

Goldstrike Resources Ltd.
Condensed Interim Consolidated Financial Statements
Nine months ended September 30, 2019

(Expressed in Canadian Dollars)
(Unaudited)

NOTICE TO READER

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 consolidated interim financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these consolidated financial statements in accordance with the standards established by CPA Canada for a review of consolidated interim financial statements by an entity's auditor.

Goldstrike Resources Ltd.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Notes	September 30, 2019	December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents		\$ 2,279,188	\$ 2,672,671
Accounts receivable	3	79,633	86,280
Prepaid expenses and deposits	4	28,771	40,002
		2,387,592	2,798,953
Non-current assets			
Restricted cash		318,300	318,300
Deposit	4	18,329	18,329
Equipment		5,841	5,977
Exploration and evaluation assets	5	9,548,843	9,469,998
Petroleum and natural gas assets	8	845,376	757,892
Investment	7	1,960,457	2,043,484
TOTAL ASSETS		\$ 15,084,738	\$ 15,412,933
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	9	\$ 69,882	\$ 118,335
		69,882	118,335
Non-Current Liabilities			
Decommissioning liability	12	300,183	301,675
TOTAL LIABILITIES		370,065	420,010
EQUITY			
Share capital	10	48,537,360	48,537,360
Share-based payment reserves	10	18,370,581	18,370,581
Equity reserve		1,195,608	1,195,608
Deficit		(53,388,876)	(53,110,626)
TOTAL EQUITY		14,714,673	14,992,923
TOTAL LIABILITIES AND EQUITY		\$ 15,084,738	\$ 15,412,933

Approved on Behalf of the Board on November 22, 2019

``Lucy Zhang``

Director

``Daithi Mac Gearailt``

Director

Goldstrike Resources Ltd.
Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars - Unaudited)

		Three month ended September 30,		Nine months ended September 30,	
	Note	2019	2018	2019	2018
Expenses					
Listing and filing fees		\$ 3,125	\$ 3,607	\$ 17,533	\$ 25,563
Management consulting	11	7,500	68,250	25,850	126,400
Corporate development and communication	11	14,165	21,943	46,870	73,608
Investor relations		750	3,775	2,250	19,200
Office and miscellaneous		12,528	36,244	54,677	131,891
Professional fees		23,331	71,464	77,551	267,779
Rent		2,317	14,460	15,811	32,287
Accretion	12	780	780	2,340	2,340
Stock-based compensation	10	-	51,859	-	104,074
		(64,496)	(272,382)	(242,882)	(783,142)
Other items					
Interest income		(9,361)	(3,357)	(33,805)	(26,801)
Royalty income		(2,554)	(7,489)	(16,156)	(19,956)
Amortization		750	732	2,208	2,308
Foreign Exchange		73	5,621	94	(61,368)
Gain from distribution as per arrangement		-	(6,792,626)	-	(6,792,626)
Fair value adjustment on investments	7	21,332	21,854	83,027	21,854
Adjustment to accrued liabilities		-	-	-	3,159
		(10,240)	6,775,265	(35,368)	6,873,430
Net and comprehensive gain (loss) for the period					
		\$ (74,736)	\$ 6,502,883	\$ (278,250)	\$ 6,090,288
Loss per share, basic and diluted					
		\$ (0.000)	\$ 0.034	\$ (0.001)	\$ 0.032
Weighted average number of common shares outstanding, basic and diluted					
		190,343,723	190,343,723	190,343,723	190,343,723

Goldstrike Resources Ltd.
Condensed Interim Consolidated Statement of Changes in Equity
(Expressed in Canadian dollars - Unaudited)

	Share capital		Equity Reserve	Share-based		Deficit	Total
	Number of shares	Amount		Payment Reserve			
Balance at January 1, 2019	190,343,723	\$ 48,537,360	\$ 1,195,608	\$ 18,370,581	\$ (53,110,626)	\$ 14,992,923	
Comprehensive loss for the period	-	-	-	-	(278,250)	(278,250)	
Balance at September 30, 2019	190,343,723	\$ 48,537,360	\$ 1,195,608	\$ 18,370,581	\$ (53,388,876)	\$ 14,714,673	

