

ARCTIC HUNTER ENERGY INC.

FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

JUNE 30, 2018 AND 2017



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Arctic Hunter Energy Inc.:

We have audited the accompanying financial statements of Arctic Hunter Energy Inc., which comprise the statement of financial position as at June 30, 2018 and 2017, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Arctic Hunter Energy Inc. as at June 30, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Arctic Hunter Energy Inc.'s ability to continue as a going concern.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
October 22, 2018

An independent firm associated with
Moore Stephens International Limited

MOORE STEPHENS

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

	June 30, 2018	June 30, 2017
ASSETS		
Current		
Cash	\$ 169,770	\$ 39,327
Amounts receivable (Note 3)	71,327	32,848
Prepaid expenses	-	1,324
	241,097	73,499
Property, plant and equipment (Note 4)	27,656	41,543
Long term investment (Note 4)	-	340,760
	\$ 268,753	\$ 455,802
LIABILITIES AND EQUITY		
Current		
Trade payables and accrued liabilities (Note 5)	\$ 32,948	\$ 63,719
Decommissioning liabilities (Note 4)	35,000	34,672
	67,948	98,391
Equity		
Share capital (Note 7)	1,963,496	1,768,463
Reserves (Note 7)	1,499,708	1,272,161
Deficit	(3,262,399)	(2,683,213)
	200,805	357,411
	\$ 268,753	\$ 455,802

Nature and continuance of operations (Note 1)
Events after the reporting period (Note 12)

Approved and authorized for issue by the Board on October 22, 2018

On behalf of the Board:

"Tim Coupland" Director "Lawrence Ilich" Director

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

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

	Year Ended June 30, 2018	Year Ended June 30, 2017
PETROLEUM REVENUE	\$ 137,036	\$ 86,782
OPERATING EXPENSES		
Petroleum royalties	10,003	7,491
Petroleum production and transportation	47,963	31,339
Depletion and depreciation (Note 4)	13,887	19,149
	(71,853)	(57,979)
NET PETROLEUM PRODUCTION REVENUE	65,183	28,803
ADMINISTRATIVE EXPENSES		
Consulting fees	16,320	1,880
Filing fees	14,650	25,419
General and administration	15,854	19,558
Management fees (Note 6)	66,000	66,000
Professional fees (Note 6)	57,476	43,110
Promotion	14,612	10,312
Property evaluation (Note 4)	4,382	60,018
Rent	1,736	13,632
Share-based payments (Note 7)	135,680	-
	(326,710)	(239,929)
LOSS BEFORE OTHER ITEMS	(261,527)	(211,126)
OTHER ITEMS		
Financing costs (Note 8)	(328)	(1,533)
Foreign exchange gain	7,056	-
Write-off of trade payable	16,373	-
Net loss from long term investment (Note 4)	(11,151)	-
Impairment of long term investment (Note 4)	(329,609)	-
	(317,659)	(1,533)
NET AND COMPREHENSIVE LOSS	\$ (579,186)	\$ (212,659)
LOSS PER SHARE		
Basic	\$ (0.04)	\$ (0.03)
Diluted	\$ (0.04)	\$ (0.03)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
Basic	13,596,113	8,132,688
Diluted	13,596,113	8,132,688

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)	Shares to be issued (Amount)	Stock option reserve	Warrants reserve	Deficit	Total
Balance – June 30, 2016	6,866,250	\$ 1,669,571	\$ 22,500	\$ 205,326	\$ 570,424	\$ (2,470,554)	\$ (2,733)
Shares issued (Note 7)	6,060,000	653,500	(22,500)	-	-	-	631,000
Share issue costs (Note 7)	-	(58,197)	-	-	-	-	(58,197)
Warrants issued (Note 7)	-	(465,847)	-	-	465,847	-	-
Broker warrants issued (Note 7)	-	(30,564)	-	-	30,564	-	-
Net and comprehensive loss for the year	-	-	-	-	-	(212,659)	(212,659)
Balance – June 30, 2017	12,926,250	1,768,463	-	205,326	1,066,835	(2,683,213)	357,411
Shares issued (Note 7)	3,000,000	300,000	-	-	-	-	300,000
Share issue costs (Note 7)	-	(13,100)	-	-	-	-	(13,100)
Warrants issued (Notes 7)	-	(91,867)	-	-	91,867	-	-
Share-based payments (Note 7)	-	-	-	135,680	-	-	135,680
Net and comprehensive loss for the year	-	-	-	-	-	(579,186)	(579,186)
Balance – June 30, 2018	15,926,250	\$ 1,963,496	\$ -	\$ 341,006	\$ 1,158,702	\$ (3,262,399)	\$ 200,805

