ARCTIC HUNTER ENERGY INC.

FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

MARCH 31, 2020 AND 2019

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.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

		March 31, 2020		**June 30, 2019**
ASSETS				
Current				
Cash	$	1,442	$	31,990
Amounts receivable (Note 3)		987		20,651
		2,429		52,641
Property, plant and equipment (Note 4)		61,318		65,954
Intangible - TORRI (Note 4)		223,684		223,684
	$	287,431	$	342,279
LIABILITIES AND EQUITY				
Current				
Trade payables and accrued liabilities (Note 5)	$	70,427	$	81,061
Due to related parties (Note 6)		24,505		-
		94,932		81,061
Decommissioning liabilities (Note 4)		37,259		37,082
		132,191		118,143
Equity				
Share capital (Note 7)		2,186,281		2,186,281
Reserves (Note7)		1,499,708		1,499,708
Deficit		(3,530,749)		(3,461,853)
		155,240		224,136
	$	287,431	$	342,279

Nature and continuance of operations (Note 1)

Approved and authorized for issue by the Board on May 27, 2020

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.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Nine Months Ended March 31, 2020	Nine Months Ended March 31, 2019
PETROLEUM REVENUE	$ -	$ -	$ 44,606	$ 40,740
OPERATING EXPENSES				
Petroleum royalties	-	-	2,104	2,229
Petroleum production and transportation	-	3,000	26,456	36,197
Depletion and depreciation (Note 4)	-	-	4,636	6,553
	-	(3,000)	(33,196)	(44,979)
NET PETROLEUM PRODUCTION REVENUE	-	(3,000)	11,410	(4,239)
ADMINISTRATIVE EXPENSES				
Consulting fees	-	-	3,290	10,815
Filing fees	5,865	7,954	13,586	13,630
General and administration	1,131	3,695	7,500	9,727
Management fees (Note 6)	25,500	21,000	75,000	75,000
Professional fees (Note 6)	5,150	4,950	16,196	32,175
Promotion	84	2,345	4,168	10,612
	(37,730)	(39,944)	(119,740)	(151,959)
(LOSS) BEFORE OTHER ITEMS	(37,730)	(42,944)	(108,330)	(156,198)
OTHER ITEMS				
Financing income and costs (Note 8)	(59)	-	(177)	-
Forgiveness of debt	-	-	40,000	-
Foreign exchange gain	(572)	(2,601)	(389)	(242)
NET AND COMPREHENSIVE (LOSS)	$ (38,361)	$ (45,545)	$ (68,896)	$(156,440)
NET (LOSS) PER SHARE				
Basic	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)
Diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
Basic	18,175,350	18,175,350	18,175,350	17,518,678
Diluted	18,175,350	18,175,350	18,175,350	17,518,678

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

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

	Common Shares (Number)		Common Shares (Amount)		Stock option reserve		Warrants reserve		Deficit		Total
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	-		-		-		-		(156,440)		(156,440)
Balance – March 31, 2019	18,175,350	$	2,186,281	$	341,006	$	1,158,702	$	(3,418,839)	$	267,150
Balance – June 30, 2019	18,175,350		2,186,281		341,006		1,158,702		(3,461,853)		224,136
Shares issued (Note 7)	-		-		-		-		-		-
Net and comprehensive loss for the Period	-		-		-		-		(68,896)		(68,896)
Balance – March 31, 2020	18,175,350	$	2,186,281	$	341,006	$	1,158,702	$	(3,530,749)	$	155,240

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

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

		Nine Month Period Ended March 31, 2020		Nine Month Period Ended March 31, 2019
CASH FLOWS USED IN OPERATING ACTIVITIES				
Net loss	$	(68,896)	$	(156,440)
Non-cash items:				
Depletion and depreciation		4,636		6,553
Financing costs		177		-
Forgiveness of debt		(40,000)		-
Changes in non-cash working capital items:				
Amounts receivable		19,663		69,360
Trade payables and accrued liabilities		29,367		(36,523)
Amounts owing to related parties		24,505		-
Net cash used in operating activities		(30,548)		(117,050)
CASH FLOWS FROM FINANCING ACTIVITIES				
Term oil and gas royalty		-		6,691
Share issue costs		-		(2,125)
Net cash provided from financing activities		-		4,566
INCREASE (DECREASE) IN CASH		(30,548)		(112,484)
CASH, BEGINNING		31,990		169,770
CASH, ENDING	$	1,442	$	57,286

