

ARCTIC HUNTER ENERGY INC.
CONDENSED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
(Expressed in Canadian Dollars)
MARCH 31, 2018 AND 2017

**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 INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	March 31, 2018	June 30, 2017
ASSETS		
Current		
Cash	\$ 28,914	\$ 39,327
Amounts receivable (Note 3)	73,241	32,848
Prepaid expenses	-	1,324
	102,155	73,499
Property, plant and equipment (Note 4)	25,744	41,543
Long-term investment (Note 4)	338,638	340,760
	\$ 466,537	\$ 455,802
LIABILITIES AND EQUITY (DEFICIT)		
Current		
Trade payables and accrued liabilities (Note 5)	\$ 58,413	\$ 63,719
Decommissioning liabilities (Note 4)	35,000	34,672
	93,414	98,391
Equity (Deficit)		
Share capital (Note 7)	1,845,518	1,768,463
Reserves (Note 7)	1,293,256	1,272,161
Deficit	(2,765,650)	(2,683,213)
	373,124	357,411
	\$ 466,537	\$ 455,802

Nature and continuance of operations (Note 1)

Events after the reporting period (Note 11)

Approved and authorized for issue by the Board on May 28, 2018

On behalf of the Board:

"Tim Coupland" Director

"Lawrence Ilich" Director

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

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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Nine Months Ended March 31, 2018	Nine Months Ended March 31, 2017
PETROLEUM REVENUE	\$ 18,356	\$ 27,114	\$ 97,816	\$ 59,064
OPERATING EXPENSES				
Petroleum royalties	1,992	2,805	7,049	4,680
Petroleum production and transportation	11,437	7,962	29,516	22,959
Depletion and depreciation (Note 4)	3,602	5,988	15,799	13,398
	(17,031)	(16,755)	(52,364)	(41,037)
NET PETROLEUM PRODUCTION REVENUE	1,325	10,359	45,452	18,027
ADMINISTRATIVE EXPENSES				
Consulting fees (Note 6)	-	-	2,630	1,880
Filing fees	7,689	10,332	13,462	21,882
General and administration	3,163	6,132	11,203	14,161
Management fees (Note 6)	16,500	16,500	49,500	49,500
Professional fees (Note 6)	14,447	6,438	32,286	20,684
Promotion	3,590	2,125	9,704	5,419
Rent	-	3,408	2,272	10,224
Property evaluation	1,447	-	4,382	-
	(46,836)	(44,935)	(125,439)	(123,750)
(LOSS) BEFORE OTHER ITEMS	(45,511)	(34,576)	(79,987)	(105,723)
OTHER ITEMS				
Financing income and costs (Note 8)	-	(383)	(328)	(1,150)
Net loss from long-term investment (Note 4)	(1,587)	-	(2,122)	-
NET AND COMPREHENSIVE (LOSS)	\$ (47,098)	\$ (34,959)	\$ (82,437)	\$(106,873)
NET (LOSS) PER SHARE				
Basic	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.02)
Diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
Basic	13,426,250	7,341,250	13,114,206	7,060,046
Diluted	13,426,250	7,341,250	13,114,206	7,060,046

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

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

	Common Shares (Number)	Common Shares (Amount)	Shares to be issued (Amount)	Stock option reserve	Warrants reserve	Deficit	Total
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	(22,500)	-	-	-	72,500
Shares to be issued (Note 7)	-	-	100,500	-	-	-	100,500
Share issue costs (Note 7)	-	(7,008)	-	-	-	-	(7,008)
Warrants issued (Note 7)	-	(24,016)	-	-	24,016	-	-
Net and comprehensive loss for the period	-	-	-	-	-	(106,873)	(106,873)
Balance – March 31, 2017	7,341,250	1,733,547	100,500	205,326	594,440	(2,577,427)	(56,386)
Balance – June 30, 2017	12,926,250	\$ 1,768,463	\$ -	\$ 205,326	\$ 1,066,835	\$ (2,683,213)	\$ 357,411
Shares issued (Note 7)	500,000	50,000	50,000	-	-	-	50,000
Share issue costs (Note 7)	-	(1,850)	-	-	-	-	(1,850)
Warrants issued (Note 7)	-	(21,095)	-	-	21,095	-	-
Net and comprehensive loss for the period	-	-	-	-	-	(82,437)	(82,437)
Balance – March 31, 2018	13,426,250	\$ 1,795,518	\$ 50,000	\$ 205,326	\$ 1,087,930	\$ (2,765,650)	\$ 373,124