	Share capital		Equity Reserve	Share-based		Deficit	Total
	Number of shares	Amount		Payment Reserve			
Balance at January 1, 2018	190,343,723	\$ 48,537,360	\$ 1,195,608	\$ 18,257,999	\$ (48,551,369)	\$ 19,439,598	
Comprehensive loss for the period	-	-	-	-	6,090,288	6,090,288	
Distribution as per plan arrangement	-	(3,195,533)	-	-	(6,792,626)	(9,988,159)	
Stock-based compensation	-	-	-	104,074	-	104,074	
Balance at September 30, 2018	190,343,723	\$ 45,341,827	\$ 1,195,608	\$ 18,362,073	\$ (49,253,707)	\$ 15,645,801	

Goldstrike Resources Ltd.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars – Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Operating activities				
Net Income (loss) for the year	\$ (74,736)	\$ 6,502,883	\$ (278,250)	\$ 6,090,288
Adjustments for non-cash items:				
Amortization	750	732	2,208	2,308
Accretion	780	780	2,340	2,340
Stock-based compensation	-	51,859	-	104,074
Adjustments to accrued liabilities	-	-	-	3,159
Gain from plan arrangement	-	(6,792,626)	-	(6,792,626)
Fair value adjustment on investment	21,332	21,854	83,027	21,854
Changes in non-cash working capital:				
Receivable	(66,799)	(177,590)	6,647	(150,600)
Prepaid expenses and deposits	(20,795)	48,591	11,231	115,769
Trade payables and accrued liabilities	6,680	(24,540)	(48,453)	(7,621)
Net cash flows used in operating activities	(132,787)	(368,057)	(221,250)	(611,055)
Investing activities				
Purchase of equipment	-	-	(2,071)	(2,120)
Exploration and evaluation assets	(16,331)	136,367	(78,845)	(307,933)
Investment	-	(2,500,000)	-	(2,500,000)
Petroleum and natural gas assets	(37,369)	2,456	(87,485)	(43,871)
Reclamation costs	(3,832)	(2,533)	(3,832)	(2,533)
Net cash flows used in investing activities	(57,532)	(2,363,710)	(172,233)	(2,856,457)
Net cash flows from financing activities				
Increase (decrease) in cash and cash equivalents	(190,319)	(2,731,767)	(393,483)	(3,467,512)
Cash and cash equivalents, beginning	2,787,807	4,312,382	2,990,971	5,048,127
Cash and cash equivalents, ending	\$ 2,597,488	\$ 1,580,615	\$ 2,597,488	\$ 1,580,615
Cash and cash equivalents consist of:				
Cash	\$ 19,462	\$ 113,602	\$ 19,462	\$ 113,602
GIC	2,578,026	1,467,013	2,578,026	1,467,013
	\$ 2,597,488	\$ 1,580,615	\$ 2,597,488	\$ 1,580,615

1. Nature of operations

Goldstrike Resources Ltd. (the “Company”) was incorporated under the laws of the province of British Columbia, Canada. The Company trades on the TSV Venture Exchange (the “TSX-V”) under the symbol “GSR.V”, and the Frankfurt Stock Exchange under the symbol “KCG”. The registered office of the Company is located at Suite 1500, 1040 West Georgia Street, Vancouver, B.C.

The Company is a mineral exploration company focusing on acquiring and developing exploration and evaluation assets.

2. Basis of presentation and statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting standards Board (“IASB”) applicable to the preparation of the interim financial statements, including International Accounting Standards (“IAS”) 34, Interim Financial Reporting.