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

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

	Year Ended June 30, 2018	Year Ended June 30, 2017
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss	\$ (579,186)	\$ (212,659)
Non-cash items:		
Depletion and depreciation	13,887	19,149
Financing costs	328	1,533
Net loss from long term investment	11,151	-
Impairment of long term investment	329,609	-
Write-off of trade payable	(16,373)	-
Share-based payments	135,680	-
Changes in non-cash working capital items:		
Amounts receivable	(38,479)	(31,234)
Prepaid expenses	1,324	4
Trade payables and accrued liabilities	(14,398)	24,846
Net cash used in operating activities	(156,457)	(198,361)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Long term investment	-	(340,760)
Purchase of property, plant and equipment	-	(7,966)
Net cash used in investing activities	-	(348,726)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued	300,000	631,000
Share issue costs	(13,100)	(58,197)
Net cash provided from financing activities	286,900	572,803
INCREASE IN CASH	130,443	25,716
CASH, BEGINNING	39,327	13,611
CASH, ENDING	\$ 169,770	\$ 39,327

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 June 30, 2018, the Company had working capital of \$208,149 and has accumulated losses since inception of \$3,262,399. 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 financial statements of the Company, have been prepared in accordance with and using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

b) Basis of Preparation

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

c) Significant Accounting Estimates and Assumptions

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

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

d) Significant judgments

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

e) Financial Assets

Financial assets are classified as loans and receivables, available-for-sale financial assets, financial assets at fair value through profit or loss ("FVTPL"), or held to maturity, as appropriate. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value. The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Amounts receivable are included in this category of financial assets.

Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within twelve months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Financial assets at FVTPL

Financial assets are classified at FVTPL when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. Cash is included in this category of financial assets.

Held to maturity

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within twelve months after the end of the reporting period.

f) Impairment of Financial Assets

Financial assets, other than FVTPL financial assets are assessed for indicators of impairment at each period end.

Loans and receivables

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost have been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced, with the amount of the loss recognized in profit or loss.

Available-for-sale

If an available-for-sale financial asset is impaired, the cumulative loss previously recognized in equity is transferred to profit or loss. Any subsequent recovery in the fair value of the asset is recognized within other comprehensive income.

Held to maturity

If a held to maturity financial asset is impaired, the amount of the loss is measured as the difference between the carrying value and the present value of estimated future cash flows. The carrying amount is reduced, with the amount of the loss recognized in profit or loss.

g) Financial Liabilities

Financial liabilities are classified as financial liabilities at FVTPL, or as financial liabilities measured at amortized cost, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at FVTPL

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated by management on initial recognition. These liabilities are carried at fair value with gains or losses recognized in profit or loss.

Financial liabilities measured at amortized cost

All other financial liabilities are initially recognized at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest, other revenues and finance costs. Trade payables are included in this category of financial liabilities.

h) 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.

i) 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.

j) 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 consolidated financial statements using the equity method of accounting, whereby the investment is initially recognized at cost, and the carrying amount is then subsequently adjusted to recognize the 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.

k) 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.

l) 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.

m) 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.

n) Revenue Recognition

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

o) 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.

p) 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.

q) 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.

r) 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.

s) 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

	June 30, 2018	June 30, 2017
Amounts receivable	\$ 70,151	\$ 29,245
GST receivable	1,176	3,603
Total amounts receivable	\$ 71,327	\$ 32,848

ARCTIC HUNTER ENERGY INC.
NOTES TO FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
June 30, 2018 and 2017

4. PROPERTY, PLANT AND EQUIPMENT

Petroleum and natural gas properties

COST

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

ACCUMULATED DEPLETION, DEPRECIATION AND IMPAIRMENT

Balance, June 30, 2016	\$	627,186
Depletion and depreciation		19,149
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Balance, June 30, 2017		646,335
Depletion and depreciation		13,887
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Balance, June 30, 2018	\$	660,222

