ARCTIC HUNTER ENERGY INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

(Expressed in Canadian Dollars)

DECEMBER 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)

		December 31, 2018		June 30, 2018
ASSETS				
Current				
Cash	$	96,317	$	169,770
Amounts receivable (Note 3)		2,383		71,327
		98,700		241,097
Property, plant and equipment (Note 4)		71,103		27,656
Oil and gas term overriding royalty interest (Note 4)		219,954		-
Long-term investment (Note 4)		-		-
	$	389,757	$	268,753
LIABILITIES AND EQUITY (DEFICIT)				
Current				
Trade payables and accrued liabilities (Note 5)	$	42,062	$	32,948
Decommissioning liabilities (Note 4)		35,000		35,000
		77,062		67,948
Equity (Deficit)				
Share capital (Note 7)		2,186,281		1,963,496
Reserves (Note7)		1,499,708		1,499,708
Deficit		(3,373,294)		(3,262,399)
		312,695		200,805
	$	389,757	$	268,753

Nature and continuance of operations (Note 1)
Events after the reporting period (Note 11)

Approved and authorized for issue by the Board on February 27, 2019

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 December 31, 2018	Three Months Ended December 31, 2017	Six Months Ended December 31, 2018	Six Months Ended December 31, 2017
PETROLEUM REVENUE	$ 3,617	$ 42,999	$ 40,740	$ 79,460
OPERATING EXPENSES				
Petroleum royalties	55	2,483	2,229	5,057
Petroleum production and transportation	8,001	7,253	33,197	18,078
Depletion and depreciation (Note 4)	1,040	6,531	6,553	12,197
	(9,096)	(16,267)	(41,979)	(35,332)
NET PETROLEUM PRODUCTION REVENUE	(5,479)	26,732	(1,239)	44,128
ADMINISTRATIVE EXPENSES				
Consulting fees (Note 6)	3,250	2,630	10,815	2,630
Filing fees	5,266	5,773	5,676	5,773
General and administration	3,046	2,356	6,032	8,041
Management fees (Note 6)	33,000	16,500	54,000	33,000
Professional fees (Note 6)	15,537	13,601	27,225	17,839
Promotion	5,276	1,750	8,267	6,114
Rent	-	-	-	2,272
Property evaluation	-	-	-	2,936
	(65,375)	(42,610)	(112,015)	(78,605)
(LOSS) BEFORE OTHER ITEMS	(70,854)	(15,878)	(113,254)	(34,477)
OTHER ITEMS				
Financing income and costs (Note 8)	-	55	-	(328)
Foreign exchange gain	4,514	-	2,359	-
Net loss from long-term investment (Note 4)	-	(600)	-	(534)
NET AND COMPREHENSIVE (LOSS)	$ (66,340)	$ (16,423)	$ (110,895)	$ (35,339)
NET (LOSS) PER SHARE				
Basic	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.00)
Diluted	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
Basic	18,175,350	12,996,902	17,197,480	12,961,576
Diluted	18,175,350	12,996,902	17,197,480	12,961,576

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, 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
Share issue costs (Note 7)	-		(1,102)		-		-		-		-		(1,102)
Warrants issued (Note 7)	-		(21,095)		-		-		21,095		-		-
Net and comprehensive loss for the period	-		-		-		-		-		(35,339)		(35,339)
Balance – December 31, 2017	13,426,250	$	1,796,266	$	-	$	205,326	$	1,087,930	$	(2,718,552)	$	370,970
Balance – June 30, 2018	15,926,250	$	1,963,496	$	-	$	341,006	$	1,158,702	$	(3,262,399)	$	200,805
Shares issued (Note 7)	2,249,100		224,910		-		-		-		-		224,,910
Share issue costs (Note 7)	-		(2,125)		-		-		-		-		(2,125)
Net and comprehensive loss for the period	-		-		-		-		-		(110,895)		(110,895)
Balance – December 31, 2018	18,175,350	$	2,186,281	$	-	$	341,006	$	1,158,702	$	(3,373,294)	$	312,695

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)