The notes presented in these condensed consolidated interim financial statements include only significant events and transactions occurring since the Company’s last fiscal year end and they do not include all of the information required in the Company’s most recent annual consolidated financial statements. Other than the adoption of IFRS 16, these condensed consolidated interim financial statements follow the same accounting policies and methods of application as the Company’s annual financial statements, and should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2018, which were prepared in accordance with IFRS as issued by IASB. There have been no changes in judgment or estimates from those disclosed in the consolidated financial statements for the year ended December 31, 2018.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary. The subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control and continues to be consolidated until the date such control ceases. Details of the controlled entity are as follows:

Entity:	Country of incorporation:	Ownership interest	
		September 30, 2019	December 31, 2018
Petro One	Canada	100%	100%

Inter-company balances and transactions have been eliminated upon consolidation.

Significant estimates and assumptions

The preparation of these financial statements in accordance with IFRS requires management to make certain estimates and assumptions concerning the future. The Company’s management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

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 exploration and evaluation assets and petroleum and natural gas assets, the measurements for financial instruments and share-based payments, the recoverability of deferred tax assets and the measurement of decommissioning liabilities.

Critical judgements in applying accounting policies

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 following are the most significant judgements that management has made in applying the Company’s financial statements: the assessment of the Company’s ability to continue as a going concern, the identification of cash-generating units and the classification of evaluation and exploration assets.

2. Basis of presentation and statement of compliance (continued)

Adoption of New Accounting Standards

The Company has adopted IFRS 16 as of January 1, 2019 in accordance with the transitional provisions outlined in the standard, using a cumulative catch-up approach where applicable leases have been recorded prospectively from January 1, 2019. Comparative information has not been restated and continues to be reported under IAS 17, Leases, and IFRIC 4, Determining Whether an Arrangement Contains a Lease. The adoption of IFRS 16 did not have a significant impact on the Company's financial position or results.

At inception of a contract, an assessment is made to determine whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An assessment is made to determine whether the contract involves the use of an identified asset, whether there is the right to obtain substantially all of the economic benefits from the use of the asset during the term of the arrangement and if the right to direct the use of the asset is present. At inception or on reassessment of a contract that contains a lease component, the consideration in the contract is allocated to each lease component on the basis of their relative standalone prices.

As a lessee, a right-of-use asset is recognized and included in property, plant and equipment, and a corresponding lease liability is recorded at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate cannot be readily determined. Subsequently, the lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in our estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option.

Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss. We have elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low dollar-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

3. Accounts receivable

	September 30, 2019	December 31, 2018
GST receivable	\$ 3,142	\$ 6,834
Royalty income receivable	2,267	2,897
Receivable from oil sales	61,244	6,206
Other receivables	12,980	3,394
Due from Luckystrike	-	66,949
	\$ 79,633	\$ 86,280

Goldstrike Resources Ltd.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars - Unaudited)
Nine months ended September 30, 2019 and 2018

4. Prepaid expenses and deposits

	September 30, 2019		December 31, 2018
Current prepaid expenses	\$ 28,771	\$	40,002
Non-current deposits	18,329		18,329
	<u>\$ 47,100</u>	<u>\$</u>	<u>58,331</u>

5. Exploration and evaluation assets

A continuity of the Company's exploration and evaluation assets is as follows:

	Balance at December 31, 2018	Exploration							Subtotal	Balance at September 30, 2019
		Assay	Exploration Management	Logistics	Field Equipment	Travel & Accommodation	Geological & Geophysical Consulting			
Mineral Property Interests										
Cando2	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1
Plateau	9,469,995	32	70,005	700	(5,810)	1,030	12,888	78,845	9,548,840	
St. Patrick	1	-	-	-	-	-	-	-	1	
Strike Claims	1	-	-	-	-	-	-	-	1	
Total:	\$ 9,469,998	\$ 32	\$ 70,005	\$ 700	\$ (5,810)	\$ 1,030	\$ 12,888	\$ 78,845	\$ 9,548,843	

On August 10, 2018, the Company completed the plan of arrangement with Luckystrike Resources Ltd. ("Luckystrike") (Note 6) in which it spun-off the White Gold District properties, being the Lucky Strike, Hotspot, Bull's Eye, BRC, Gold Source and King's Ransom properties. Pursuant to the purchase and sale agreement, the Company was reimbursed by Luckystrike for all exploration work incurred from January 1, 2018 to the date of transfer and therefore these properties have been excluded from the above table.