Non-Cash Transaction:

Acquisition of property by settlement of accounts receivable	$	-	$	50,000
Shares issued for acquisition of intangible asset	$	-	$	224,910

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 the United States.

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.

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, 2020, the Company had a working capital deficit of $92,503 and has accumulated losses since inception of $3,530,749. 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.

Current Economic Conditions/ Worldwide Global Pandemic Covid-19

Early in the calendar year of 2020 and starting in Q3 of the Companies fiscal year, the ongoing global price slump of oil combined with economic weakness, and further compounded by the emergence of a worldwide global Covid -19 pandemic, has made for extremely volatile capital markets characterized by extremely weak equity and oil and gas prices and forced many companies to shut in the oil facilities and lay off most staff. This has created serious and undue hardship for many Canadian and U.S. oil and gas companies. While stronger commodity prices are expected to improve, there is no guarantee due to the predicted slow Canadian and US economic global recovery in oil commodity prices. The company is remaining overly cautious and will continue to take the necessary financial precautions during the government ordered Covid-19 lockdown. The Company has commitments in the future and may be forced to abandon or write-off one or more of its oil and gas property assets if the company doesn't have the means to meet its commitments, or it does not feel it is fiscally prudent to do so. The Company has been reviewing steady deal flow and will announce any developments when as they transpire.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

The 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 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, 2019.

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, intangible assets, 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) Financial instruments

The following is the Company's new accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at July 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New Classification IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Receivables	Loans and receivable	Amortized cost
Accounts payable	Other Financial Liabilities	Amortized cost

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on July 1, 2018.

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in

the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

f) Impairment of Financial Assets

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

g) Exploration and Evaluation Properties

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Option payments received are treated as a reduction of the carrying value of the related property and deferred costs until the receipts are in excess of costs incurred, at which time they are credited to income. Option payments are at the discretion of the optionee, and accordingly, are recorded on a cash basis.
Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

h) Property, Plant and Equipment

Items of property, plant and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into cash generating units for impairment testing. When significant parts of an item of property, plant and equipment, including oil and gas interests, have different useful lives, they are accounted for as separate items.

Gains and losses on the disposal of an item of property, plant and equipment, including oil and gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net in profit or loss.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and gas development and production assets only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized oil and gas assets generally represent costs incurred in developing proven and/or probable reserves and bringing on or enhancing production from such reserves. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of petroleum and natural gas properties are recognized in profit or loss as incurred.

The net carrying value of oil and gas development and production assets is depreciated using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, including estimated future development costs. Future development costs are estimated taking into account the level of development required to bring reserves into production. These estimates are reviewed by independent reserve engineers at least annually. Changes in estimates such as quantities of proved and probable reserves that affect unit-of-production calculations are applied on a prospective basis.

i) Equity Accounted Investments

Equity accounted investments are investments over which the Company has significant influence, but not control. Generally, the Company is considered to exert significant influence when it holds at least a 20% interest in an entity. The financial results of the Company's significantly influenced investments are included in the Company's 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 Company's share of earnings or losses of the underlying investment. If the Company's carrying value in the equity accounted investment is reduced to zero, further losses are not recognized except to the extent that the Company 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 Company assesses whether there is objective evidence that the investment is impaired. If the investment is considered impaired, the Company estimates its recoverable amount, and any difference is charged to the statement of income.

j) Impairment

The carrying amount of the Company's assets is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

k) Joint Arrangements

Substantially all of the Company's oil and gas exploration and development activities involve jointly controlled assets; accordingly, the financial statements reflect only the Company's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

l) Decommissioning Liabilities

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long term assets, when those obligations result from the acquisition, construction, development or operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets or petroleum and natural gas assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as the asset it relates to.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred. The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

m) Revenue Recognition

Oil and natural gas revenues are recorded when title passes, the amount is determinable and collection is reasonably assured.