		Six Months Ended December 31, 2018		Six Months Ended December 31, 2017
CASH FLOWS USED IN OPERATING ACTIVITIES				
Net loss	$	(110,895)	$	(35,339)
Non-cash items:				
Depletion and depreciation		6,553		12,197
Financing costs		-		328
Net loss from long-term investment		-		534
Changes in non-cash working capital items:				
Amounts receivable		68,944		(54,357)
Prepaid expenses		-		1,324
Trade payables and accrued liabilities		(40,886)		(10,540)
Net cash used in operating activities		(76,284)		(85,853)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Long-term investment		-		-
Purchase of property, plant and equipment		-		-
Net cash used in investing activities		-		-
CASH FLOWS FROM FINANCING ACTIVITIES				
Shares issued		-		50,000
Term oil and gas royalty		4,956		50,000
Share issue costs		(2,125)		(1,102)
Net cash (used) provided from financing activities		2,831)		48,898
INCREASE (DECREASE) IN CASH		(73,453)		(36,955)
CASH, BEGINNING		169,770		39,327
CASH, ENDING	$	96,317	$	2,372
SUPPLEMENTAL DISCLOSURE OF NON-CASH ITEMS				
Oil and gas interests acquired by debt settlement	$	50,000		-
Term oil and gas royalty interest acquired by the issuance of shares	$	224,900		-

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 and mineral resource properties in Western Canada and Mexico.

The head office, principal address and registered and records office of the Company is #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 December 31, 2018, the Company had working capital of $56,638 and has accumulated losses since inception of $3,373,294. 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, 2018.

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.

(Expressed in Canadian Dollars)

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) 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 year ended June 30, 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 determines 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, 2018	**June 30, 2018**
Amounts receivable	$ -	$ 70,151
GST receivable	2,383	1,176
Total amounts receivable	$ 2,383	$ 71,327

(Expressed in Canadian Dollars)

4. PROPERTY, PLANT AND EQUIPMENT

Petroleum and natural gas properties

COST		
Balance, June 30, 2017	$	687,878
Additions		-
Balance, June 30, 2018		687,878
Additions		50,000
Balance, December 31, 2018	$	737,878
ACCUMULATED DEPLETION, DEPRECIATION AND IMPAIRMENT		
Balance, June 30, 2017	$	646,335
Depletion and depreciation		13,887
Balance, June 30, 2018		660,222
Depletion and depreciation		6,553
Balance, December 31, 2018	$	666,775
NET BOOK VALUES		
At June 30, 2018	$	27,656
At December 31, 2018	$	71,103

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. Effective July 1, 2018, the Company increased its working interest ownership in the well by 10% for a total ownership interest of 60%. Petrocapita Oil and Gas L.P. is the current operator of the oil well.

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, 2018 - $35,000) and is expected to be incurred between 2020 and 2022.

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:

(Expressed in Canadian Dollars)

		December 31, 2018		June 30, 2018
Decommissioning liabilities, beginning	$	35,000	$	34,672
Accretion (Note 8)		-		328
Decommissioning liabilities, ending	$	35,000	$	35,000

San Joaquin Valley, California - Oil and Gas Term Overriding Royalty Interest (the "TORRI")

On September 18, 2018, the Company completed an asset purchase to acquire 4,250 barrels of oil and 18,750 mcf of gas from interests in oil and gas situated in the San Joaquin Valley, in central California for consideration of USD 173,810 (Cdn$224,910). The purchase price was paid through the issuance of 2,249,100 common shares of the Company. This asset purchase is based on a 5% oil and gas term overriding royalty interest in the assets of Temblor Petroleum Company LLC, California, which holds the operating rights to the Witter Field/5 Points Discovery Field, which gives the Company the right to receive its share of production revenue from a term overriding Royalty Agreement. The TORRI is a non-operating overriding royalty interest that does not bear production expenses and is created out of and burdening leasehold working interest in the Witter Field Leases. The TORRI has a limited term which commences at the effective time and automatically terminates and ends on that date when the purchaser has received the purchaser's proportionate share of oil and gas produced from the Leases attributable to a portion of Temblor's working interest therein. The transaction has no up-front capital requirements and the production cash flow is expected to be immediately accretive to earnings upon the effective date.

