning liabilities.

d) Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgment in applying the Company's financial statements is the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

e) Comparative Figures

Certain comparative figures have been reclassified in accordance with the current period's presentation.

f) New Accounting Standards and Interpretations Not Yet Adopted

At the date of authorization of these financial statements, the IASB and IFRIC have issued the following new standard, which is not yet effective during the period ended December 31, 2016.

- IFRS 9, '*Financial Instruments: Classification and Measurement',* is a new financial instruments standard effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, that replaces IAS 39 and IFRIC 9 for classification and measurement of financial assets and financial liabilities.

The Company has not early adopted this new standard and anticipates that the application of this standard will not have a material impact on the financial position and financial performance of the Company.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. AMOUNTS RECEIVABLE

	December 31, 2016	**June 30, 2016**
GST receivable	$ 2,502	$ 1,615
Total amounts receivable	$ 2,502	$ 1,615

(Expressed in Canadian Dollars)

4. PROPERTY, PLANT AND EQUIPMENT

		Petroleum and natural gas properties
COST		
Balance, June 30, 2015	$	678,512
Additions		1,400
Balance, June 30, 2016		679,912
Additions		7,966
Balance, December 31, 2016	$	687,878
ACCUMULATED DEPLETION, DEPRECIATION AND IMPAIRMENT		
Balance, June 30, 2015	$	621,340
Depletion and depreciation		4,446
Impairment		1,400
Balance, June 30, 2016		627,186
Depletion and depreciation		7,410
Balance, December 31, 2016	$	634,596
NET BOOK VALUES		
At June 30, 2016	$	52,726
At December 31, 2016	$	53,282

During the period ended December 31, 2016, impairment loss of petroleum and natural gas assets of $Nil (June 30, 2016 - $1,400) was recorded (Note 11).

Petrocapita Oil and Gas L.P. C-12 Well Landrose, Saskatchewan

Pursuant to an agreement dated July 5, 2010, the Company entered into a farm-out agreement with Western Plains Petroleum Ltd. ("Western Plains"). Under the agreement, the Company agreed to spud one test well in the Lloydminster area of western Saskatchewan, Canada. The Company paid 100% of the costs to drill, complete and equip or abandon the test well to earn a 100% working interest before payout subject to a 10% convertible overriding royalty and a 50% working interest after payout, upon conversion of the overriding royalty. The Company had no option to drill post-earning wells under the farm-out agreement. Western Plains was the operator of the test well. The well reached payout at the end of April 2011. Petrocapita Oil and Gas L.P. ("Petrocapita") is the current operator of the oil well.

Petrocapita Lloydminster Option

Pursuant to an agreement dated November 15, 2013, the Company entered into an agreement with Petrocapita. Under the three well option agreement, the Company agreed to participate with Petrocapita in drilling the three test wells by March 31, 2014. Under the agreement, the Company must pay 90% of Petrocapita's share of the cost to drill, complete and fully equip or abandon the test wells to earn a 80% net interest before payout, subject to a convertible gross overriding royalty ("GORR") of 5%-10% payable on the Company's 80% production before payout. After payout, and at the election of Petrocapita, Petrocapita shall either remain a 20% working interest partner with the 5%-10% GORR in place, or Petrocapita will become a 60% working interest partner and the Company a 40% working interest partner with the 5% GORR terminated. The Company will earn in all farmout lands, with any future wells drilled on the earned lands to be shared by Petrocapita 60% and the Company 40%, or no GORR payable to Petrocapita, or with a GORR payable if the

(Expressed in Canadian Dollars)

Company is 100%.

Pursuant to an agreement dated May 23, 2014, the Company announced that it has amended its agreement with Petrocapita. Under the first well option agreement, the Company has agreed to participate with Petrocapita in drilling one test well by July 1, 2014 subject to rig availability and surface access. Under the agreement, the Company must pay 50% of Petrocapita's share of the cost to drill, complete and fully equip or abandon the test well to earn a 30% net interest. Petrocapita will be the operator of the test well.