The Company adopted IFRS 15 Revenue from Contracts with Customers on July 1, 2018. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The adoption of IFRS 15 resulted in no impact to the opening retained earnings on April 1, 2018.

n) Per Share Information

Basic per share amounts are calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted per share amounts are determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which consist of warrants and stock options.

o) Share-based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock options reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

p) Income Taxes

Current income tax:

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

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

Deferred income tax:

Deferred tax is provided, using the asset and liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will

be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the statement of financial position date.

q) Flow-through Shares

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability and included in accounts payable and accrued liabilities. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

r) New Accounting Standards and Interpretations Not Yet Adopted

IFRS 16 *Leases*

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, International Accounting Standard 17 Leases. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

The Company elected to apply IFRS 16, using a modified retrospective approach which does not require the restatement of prior period financial information. Modified retrospective application recognizes the cumulative effect of IFRS 16 as an adjustment to opening deficit at July 1, 2019 and applies the standard prospectively. The Company has determined that at July 1, 2019, adoption of IFRS 16 will not result in the recognition of any right-of-use assets nor lease obligations.

3. AMOUNTS RECEIVABLE

	March 31, 2020	June 30, 2019
Amounts receivable	$ -	$ 20,379
GST receivable	987	272
Total amounts receivable	$ 987	$ 20,651

4. PROPERTY, PLANT AND EQUIPMENT

Petroleum and natural gas properties

COST		
Balance, June 30, 2018	$	687,878
Additions		50,000
Balance, June 30, 2019		737,878
Additions		-
Balance, March 31, 2020	$	737,878
ACCUMULATED DEPLETION, DEPRECIATION AND IMPAIRMENT		
Balance, June 30, 2018	$	660,222
Depletion and depreciation		11,702
Balance, June 30, 2019		671,924
Depletion and depreciation		4,636
Balance, March 31, 2020	$	676,560
NET BOOK VALUES		
At June 30, 2019	$	65,954
At March 31, 2020	$	61,318

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. ("Petrocapita") was the current operator of the oil well. On June 12, 2019, Petrocapita announced that as of June 11, 2019, the Court of Queens Bench of Alberta has appointed Hudson and Company Insolvency Trustees Inc. (the "Receiver") as Receiver and Manager of Petrocapita. The Receivership Order was granted upon the application of Safeway Holdings Ltd., one of the secured creditors of Petrocapita. The Receiver will accordingly manage the affairs of Petrocapita.

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 $38,500 (June 30, 2018 - $35,000) and is expected to be incurred between 2020 and 2025.

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, 2020		**June 30, 2019**
Decommissioning liabilities, beginning	$	37,082	$	35,000
Accretion (Note 8)		177		2,082
Decommissioning liabilities, ending	$	37,259	$	37,082

Intangible – TORRI

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 ("Temblor"), 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 Company 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.

		March 31, 2020		**June 30, 2019**
Intangible, TORRI, beginning	$	223,684	$	224,910
Accumulated depreciation		-		(1,226)
Intangible, TORRI, ending	$	223,684	$	223,684

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, 2019, the Company recorded its share of a net loss of $Nil (June 30, 2018 - $11,151). At June 30, 2018, the investment was determined to be impaired and a loss of $329,609 was recognized.

Pursuant to the agreement, the Company paid the sum of USD $250,000 and had successfully acquired a 30% interest in Rebeico Gold. The formal option agreement with Rebeico Gold of Sonora, Mexico allowed the Company 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. The Company expects Rebeico Gold to file its 2018 and 2019 financial statements and finalize all assemblies and company results and pay all associated fees.