		December 31, 2018		June 30, 2018
TORRI, beginning	$	224,910	$	-
Royalty received		(4,956)		
TORRI, ending	$	219,954	$	-

Long Term Investment

San Javier 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 San Javier Mill. Rebeico Gold holds the right to operate the San Javier Mill and to receive the proceeds derived therefrom pursuant to an assignment agreement between Rebeico Gold and Exploracion y Desarollo del Desierto, S.A de C.V. ("EDDSA") dated April 24, 2017. EDDSA holds the right to operate and receive all proceeds from the San Javier 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 USD 500,000 as follows:

a) pay Rebeico Gold the sum of USD$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 (PAID);

b) pay Rebeico Gold, within two years of final TSX-V acceptance of the transaction, an additional sum of USD$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.

The investment is accounted for under the equity method and during the year ended June 30, 2018, the Company recorded its share of a net loss of $11,151 (June 30, 2017 - $Nil). At June 30, 2018, the investment was determined to be impaired and a loss of $329,609 (June 30, 2017 - $Nil) was recognized.

Pursuant to an agreement dated April 24, 2017, the Company paid the sum of USD $250,000 and has successfully acquired a 30% interest in Rebeico Gold. The formal option agreement with Rebeico Gold of Sonora, Mexico allows Arctic Hunter to earn the initial 30% interest for USD $250,000, and an additional 20% interest (for up to a 50% interest) in Rebeico Gold for an additional USD $250,000. Rebeico Gold holds the right to operate the strategically located San Javier Mill and the right to receive its pro-rata production proceeds derived therefrom pursuant to an assignment agreement between Rebeico and Exploracion y Desarollo del Desierto, S.A de C.V. dated April 24, 2017. Pursuant to a signed loan agreement dated May 22, 2017 between the Company and Rebeico Gold, the USD$250,000 advanced to Rebeico Gold is being treated as a loan to Rebeico Gold. The Company intends to enforce the loan agreement and seeks to recover the USD $250,000 loaned to Rebeico Gold and notify all parties affiliated with the transaction, including the managing partners of Exploracion y Desarollo del Desierto, S.A de C.V., Antejo S.A.P.I De C.V. and the Mexican Government, of its intention to seek legal action both in Mexico and the Supreme Court of British Columbia, if funds are not returned satisfactorily.

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 Optionor 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 Optionor 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 Optionor 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.

The Company incurred $Nil (June 30, 2018 - $4,382) on property evaluation costs as at June 30, 2018 and these have been expensed.

(Expressed in Canadian Dollars)

5. TRADE PAYABLES AND ACCRUED LIABILITIES

		December 31, 2018		June 30, 2018
Trade payables (Note 6)	$	34,062	$	17,227
Accrued liabilities		8,000		15,721
	$	42,062	$	32,948

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

6. RELATED PARTY BALANCES AND TRANSACTIONS

At December 31, 2018, the Company had an amount payable of $Nil (June 30, 2018 - $1,118) due to a director of the Company for expenses. The amount payable is unsecured, non-interest bearing and has no fixed term of repayments.

Key management personnel compensation

On April 1, 2006, the Company entered into a management agreement with the Chief Executive Officer of the Company. Effective July 1, 2018, the Company increased the monthly remuneration from $5,500 per month to $7,000 per month. Management fees of $42,000 and a bonus of $12,000 (December 31, 2017 - $33,000) have been recorded for the six month period ended December 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. Effective July 1, 2018, the Company increased the monthly remuneration to $1,600 per month. Professional fees of $9,600 and a bonus of $3,000 (December 31, 2017 - $7,500) have been recorded for the six month period ended December 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 December 31, 2018, the Company had 18,175,350 common shares outstanding (June 30, 2018 – 15,926,250).

On September 18, 2018, the Company completed its asset purchase to acquire 4,250 barrels of oil and 18,750 mcf of gas from interests in oil and gas situated in the San Joaquin Valley, in central California for consideration of USD 173,810. The purchase price was paid through the issuance of 2,249,100 common shares of the Company.

