

Lund Enterprises Corp.

Condensed Interim Financial Statements

Three Months Ended September 30, 2018

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

LUND ENTERPRISES CORP.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Expressed in Canadian Dollars)

	September 30, 2018	June 30, 2018
ASSETS		
Current Assets		
Cash	\$ 167,994	\$ 203,642
Receivables	1,491	1,507
Prepaid expenses	<u>16,623</u>	<u>2,704</u>
Total current assets	<u>186,108</u>	<u>207,853</u>
Total Assets	<u>\$ 186,108</u>	<u>\$ 207,853</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables (Notes 5 and 7)	\$ <u>128,492</u>	\$ <u>116,446</u>
Shareholders' Equity		
Share capital (Note 6)	17,572,941	17,522,941
Reserves	1,378,246	1,378,246
Deficit	<u>(18,893,571)</u>	<u>(18,809,780)</u>
Total Shareholders' Equity	<u>57,616</u>	<u>91,407</u>
Total Liabilities and Shareholders' Equity	<u>\$ 186,108</u>	<u>\$ 207,853</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 8)

These financial statements are authorized for issue by the Board of Directors on November 22, 2018.

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

LUND ENTERPRISES CORP.**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the three months ended September 30, 2018 and 2017

(Unaudited – Expressed in Canadian Dollars)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
EXPENSES		
Audit and accounting	\$ 6,366	\$ 5,915
Consulting	13,350	-
Exploration expense (Note 4)	10,000	-
Filing and transfer agent fees	2,101	2,033
Legal	4,915	585
Office and general	5,522	3,434
Rent	5,380	-
Salaries and benefits (Note 7)	30,036	21,261
Travel and public relations	6,121	180
	<u>(83,791)</u>	<u>(33,408)</u>
Loss and comprehensive loss for the period	\$ (83,791)	\$ (33,408)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.00)
Weighted average number of common shares outstanding	10,976,073	9,335,313

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

LUND ENTERPRISES CORP.**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the three months ended September 30, 2018 and 2017

(Unaudited – Expressed in Canadian Dollars)

	<u>Share capital</u>		Share-based payments reserve	Deficit	Total share- holders' equity
	Number of shares	Amount			
Balance at June 30, 2017	9,335,313	\$17,355,941	\$1,378,246	\$(18,638,438)	\$95,749
Loss for the period	-	-	-	(33,408)	(33,408)
Balance at September 30, 2017	9,335,313	\$17,355,941	\$1,378,246	\$(18,671,846)	\$62,341
Balance at June 30, 2018	10,726,979	\$17,522,941	\$1,378,246	\$(18,809,780)	\$91,407
Private placement	416,666	50,000	-	-	50,000
Loss for the period	-	-	-	(83,791)	(83,791)
Balance at September 30, 2018	11,143,645	\$17,572,941	\$1,378,246	\$(18,893,571)	\$57,616

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

LUND ENTERPRISES CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
For the three months ended September 30, 2018 and 2017
(Unaudited – Expressed in Canadian Dollars)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (83,791)	\$ (33,408)
Changes in non-cash working capital items:		
Receivables	16	79
Prepaid expenses	(13,919)	(911)
Trade and other payables	12,046	16,599
Net cash used in operating activities	<u>(85,648)</u>	<u>(17,641)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from private placement	<u>50,000</u>	<u>-</u>
Change in cash	(35,648)	(17,641)
Cash, beginning of period	<u>203,642</u>	<u>158,687</u>
Cash, end of period	\$ 167,994	\$ 141,046

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

LUND ENTERPRISES CORP.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the three months ended September 30, 2018 and 2017

(Unaudited – Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Lund Enterprises Corp. (the “Company” or “Lund”) was incorporated on June 22, 1978 under the provisions of the Company Act of British Columbia. The Company is in the business of exploring mineral properties. The address of the Company’s corporate office and principal place of business is Suite 300, Guinness Tower, 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9.

The business of exploring exploration and evaluation assets involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable operations. The recoverability of amounts expended on exploration and evaluation assets is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of these properties, and future profitable production or proceeds from the disposition of exploration and evaluation assets. Because of the Company’s history of operating losses, limited working capital and the state of the capital markets for companies such as Lund, management believes such uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

These financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

These condensed interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting (“IAS 34”) 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 do not include all the information and note disclosures required for full annual financial statements and should be read in conjunction with the Company’s annual financial statements as at and for the year ended June 30, 2018.

This is the first set of the Company’s financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 3.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies in these condensed interim financial statements are the same as those applied in the Company’s annual financial statements as at and for the year ended June 30, 2018.

The changes in accounting policies are also expected to be reflected in the Company’s financial statements as at and for the year ending June 30, 2019.

The Company has initially adopted *IFRS 15 Revenue from contracts with customers* and *IFRS 9 Financial instruments* from July 1, 2018. The effect of initially applying these standards did not have a material impact on the Company’s financial statements. In the case of IFRS 15, because the Company does not have any revenue from contracts with customers the adoption of this standard did not have any effect on the Company’s financial statements.

LUND ENTERPRISES CORP.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended September 30, 2018 and 2017

(Unaudited – Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces *IAS 39 Financial instruments: recognition and measurement*. There was no material impact to the Company's financial statements as a result of transitioning to IFRS 9.

The details of the new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below

(a) Classification and measurement of financial assets and liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of "held to maturity", "loans and receivables" and "available for sale".

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out in the following paragraph.

A financial asset is classified as measured at "amortized cost", "fair value through other comprehensive income (FVOCI)" or "fair value through profit and loss (FVTPL)". The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The Company's financial assets, which consist primarily of cash and receivables, are classified at FVTPL and amortized cost, respectively.