5. TRADE PAYABLES AND ACCRUED LIABILITIES

		March 31, 2020		June 30, 2019
Trade payables	$	36,435	$	46,360
Accrued liabilities		33,992		34,701
	$	70,427	$	81,061

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 the Chief Executive Officer of the Company. Effective August 1, 2019, the Company increased the monthly remuneration from $7,000 per month to $8,500 per month. Management fees of $75,000 (March 31, 2019 - $63,000 and $12,000 bonus) have been recorded for the nine month period ended March 31, 2020. The amount owing as of March 31, 2020 is $19,925.

Effective August 1, 2019, the Company increased the monthly remuneration from $1,600 per month to $1,800 per month to the Chief Financial Officer for accounting services. Professional fees of $16,000 (March 31, 2019 - $14,400 and $3,000 bonus) have been recorded for the nine month period ended March 31, 2020. The amount owing as of March 31, 2020 is $4,580.

Amounts owing to key management are non-interest bearing, unsecured and due on demand unless otherwise noted.

7. SHARE CAPITAL

a. Authorized

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

b. Issued and outstanding

At March 31, 2020, the Company had 18,175,350 common shares outstanding (June 30, 2019 – 18,175,350).

On September 18, 2018, the Company issued 2,249,100 common shares with a fair value of $224,910 for purchase of the TORRI (Note 4).

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, 2020 and June 30, 2019 is presented below:

	Number of shares		Weighted average exercise price
Balance, June 30, 2018	1,590,000	$	0.13
Expired/cancelled	(150,000)		0.40
Balance, June 30, 2019 and March 31, 2020	1,440,000	$	0.10

Additional information regarding stock options outstanding as at March 31, 2020 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	3.12	May 14, 2023	$	0.10

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, 2018	9,450,800	$	0.16	
Expired	(300,000)		0.40	October 5, 2018
Expired	(175,000)		0.40	November 1, 2018
Expired	(390,800)		0.15	April 28, 2022
Balance, June 30, 2019	8,585,000	$	0.15	
Expired	(500,000)		0.15	December 18, 2019
Balance, March 31, 2020	8,085,000	$	0.15	

Additional information regarding warrants outstanding as at March 31, 2020 is as follows:

Number of shares - # -	Weighted average exercise price	Expiry date	Weighted average contractual life - years -
2,500,000	$ 0.15	May 2, 2020	0.09
5,005,000	$ 0.15	April 28, 2022	2.09
580,000	$ 0.15	May 19, 2022	2.13
8,085,000	$ 0.15		1.47

On April 9, 2019, the Company extended the expiry date of 5,005,000 share purchase warrants exercisable to purchase one common share of the Company at an exercise price of $0.15 per share from the original expiry date of April 28, 2019 to April 28, 2022. The warrants were issued in April 2017 in connection with a non-brokered private placement financing with an original term of two years.

On April 9, 2019, the Company extended the expiry date of 580,000 share purchase warrants exercisable to purchase one common share of the Company at an exercise price of $0.15 per share from the original expiry date of May 19, 2019 to May 19, 2022. The warrants were issued in May 2017 in connection with a non-brokered private placement financing with an original term of two years.

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

		March 31, 2020		March 31, 2019
Accretion of decommissioning liability (Note 4)	$	(177)	$	-
Total financing costs for the period	$	(177)	$	-

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, 2020.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair values

As at March 31, 2020, 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	Financial assets, at amortized cost	Financial liabilities, at amortized cost
As at March 31, 2020				
Cash	Level 1	$ 1,442	-	-
Trade receivables	N/A	-	$ -	-
Trade payables	N/A	-	-	$ 36,435
As at June 30, 2019				
Cash	Level 1	$ 31,990	-	-
Trade receivables	N/A	-	$ 20,379	-
Trade payables	N/A	-	-	$ 46,360

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 high.

11. EVENTS AFTER THE REPORTING PERIOD

On May 2, 2020, 2,500,000 warrants with an exercise price of $0.15 expired.