NET BOOK VALUES

At June 30, 2017	\$	41,543
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At June 30, 2018	\$	27,656

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

Pursuant to an agreement dated July 5, 2010, the Company entered into a farm-out agreement with Western Plains Petroleum Ltd. (“Western Plains”). Under the agreement, the Company agreed to spud one test well in the Lloydminster area of western Saskatchewan, Canada. The Company paid 100% of the costs to drill, complete and equip or abandon the test well to earn a 100% working interest before payout subject to a 10% convertible overriding royalty and a 50% working interest after payout, upon conversion of the overriding royalty. The Company had no option to drill post-earning wells under the farm-out agreement. Western Plains was the operator of the test well. The well reached payout at the end of April 2011. Petrocapita Oil and Gas L.P. (“Petrocapita”) is the current operator of the oil well. (Note 12)

Decommissioning Liabilities

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

ARCTIC HUNTER ENERGY INC.
NOTES TO FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
June 30, 2018 and 2017

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

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 Desarrollo del Desierto, S.A de C.V. (“EDDSA”) dated April 24, 2017. EDDSA holds the right to operate and receive all proceeds from the 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.

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.

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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 \$4,382 (June 30, 2017 - \$60,018) on property evaluation costs as at June 30, 2018 and these have been expensed.

5. TRADE PAYABLES AND ACCRUED LIABILITIES

	June 30, 2018	June 30, 2017
Trade payables (Note 6)	\$ 17,227	\$ 38,759
Accrued liabilities	15,721	24,960
	\$ 32,948	\$ 63,719

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

6. RELATED PARTY BALANCES AND TRANSACTIONS

At June 30, 2018, the Company had an amount payable of \$1,118 (June 30, 2017 - \$927) 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. The management agreement is month to month with the monthly remuneration of \$5,500 per month. Management fees of \$66,000 (June 30, 2017 - \$66,000) have been recorded for the year ended June 30, 2018. During the year ended June 30, 2018, 450,000 stock options (June 30, 2017 – no stock options) were granted with an estimated fair value of \$42,400 (June 30, 2017 - \$Nil) which was expensed as share-based payments (Note 7).

Effective December 1, 2010, the Company agreed to pay \$1,500 per month to the Chief Financial Officer for accounting services. Effective June 1, 2015, the Company decreased the monthly remuneration to \$1,250 per month. Professional fees of \$15,000 (June 30, 2017 - \$15,000) have been recorded for the year ended June 30, 2018. During the year ended June 30, 2018, 350,000 stock options (June 30, 2017 – no stock options) were granted with an estimated fair value of \$32,978 (June 30, 2017 - \$Nil) which was expensed as share-based payments (Note 7).

During the year ended June 30, 2018, 240,000 stock options (June 30, 2017 – no stock options) were granted to a director with an estimated fair value of \$22,613 (June 30, 2017 - \$Nil) which was expensed as share-based payments (Note 7).

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.

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At June 30, 2018, the Company had 15,926,250 common shares outstanding (June 30, 2017 – 12,926,250).

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.

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.

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

The Company issued 475,000 units pursuant to a private placement during the year ended June 30, 2017 at a price of \$0.20 per unit for gross proceeds of \$95,000. Each unit consists of one common share and one share purchase warrant, each warrant exercisable at a price of \$0.40 per share until October 5, 2018. Share issue costs of \$4,177 were incurred.

c. Stock options

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

A summary of the Company's stock options at June 30, 2018 and 2017 is presented below:

	Number of shares		Weighted average exercise price
Balance, June 30, 2016	468,750	\$	0.28
Expired/cancelled	(37,500)		0.20
Balance, June 30, 2017	431,250	\$	0.27
Balance, June 30, 2017	431,250	\$	0.27
Expired/cancelled	(281,250)		0.20
Granted	1,440,000		0.10
Balance, June 30, 2018	1,590,000	\$	0.13

Additional information regarding stock options outstanding as at June 30, 2018 is as follows:

Options outstanding - number -	Options exercisable - number -	Weighted average exercise contractual life - years -	Expiry date	Exercise price
150,000	150,000	0.16	August 27, 2018	\$ 0.40
1,440,000	1,440,000	4.88	May 14, 2023	\$ 0.10
1,590,000	1,590,000	4.43		

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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 (Note 6). 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.

d) Warrants

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

	Number of shares	Weighted average exercise price	Expiry date
Balance, June 30, 2016	880,000	\$ 0.40	
Issued	300,000	0.40	October 5, 2018
Issued	175,000	0.40	November 1, 2018
Expired	(430,000)	0.40	June 24, 2017
Issued	5,005,000	0.15	April 28, 2019
Issued	390,800	0.15	April 28, 2019
Issued	580,000	0.15	May 19, 2019
Balance, June 30, 2017	6,900,800	\$ 0.18	
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	

Additional information regarding warrants outstanding as at June 30, 2018 is as follows:

Number of shares - # -	Weighted average exercise price	Expiry date	Weighted average contractual life - years -
300,000	\$ 0.40	October 5, 2018	0.27
175,000	\$ 0.40	November 1, 2018	0.34
5,395,800	\$ 0.15	April 28, 2019	0.83
580,000	\$ 0.15	May 19, 2019	0.88
500,000	\$ 0.15	December 18, 2019	1.46
2,500,000	\$ 0.15	May 2, 2020	1.84
9,450,800	\$ 0.16		1.11

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%.

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

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

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

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

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

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

	June 30, 2018	June 30, 2017
Accretion of decommissioning liability (Note 4)	\$ (328)	\$ (1,533)
Total financing costs for the year	\$ (328)	\$ (1,533)

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9. INCOME TAXES

A reconciliation of income taxes at statutory rates for the years ended June 30, 2018 and 2017 with the reported income taxes is as follows:

	Year ended June 30, 2018	Year ended June 30, 2017
Net loss before tax	\$ (579,186)	\$ (212,659)
Statutory tax rate	27.00%	27.00%
Expected tax recovery	(156,380)	(57,417)
Permanent differences and other	89,340	(12,916)
Change in prior year provision to actual	1,286	1,325
Change in valuation allowance	65,754	69,008
Tax recovery for the year	\$ -	\$ -

The tax effects of temporary differences that give rise to deferred income tax assets and liabilities are as follows:

	As at June 30, 2018	As at June 30, 2017
Tax loss carry-forwards	\$ 404,565	\$ 342,091
Property, plant and equipment	536,432	532,683
Decommissioning liability	9,450	9,361
Share issue costs	12,502	13,060
	962,949	897,195
Valuation allowance	(962,949)	(897,195)
Deferred tax assets	\$ -	\$ -

At June 30, 2018, the Company had deductible temporary differences for which deferred tax assets have not been recognized because it is not probable that future profit will be available against which the Company can utilize the benefits as follows:

	As at June 30, 2018
Non-capital losses:	
2029	\$ 13,267
2030	243,171
2033	150,457
2034	250,620
2035	236,786
2036	168,714
2037	199,680
2038	235,695
Total non-capital losses	\$ 1,498,390
Total resource-related deduction, no expiry	\$ 2,014,441

10. 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 year ended June 30, 2018.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair values

As at June 30, 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 June 30, 2018				
Cash	Level 1	\$ 169,770	-	-
Trade payables	N/A	-	-	\$ 17,227
As at June 30, 2017				
Cash	Level 1	\$ 39,327	-	-
Trade payables	N/A	-	-	\$ 38,759

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

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

b) Management of financial risks

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

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

Credit Risk

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

Foreign Exchange Risk

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

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to interest rate risk relates to its ability to earn interest 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.

12. EVENTS AFTER THE REPORTING PERIOD

- a) Effective July 1, 2018, the Company increased its working interest ownership in the C-12 well situated in Landrose Saskatchewan by 10% for a total ownership interest of 60%.
- b) 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.
- c) 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 Desarrollo 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 Desarrollo 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.
- d) On August 27, 2018, 150,000 options with an exercise price of \$0.40 expired unexercised.
- e) On October 5, 2018, 300,000 warrants with an exercise price of \$0.40 expired unexercised.