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

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

	Nine Months Ended March 31, 2018	Nine Months Ended March 31, 2017
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss	\$ (82,437)	\$ (106,873)
Non-cash items:		
Depletion and depreciation	15,799	13,398
Financing costs	328	1,150
Net loss from long-term investment	2,122	-
Changes in non-cash working capital items:		
Amounts receivable	(40,393)	(13,590)
Prepaid expenses	1,324	(434)
Trade payables and accrued liabilities	(5,306)	(14,331)
Net cash used in operating activities	(108,563)	(120,680)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Long-term investment	-	-
Mineral exploration costs	-	(8,609)
Purchase of property, plant and equipment	-	(7,966)
Net cash used in investing activities	-	(16,575)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued	50,000	95,000
Shares to be issued	50,000	78,000
Share issue costs	(1,850)	(7,008)
Net cash provided from financing activities	98,150	165,992
INCREASE (DECREASE) IN CASH	(10,413)	28,737
CASH, BEGINNING	39,327	13,611
CASH, ENDING	\$ 28,914	\$ 42,348

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

ARCTIC HUNTER ENERGY INC.
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
March 31, 2018 and 2017

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 and mineral resource properties in Western Canada and Mexico.

The head office, principal address and registered and records office of the Company is c/o #1200 – 750 West Pender Street, Vancouver, British Columbia, Canada V6C 2T8.

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 consolidated 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 financial statements and the accompanying notes for all 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 March 31, 2018, the Company had working capital of \$43,742 and has accumulated losses since inception of \$2,765,650. 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 and mineral 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, 2017.

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.

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 and long-term investment, 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) Equity Accounted Investments

Equity accounted investments are investments over which the Corporation has significant influence, but not control. Generally, the Corporation is considered to exert significant influence when it holds at least a 20% interest in an entity. The financial results of the Corporation's significantly influenced investments are included in the Corporation's consolidated financial statements using the equity method of accounting, whereby the investment is initially recognized at cost, and the carrying amount is then subsequently adjusted to recognize the Corporation's share of earnings or losses of the underlying investment. If the Corporation's carrying value in the equity accounted investment is reduced to zero, further losses are not recognized except to the extent that the Corporation has incurred legal or constructive obligations or has made payments on behalf of the equity accounted investee.

At the end of each reporting period, the Corporation assesses whether there is objective evidence that the investment is impaired. If the investment is considered impaired, the Corporation estimates its recoverable amount, and any difference is charged to the consolidated statement of income.

f) Comparative Figures

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

g) 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 standards, which is not yet effective during the period ended March 31, 2018.

- ***New Standard IFRS 7 - Financial Instruments: Disclosures***

The amendments to IFRS 7 outline the disclosures required when initially applying IFRS 9 Financial Instruments, classification and measurement including added disclosure about investments in equity instruments measured at fair value in other comprehensive income and guidance on financial liabilities and derecognition of financial instruments.

- ***New Standard IFRS 9 - Financial Instruments, classification and measurement***

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2018.

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.