On July 30, 2014, the Company announced that pursuant to the May 23, 2014 Petrocapita agreement, the Company successfully drilled the first test well. In September, 2014, the first test well was placed into production. As at June 30, 2015, production at the well had ceased as declining oil prices have made continuing production uneconomical. As a result, the capitalized cost of $273,455 was written off during the year ended June 30, 2015. During the year ended June 30, 2016, a residual amount of $1,400 was written off.

Decommissioning Liabilities

The total decommissioning liabilities was estimated by management based on the Company's net ownership interest in all wells and facilities and estimated costs to reclaim and abandon the wells and facilities. The total undiscounted amount of the estimated cash flows required settling the decommissioning liabilities is estimated to be $35,000 (June 30, 2016 - $35,000) and is expected to be incurred between 2017 to 2021.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the decommissioning liabilities related to the Company's petroleum and natural gas properties:

		December 31, 2016		June 30, 2016
Decommissioning liabilities, beginning	$	33,139	$	31,606
Revision to future reclamation and abandonment costs		-		-
Accretion (Note 8)		766		1,533
Decommissioning liabilities, ending	$	33,905	$	33,139

5. TRADE PAYABLES AND ACCRUED LIABILITIES

		December 31, 2016		June 30, 2016
Trade payables	$	35,754	$	27,464
Accrued liabilities		1,250		11,410
	$	37,004	$	38,874

Trade payables and accrued liabilities are non-interest bearing, unsecured and have settlement dates within one year.

6. RELATED PARTY BALANCES AND TRANSACTIONS

Key management personnel compensation

On April 1, 2006, the Company entered into a management agreement with a director of the Company. The management agreement was for an initial term of one year with a monthly remuneration of $3,500, commencing April 1, 2006 and continuing thereafter from month to month until terminated. Effective December 1, 2010, the Company increased the monthly remuneration to $6,500 per month. Effective June 1, 2015, the Company decreased the monthly remuneration to $5,500 per month. Management fees of $33,000 (December 31, 2015 - $33,000) have been recorded for the period ended December 31, 2016 and $5,775 was owing on December 31, 2016.

Effective December 1, 2010, the Company agreed to pay $1,500 per month to the Chief Financial Officer for accounting services. Effective June 1, 2015, the Company decreased the monthly remuneration to $1,250 per month. Professional fees of $3,750 (December 31, 2015 - $7,500) have been recorded for the period ended December 31, 2016 and $1,312 was owing on December 31, 2016.

Effective August 1, 2012, the Company agreed to pay $2,000 per month to a director. Effective January 1, 2014, the Company decreased the monthly remuneration to $1,000 per month. Effective June 1, 2015, the Company decreased the monthly remuneration to $500 per month. Effective September 1, 2015, the Company eliminated the monthly remuneration. Director fees of $Nil (December 31, 2015 - $1,000) have been recorded for the period ended December 31, 2016

Effective January 1, 2014, the Company agreed to pay $1,500 per month to a director. Effective June 1, 2015, the Company decreased the monthly remuneration to $1,000 per month. Effective September 1, 2015, the Company eliminated the monthly remuneration. Consulting fees of $Nil (December 31, 2015 - $2,000) have been recorded for the period ended December 31, 2016.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL

a. Authorized

The Company has authorized an unlimited number of common shares with no par value.

b. Issued and outstanding

On November 23, 2016, the Company consolidated its common shares on the basis of one post-consolidated common share for every four pre-consolidated common shares held. The 29,365,000 pre-consolidated common shares issued and outstanding were adjusted to 7,341,250 post-consolidated common shares. All figures as to the number of common shares, stock options, warrants, and loss per share in these condensed financial statements have been retroactively restated to reflect the consolidation.

At December 31, 2016, the Company had 7,341,250 common shares outstanding (June 30, 2016 - 6,866,250).

The Company issued 175,000 units pursuant to a private placement during the period ended December 31, 2016 at a price of $0.20 per unit for gross proceeds of $35,000. Each unit consists of one common share and one share purchase warrant, each warrant exercisable at a price of $0.40 per share until November 1, 2018. Share issue costs of $2,002 were incurred.