(b) Impairment of financial assets

An "expected credit loss (ECL)" model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The Company's financial assets measured at amortized cost and subject to the ECL model consist primarily of receivables.

The adoption of the ECL impairment model had a negligible impact on the carrying amounts of the Company's financial assets on the transition date given that the receivables are substantially all current and that the Company's financial assets are not of a nature which is subject to customer default.

4. EXPLORATION AND EVALUATION ASSETS

Black Fox Project, Ontario

Since fiscal 2009 the Company has held an option to acquire a 100% interest in nine claim blocks located in the Thunder Bay Mining Division of northern Ontario. To date, by way of option payments, the Company has issued a total of 20,000 common shares, as adjusted to reflect a share consolidation in December 2013, and made a series of cash payments totalling \$85,000. A final 10,000 common shares will become issuable to the optionors upon the completion of a positive feasibility study. The optionors retain a 2.5% net smelter royalty interest, of which 40% can be purchased by the Company at any time for \$1,000,000. At June 30, 2012, the Company wrote off \$1,153,270 of Black Fox Project costs, being the entire investment to that date in the project. Effective July 1, 2012 further incidental exploration and evaluation costs, if any, are being charged to the statement of loss and comprehensive loss as an operating expense. During the period ended September 30, 2018, the amount of \$10,000 of such incidental costs was incurred.

See also Note 8.

LUND ENTERPRISES CORP.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the three months ended September 30, 2018 and 2017

(Unaudited – Expressed in Canadian Dollars)

5. TRADE AND OTHER PAYABLES

	September 30, 2018	June 30, 2018
Accounts payable	\$ 14,222	\$ 15,252
Accrued payables	114,270	101,194
Trade and other payables	\$ 128,492	\$ 116,446

6. SHARE CAPITAL

(a) Authorized: As at September 30, 2018, the authorized share capital of the Company was an unlimited number of common shares without par value.

(b) Issued:

Common shares: 11,143,645 (June 30, 2018 – 10,726,979).

During the period ended September 30, 2018, 416,666 common shares were issued at \$0.12 per share for cash proceeds of \$50,000.

Warrants:

There were no warrants issued or outstanding at September 30, 2018 or June 30, 2018.

Stock options:

The Company has an incentive stock option plan (the “Plan”) to grant options to employees, officers, directors and consultants. The maximum number of shares reserved for issuance under the Plan shall not exceed 10% of the issued share capital of the Company. The exercise price of each option may not be less than the market price of the Company’s shares at the date of grant. Options granted under the Plan will have a term not to exceed five years and be subject to vesting provisions as determined by the board of directors of the Company.

There were no stock options issued or outstanding at September 30, 2018 or June 30, 2018.

7. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for planning, directing and controlling the activities of the Company and include both executive and non-executive directors and other senior officers. The Company considers all directors and officers of the Company to be key management personnel.

The Company incurred the following costs with directors and officers:

	Three months ended September 30, 2018	Three months ended September 30, 2017
Directors’ fees (included in salaries and benefits)	\$ 4,500	\$ 4,500
Management salaries and benefits	18,500	11,750
	\$ 23,000	\$ 16,250

Included in trade and other liabilities at September 30, 2018 is \$107,507 (June 30, 2018 - \$98,568) due to directors and senior officers.

LUND ENTERPRISES CORP.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended September 30, 2018 and 2017

(Unaudited – Expressed in Canadian Dollars)

8. SUBSEQUENT EVENTS

(a) Proposed RTO transaction

On November 7, 2018 the Company and 1163631 BC Ltd. (“116”) announced entering into an arm’s length non-binding letter of intent (the “LOI”) pursuant to which the Company will acquire all of the issued and outstanding shares in the capital of 116 pursuant to a reverse takeover transaction (the “RTO”).

In connection with, and as a condition of, completing the RTO, 116, a non-reporting British Columbia company, will complete a restructuring with a group of related companies (“Reconnaissance”), the effect of which will be that 116 will indirectly own the equity interest of Reconnaissance Energy Namibia Pty Ltd (“REN”). REN currently holds a 90% interest in an exploration licence (the “Licence”) granted by the Government of the Republic of Namibia and the National Petroleum Corporation of Namibia (“NAMCOR”) in the Owambo Basin of northern Namibia, subject to a 10% carried interest in favour of NAMCOR.

Further in connection with, and as a condition of, completing the RTO the Company will carry out a consolidation of its issued and outstanding share capital as currently constituted on the basis of one new share for every two shares previously held, such that the 11,143,645 shares currently issued shall become 5,571,822 post-consolidation shares.

The Company then expects to issue 38,712,435 post-consolidation shares to the shareholders of 116 following the restructuring set out above.

Further in connection with, and as a condition of, completing the RTO the Company intends to carry out a financing by way of private placement of 15,000,000 units of its post-consolidated share capital at the price of \$0.20 per unit for total gross proceeds of \$3,000,000, each unit consisting of one share and one-half a share purchase warrant, each full warrant entitling the holder to acquire one additional share at the price of \$0.50 for a two-year term.

The RTO is subject to the Company and 116 entering into a definitive agreement, to approval by the shareholders of the Company at a special shareholder meeting expected to be called in the next two months, and to approvals by regulatory agencies to whose policies the Company and 116 are bound.

(b) Proposed divestment of Black Fox Project

As part of the proposed RTO transaction set out above, the Company intends to divest itself of its interest in the Black Fox Project, on terms yet to be determined.