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3. AMOUNTS RECEIVABLE

	March 31, 2018	June 30, 2017
Amounts receivable	\$ 70,452	\$ 29,245
GST receivable	2,789	3,603
Total amounts receivable	\$ 73,241	\$ 32,848

4. PROPERTY, PLANT AND EQUIPMENT

Petroleum and natural gas properties

COST

Balance, June 30, 2016	\$ 679,912
Additions	7,966
Balance, June 30, 2017	687,878
Additions	-
Balance, March 31, 2018	\$ 687,878

ACCUMULATED DEPLETION, DEPRECIATION AND IMPAIRMENT

Balance, June 30, 2016	\$ 627,186
Depletion and depreciation	19,149
Balance, June 30, 2017	646,335
Depletion and depreciation	15,799
Balance, March 31, 2018	\$ 662,134

NET BOOK VALUES

At June 30, 2017	\$ 41,543
At March 31, 2018	\$ 25,744

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

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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 Company is 100%. Pending the success of these first three wells, the Company may seek to participate in an additional three well drilling program with Petrocapita in the greater Lloydminster region of Alberta and Saskatchewan in 2014.

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. Pending the successful drilling of the first well, the Company may seek to participate in additional heavy oil drilling opportunities and programs with Petrocapita in the greater Lloydminster region of Alberta and Saskatchewan in 2014.

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, 2017 - \$35,000) and is expected to be incurred between 2019 and 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:

	March 31,		June 30, 2017	
	2018			
Decommissioning liabilities, beginning	\$	34,672	\$	33,139
Accretion (Note 8)		328		1,533
Decommissioning liabilities, ending	\$	35,000	\$	34,672

Long-Term Investment

Cerro Verde Gold & Silver Flotation Mill, Sonora, Mexico

Pursuant to an agreement dated April 24, 2017, the Company entered into a non-binding letter of intent to earn up to a 50% interest in Rebeico Gold S.A. de C.V. (“Rebeico Gold”) the operator of a State owned 100 ton per day flotation mill located near Sonora, Mexico, known as the Cerro Verde Mill. Rebeico Gold holds the right to operate the Cerro Verde Mill and to receive the proceeds derived therefrom pursuant to an assignment agreement between Rebeico Gold and Exploracion y Desarrollo del Desierto, S.A de C.V. (“EDDSA”) dated April 24, 2017. EDDSA holds the right to operate and receive all proceeds from the Cerro Verde Mill and to conduct ancillary activities on the project site pursuant to a 10 year lease agreement between EDDSA and the state of Sonora, Mexico dated February 24, 2015. In order to earn this interest, the Company has to pay US\$ 500,000 as follows:

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- a) pay Rebeico Gold the sum of US\$ 250,000 (paid \$340,760 on May 23, 2017) to acquire the initial 30% equity interest in Rebeico Gold within 30 days of final TSX-V acceptance of the transaction;
- b) pay Rebeico Gold, within two years of final TSX-V acceptance of the transaction, an additional sum of US \$250,000 to acquire an additional 20% interest in Rebeico Gold, giving the Company a 50% equity interest in Rebeico Gold and production royalties and revenues derived therefrom.

On May 5, 2017, the TSX-V accepted the documentation in connection with the Option Agreement dated April 24, 2017 between Rebeico Gold, Sergio Francisco Valdez, Francisco Navarro Garcia and the Company whereby the Company has been granted an option to earn up to 50 % interest in the Rebeico Gold S.A. de C.V. Mexico that holds the right to operate the Cerro Verde Mill and receive the proceeds pursuant to an Assignment Agreement dated April 24, 2017 between Rebeico Gold and Exploracion y Desarrollo del Deiserto, S.A. de C.V. Consideration is US\$ 250,000 in the first year and US\$ 250,000 in the second year.

The investment is accounted for under the equity method.

Movements on equity investments for the periods ended June 30, 2017 and March 31, 2018 are as follows:

		Rebeico Gold
Beginning balance, June 30, 2017	\$	340,760
Company's share of net loss		(2,122)
Ending balance, March 31, 2018	\$	338,638

Mineral Property

Rebeico Gold Project, Sonora, Mexico

Pursuant to an option agreement dated April 3, 2017, the Company had the right to earn a 100% interest in seven mineral claims, located near Sonora, Mexico, known as the Rebeico Gold Project. In order to earn this interest, the Company was to pay cash and shares and incur exploration expenditures as follows:

- a) pay YQ Gold Corp (the "Optioner") US\$ 50,000 cash within 10 business days of final TSX-V acceptance of the transaction;
- b) pay US\$ 2,000,000 to the Optioner on or before the date in which two years after the commencement of Commercial production on the Rebeico Gold Project;
- c) issue US\$ 150,000 worth of shares of the Company to the Optioner on or before 10 business days after final TSX-V acceptance of the transaction;
- d) issue US\$ 300,000 worth of shares of the Company to the Optioner on or before six months after final TSX-V acceptance of the transaction; and
- e) incur aggregate exploration expenditures of US\$ 500,000 on the Rebeico Gold Project on or before the date which is twelve months after final TSX-V acceptance of the transaction.

The Company's interest in the Rebeico Gold Project was to be subject to a 2% net smelter return royalty in favour of the vendors of the property.

On May 12, 2017, the Company entered into a 90 day standstill agreement to provide additional time for the parties to complete a National Instrument 43-101 compliant technical report and title opinion respecting the Rebeico Gold Property. On August 12, 2017, the Company allowed the standstill agreement to expire.

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The Company incurred \$60,018 on property evaluation costs as at June 30, 2017 and these have been expensed.

The Company incurred \$4,382 on property evaluation costs as at March 31, 2018 and these have been expensed.

5. TRADE PAYABLES AND ACCRUED LIABILITIES

	March 31, 2018	June 30, 2017
Trade payables	\$ 58,413	\$ 38,759
Accrued liabilities	-	24,960
	\$ 58,413	\$ 63,719

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 \$49,500 (March 31, 2017 - \$49,500) have been recorded for the period ended March 31, 2018.

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 \$11,250 (March 31, 2017 - \$11,250) have been recorded for the period ended March 31, 2018.

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 consolidated 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 financial statements have been retroactively restated to reflect the consolidation.

At March 31, 2018, the Company had 13,426,250 common shares outstanding (June 30, 2017 – 12,926,250).

The Company issued 500,000 units pursuant to a private placement during the period ended December 31, 2017 at a price of \$0.10 per unit for gross proceeds of \$50,000. Each unit consists of one common share and one share purchase warrant, each warrant exercisable at a price of \$0.15 per share until December 18, 2019. Share issue costs of \$1,102 were incurred.

The Company issued 5,585,000 units pursuant to a private placement during the period ended June 30, 2017 at a price of \$0.10 per unit for gross proceeds of \$558,500. Each unit consists of one common share and one share purchase warrant, each warrant exercisable at a price of \$0.15 per share until 2 years from closing. Share issue costs of \$54,020 were incurred and 390,800 broker warrants were issued at an exercisable price of \$0.15 for 2 years from closing with a calculated value of \$30,564. The Company received \$22,500 of subscriptions towards this private placement during the year ended June 30, 2016.

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The Company issued 475,000 units pursuant to a private placement during the period ended June 30, 2017 at a price of \$0.20 per unit for gross proceeds of \$95,000. 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 \$4,177 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 March 31, 2018 and June 30, 2017 is presented below:

	Number of shares		Weighted average exercise price
Balance, June 30, 2016	468,750	\$	0.28
Expired/cancelled	(37,500)		0.20
Balance, June 30, 2017	431,250	\$	0.27
Balance, June 30, 2017	431,250	\$	0.27
Expired/cancelled	(281,250)		-
Balance, March 31, 2018	150,000	\$	0.40

Additional information regarding stock options outstanding as at March 31, 2018 is as follows:

Options outstanding - number -	Options exercisable - number -	Weighted average exercise contractual life - years -	Expiry date	Exercise price
150,000	150,000	0.41	August 27, 2018	\$ 0.40
150,000	150,000	0.41		