The Company issued 300,000 units pursuant to a private placement during the period ended December 31, 2016 at a price of $0.20 per unit for gross proceeds of $60,000. Each unit consists of one common share and one share purchase warrant, each warrant exercisable at a price of $0.40 per share until October 5, 2018. Share issue costs of $2,175 were incurred.

The Company issued 450,000 units pursuant to a private placement during the year ended June 30, 2016 at a price of $0.20 per unit for gross proceeds of $90,000. Each unit consists of one common share and one share purchase warrant, each warrant exercisable at a price of $0.40 per share until April 26, 2018. Share issue costs of $2,265 were incurred.

The Company issued 430,000 units pursuant to a private placement during the year ended June 30, 2015 at a price of $0.20 per unit for gross proceeds of $86,000. Each unit consists of one common share and one share purchase warrant, each warrant exercisable at a price of $0.40 per share until June 24, 2017. Share issue costs of $2,449 were incurred.

c. Stock options

Under the Company’s stock option plan, the Company may grant options to employees, consultants, officers and directors when the number of shares that may be purchased under that option and all previously granted options, does not exceed 10% of the Company’s issued shares at the time of grant. The exercise price of the options granted will be no less than the fair market value per share of common shares on the option grant date; and the maximum term of the options will be five years measured from the option grant date.

A summary of the Company’s stock options at December 31, 2016 and June 30, 2016 is presented below:

	Number of shares		Weighted average exercise price
Balance, June 30, 2015	468,750	$	0.28
Expired	-		-
Granted	-		-
Balance, June 30, 2016 and December 31, 2016	468,750	$	0.28

(Expressed in Canadian Dollars)

Additional information regarding stock options outstanding as at December 31, 2016 is as follows:

Options outstanding - # -	Options exercisable - # -	Weighted average exercise contractual life - years -	Expiry date		Exercise price
150,000	150,000	1.66	August 27, 2018	$	0.40
318,750	318,750	1.09	January 27, 2018	$	0.20
468,750	468,750	1.27			

During the year ended June 30, 2015, the Company granted 318,750 stock options to directors, officers and a consultant of the Company to purchase common shares of the Company at $0.20 per common share expiring January 27, 2018, which vested immediately. The fair value of $12,546, estimated using the Black-Scholes Option Pricing Model with an expected life of three years, interest rate of 0.51%, a dividend yield of 0% and expected volatility of 110%, was expensed during the year ended June 30, 2015 as share-based payments.

d) Warrants

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of shares		Weighted average exercise price	Expiry date
Balance, June 30, 2015	2,779,200	$	0.40	
Expired	(1,884,000)		0.40	March 14, 2016
Expired	(465,200)		0.40	April 9, 2016
Issued	450,000		0.40	April 26, 2018
Balance, June 30, 2016	880,000		0.40	
Issued	300,000		0.40	October 5, 2018
Issued	175,000		0.40	November 1, 2018
Balance, December 31, 2016	1,355,000	$	0.40	

Additional information regarding warrants outstanding as at December 31, 2016 is as follows:

Number of shares - # -	Weighted average exercise price	Expiry date	Weighted average contractual life - years -
430,000	$ 0.40	June 24, 2017	0.48
450,000	$ 0.40	April 26, 2018	1.32
300,000	$ 0.40	October 5, 2018	1.75
175,000	$ 0.40	November 1, 2018	1.84
1,355,000	$ 0.40		1.22

On November 1, 2016, 175,000 share purchase warrants having a fair value of $4,060 were issued relating to private placements. Each warrant entitles the holder to purchase one additional common share at a price of $0.40 per share exercisable until November 1, 2018. The fair values were calculated using the Black-Scholes Option Pricing Model with an expected life of two years, interest rate of 0.52%, a dividend yield of 0% and expected volatility of 122%.