The Company issued 2,500,000 units pursuant to a private placement during the year ended June 30, 2018 at a price of $0.10 per unit for gross proceeds of $250,000. Each unit consists of one common share and one share purchase warrant, each warrant exercisable at a price of $0.15 per share until May 2, 2020. Share issue costs of $1,850 were incurred.

(Expressed in Canadian Dollars)

The Company issued 500,000 units pursuant to a private placement during the year ended June 30, 2018 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 $11,250 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, 2018 and June 30, 2018 is presented below:

	Number of shares		Weighted average exercise price
Balance, June 30, 2017	431,250	$	0.27
Expired/cancelled	(281,250)		0.20
Granted	1,440,000		0.10
Balance, June 30, 2018	1,590,000	$	0.13
Balance, June 30, 2018	1,590,000	$	013
Expired/cancelled	(150,000)		0.40
Balance, December 31, 2018	1,440,000	$	0.10

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

Options outstanding - number -	Options exercisable - number -	Weighted average exercise contractual life - years -	Expiry date		Exercise price
1,440,000	1,440,000	4.38	May 14,2023	$	0.10

During the year ended June 30, 2018, the Company granted 1,440,000 stock options to directors, officers and consultants of the Company to purchase common shares of the Company at $0.10 per common share expiring May 14, 2023, which vested immediately. The fair value of $135,680, was estimated using the Black-Scholes Option Pricing Model with an expected life of five years, interest rate of 2.19%, a dividend yield of 0% and expected volatility of 126%, was expensed during the year ended June 30, 2018 as share-based payments.

(Expressed in Canadian Dollars)

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, 2017	6,900,800	$ 0.18	
Issued	500,000	0.15	December 18, 2019
Expired	(450,000)	0.40	April 26, 2018
Issued	2,500,000	0.15	May 2, 2020
Balance, June 30, 2018	9,450,800	$ 0.16	
Balance, June 30, 2018	9,450,800	$ 0.16	
Expired	(300,000)	$ 0.40	October 5, 2018
Expired	(175,000)	0.40	November 1, 2018
Balance, December, 31, 2018	8,975,800	$ 0.15	

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

Number of shares - # -	Weighted average exercise price	Expiry date	Weighted average contractual life - years -
5,395,800	$ 0.15	April 28, 2019	0.33
580,000	$ 0.15	May 19, 2019	0.38
500,000	$ 0.15	December 18, 2019	0.96
2,500,000	$ 0.15	May 2, 2020	1.34
8,975,800	$ 0.15		0.86

On May 2, 2018, 2,500,000 share purchase warrants having a relative fair value of $77,031 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 2, 2020. The fair values were calculated using the Black-Scholes Option Pricing Model with an expected life of two years, interest rate of 1.82%, a dividend yield of 0% and expected volatility of 136%.

On December 18, 2017, 500,000 share purchase warrants having a relative fair value of $14,836 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 130%.

e) Reserves

Stock option reserve

The stock option reserve records items recognized as stock-based compensation expense and other share-based payments including warrants issued for services 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 relative fair value of attachable warrants issued as part of units in conjunction with private placements of common shares by allocating the gross proceeds of private placements between share capital and the warrant reserve using the relative fair value method which allocates a pro-rata amount based on the fair value of the common shares and the warrants issued. Amounts are recorded 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, 2018		**December 31, 2017**
Accretion of decommissioning liability (Note 4)	$	-	$	(328)
Total financing costs for the period	$	-	$	(328)

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 three month period ended December 31, 2018**.**

(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair values

As at December 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 December 31, 2018						
Cash	Level 1	$	96,317	-		-
Trade payables	N/A		-	-	$	34,062
As at June 30, 2018						
Cash	Level 1	$	169,770	-		-
Trade payables	N/A		-	-	$	17,227

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 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. Liquidity risk is assessed as moderate.

11. EVENTS AFTER THE REPORTING PERIOD

There were no reportable events after the reporting period.