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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, 2016	880,000	\$ 0.40	
Issued	300,000	0.40	October 5, 2018
Issued	175,000	0.40	November 1, 2018
Expired	(430,000)	0.40	June 24, 2017
Issued	5,005,000	0.15	April 28, 2019
Issued	390,800	0.15	April 28, 2019
Issued	580,000	0.15	May 19, 2019
Balance, June 30, 2017	6,900,800	\$ 0.18	
Issued	500,000	0.15	December 18, 2019
Balance, March 31, 2018	7,400,800	\$ 0.18	

Additional information regarding warrants outstanding as at March 31, 2018 is as follows:

Number of shares - # -	Weighted average exercise price	Expiry date	Weighted average contractual life - years -
450,000	\$ 0.40	April 26, 2018	0.07
300,000	\$ 0.40	October 5, 2018	0.52
175,000	\$ 0.40	November 1, 2018	0.59
5,395,800	\$ 0.15	April 28, 2019	1.08
580,000	\$ 0.15	May 19, 2019	1.13
500,000	\$ 0.15	Dec 18, 2019	1.71
7,400,800	\$ 0.18		1.03

On December 18, 2017, 500,000 share purchase warrants having a fair value of \$21,095 were issued relating to private placements. Each warrant entitles the holder to purchase one additional common share at a price of \$0.15 per share exercisable until December 18, 2019. The fair values were calculated using the Black-Scholes Option Pricing Model with an expected life of two years, interest rate of 1.52%, a dividend yield of 0% and expected volatility of 129%.

On May 19, 2017, 580,000 share purchase warrants having a fair value of \$50,390 were issued relating to private placements. Each warrant entitles the holder to purchase one additional common share at a price of \$0.15 per share exercisable until May 19, 2019. The fair values were calculated using the Black-Scholes Option Pricing Model with an expected life of two years, interest rate of 0.76%, a dividend yield of 0% and expected volatility of 163%.

On April 28, 2017, 5,005,000 share purchase warrants having a fair value of \$391,441 were issued relating to private placements. Each warrant entitles the holder to purchase one additional common share at a price of \$0.15 per share exercisable until April 28, 2019. The fair values were calculated using the Black-Scholes Option Pricing Model with an expected life of two years, interest rate of 0.76%, a dividend yield of 0% and expected volatility of 142%.

On April 28, 2017, 390,800 share purchase broker warrants having a fair value of \$30,564 were issued relating to private placements. Each warrant entitles the holder to purchase one additional common share at a price of \$0.15 per share exercisable until April 28, 2019. The fair values were calculated using the Black-Scholes Option Pricing Model with an expected life of two years, interest rate of 0.76%, a dividend yield of 0% and expected volatility of 142%.

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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%.

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%.

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

	March 31, 2018	March 31, 2017
Accretion of decommissioning liability (Note 4)	\$ (328)	\$ (1,150)
Total financing costs for the period	\$ (328)	\$ (1,150)

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 March 31, 2018.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair values

As at March 31, 2018, 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 March 31, 2018				
Cash	Level 1	\$ 28,914	- \$	-
Accounts receivable	N/A	-	70,452 \$	-
Trade payables	N/A	-	- \$	58,413
As at June 30, 2017				
Cash	Level 1	\$ 39,327	- \$	-
Accounts receivable	N/A	-	29,245 \$	-
Trade payables	N/A	-	- \$	38,759

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 resource 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

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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. EVENTS AFTER THE REPORTING PERIOD

On January 8, 2018, the Company announced a non-brokered private placement at \$0.10 per unit for total gross proceeds of up to \$250,000. Each unit will consist of one common share of the Company and one non-transferable common share purchase warrant. Each warrant will entitle the holder to purchase one additional common share at an exercise price of \$0.15 per share for two years from the date of issuance. The Company received \$50,000 during the quarter ended March 31, 2018 and \$200,000 subsequent to March 31, 2018.

On April 26, 2018, 450,000 warrants to purchase shares at \$0.40 expired.

On May 14, 2018, the Company announced that, subject to regulatory acceptance, it granted incentive stock options to certain directors, officers and consultants of the Company to purchase up to an aggregate of 1,440,000 common shares of the company at a price of \$0.10 per share exercisable until May 14, 2023.