On October 5, 2016, 300,000 share purchase warrants having a fair value of $19,956 were issued relating to private placements. Each warrant entitles the holder to purchase one additional common share at a price of $0.40 per share exercisable until October 5, 2018. The fair values were calculated using the Black-Scholes Option Pricing Model with an expected life of two years, interest rate of 0.51%, a dividend yield of 0% and expected volatility of 120%.

(Expressed in Canadian Dollars)

On April 26, 2016, 450,000 share purchase warrants having a fair value of $11,646 were issued relating to private placements. Each warrant entitles the holder to purchase one additional common share at a price of $0.40 per share exercisable until April 26, 2018. The fair values were calculated using the Black-Scholes Option Pricing Model with an expected life of two years, interest rate of 0.69%, a dividend yield of 0% and expected volatility of 127%.

On June 24, 2015, 430,000 share purchase warrants having a fair value of $24,699 were issued relating to private placements. Each warrant entitles the holder to purchase one additional common share at a price of $0.40 per share exercisable until June 24, 2017. The fair values were calculated using the Black-Scholes Option Pricing Model with an expected life of two years, interest rate of 0.47%, a dividend yield of 0% and expected volatility of 109%.

e) Reserves

Stock option reserve

The stock option reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Warrant reserve

The warrant reserve records the fair value of warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

8. FINANCING COSTS

		December 31, 2016		December 31, 2015
Accretion of decommissioning liability (Note 4)	$	(766)	$	(766)
Total financing costs for the period	$	(766)	$	(766)

9. CAPITAL MANAGEMENT

The Company manages its capital structure, which is substantially represented by its cash resources and share capital, and makes adjustments to it depending on the funds available to the Company for acquisition, exploration and development of resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is dependent on external financing to fund its activities. In order to carry out its planned exploration, production activities and pay for on-going general and administrative expenses, the Company will use existing working capital and expects to raise additional amounts through related party loans or private placements of its common shares as needed. The Company will continue to assess new properties and seek to acquire interests in additional properties if sufficient geologic or economic potential is established and adequate financial resources are available.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the small size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and there were no significant changes in its approach to capital management during the period ended December 31, 2016**.**

(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair values

As at December 31, 2016, the Company's carrying values of cash, amounts receivable and trade payables approximate their fair values due to their short term maturity.

	Fair value hierarchy		FVTPL, at fair value	Loans and receivables, at amortized cost		Other liabilities, at amortized cost
As at December 31, 2016						
Cash	Level 1	$	4,521	-		-
Trade payables	N/A		-	-	$	35,754
As at June 30, 2016						
Cash	Level 1	$	13,611	-		-
Trade payables	N/A		-	-	$	27,464

Disclosure of a three-level hierarchy for fair value measurements based upon transparency of inputs to the valuation of financial instruments carried on the statement of financial position at fair values is as follows:

Level 1: inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability.
Level 3: inputs to the valuation methodology are unobservable and significant to the fair value measurement.

b) Management of financial risks

The Company is engaged in the oil and gas exploration and development business and manages related industry risk directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity-based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements. There is no certainty that all environmental risks and contingencies have been addressed.

The Company is exposed in varying degrees to a variety of financial instrument related risks as follows:

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash accounts and amounts receivable. This risk is managed through the use of a major financial institution which has high credit quality as determined by the rating agencies. Amounts receivable mainly consists of receivables on sale of oil and gas from a national drilling company. Management believes that the credit risk concentration with respect to its amounts receivables is minimal.

Foreign Exchange Risk
Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company operates in Canada and is consequently not exposed to foreign exchange risk arising from transactions denominated in foreign currency.

Interest Rate Risk
Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash account affected by changes in short term interest rates is minimal.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and raising capital through debt and equity financing.

11. SUPPLEMENTAL CASH FLOW INFORMATION

During the period ended December 31, 2016, impairment loss of petroleum and natural gas assets of $Nil was recorded (June 30, 2016 - $1,400) (Note 4).

12. EVENTS AFTER THE REPORTING PERIOD

The Company announced a non-brokered private placement at $0.10 per unit for total gross proceeds of up to $1,000,000. The Company received $55,000 subsequent to period end.