5. Exploration and evaluation assets (continued)

Plateau Property

The Company has a 100% interest in the Plateau Property which is subject to a 3% Net Smelter Royalty (“NSR”) royalty which may be reduced by 1% for a payment of \$1,500,000.

During the year ended December 31, 2017, the Company entered into an investment agreement and an earning and venture agreement with Newmont Canada FN Holdings ULC (“Newmont”), whereby Newmont agrees to acquire 12,705,715 units of the Company for gross proceeds of USD\$4,500,000 (\$6,025,050) (the “Investment”) and the Company granted the options to Newmont to earn the participating interest in the Plateau Property up to 80% (“Earn-In Transaction”). Each unit consists of one share and one share-purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at \$0.75 per share for 4 years following the closing of the Investment. The fair value of the warrants is \$1,195,608 determined using the residual value method.

The following commitments set out in the earning and venture agreement:

Phase 1: Newmont will earn up to a 51% participating interest in the Plateau Property by fulfilling the following commitments:

- Cash payments of USD\$6,000,000 in aggregate
 - USD\$1,000,000 on the closing of the Earn-In Transaction (received - \$1,349,200);
 - USD\$1,000,000 on or before December 15, 2018;
 - USD\$1,000,000 on or before December 15, 2019; and
 - USD\$3,000,000 on or before December 15, 2020.
- Exploration expenditures of US\$13,000,000 in aggregate
 - USD\$4,000,000 at minimum on or before December 15, 2018;
 - USD\$4,000,000 at minimum on or before December 15, 2019; and
 - USD\$5,000,000 at minimum on or before December 15, 2020.
- Delivery of a NI43-101 compliant technical report for resource estimates by December 31, 2020.

If Newmont does not complete Phase 2, its interest will revert to 49%.

Phase 2: Newmont will earn an additional 29% participating interest in the Plateau Property by fulfilling the following commitments:

- Exploration expenditures of \$16,000,000 at minimum by December 15, 2027;
- Delivery of a feasibility report by December 15, 2027; and
- Election of funding all future exploration expenditures, development expenditures and venture expenditures.

On January 23, 2019, Newmont provided notice to the Company that it was terminating its rights with respect to the Earn-In Transaction.

Goldspike Exploration Inc. Option Agreement

Summit

On April 10, 2018, the Company has abandoned and surrendered the Option Agreement with Generic Gold Corp. in respect of all mineral claims of the Summit Property.

Cando2 Property

The Company has a 100% interest in the Cando2 Property which is subject to a 3% NSR. During the year ended December 31, 2018, the Company assessed that the carrying value of the property was impaired to \$1.

5. Exploration and evaluation assets (continued)

Strike Claims Property

The Company has a 100% interest in the Strike Claims Property. During the year ended December 31, 2018, the Company assessed that the carrying value of the property was impaired to \$1.

St. Patrick Property

The Company has a 100% interest in the St. Patrick Property. During the year ended December 31, 2018, the Company assessed that the carrying value of the property was impaired to \$1.

6. Plan of Arrangement

On August 10th, 2018, the Company completed the plan of arrangement with Luckystrike Resources Ltd. (the "Transaction"). The Transaction resulted in:

- The Company's shareholders receiving one common share of Luckystrike for every seven common shares held by the Company's shareholders;
- The Company's option and warrant holders receiving one Luckystrike option or warrant for every seven options or warrants of the Company held by the holders, with necessary adjustments to the exercise price for the Arrangement based on the proportionate value of the White Gold Properties;
- Luckystrike indirectly acquiring the Company's six 100% owned White Gold District properties, being the Lucky Strike, Hotspot, Bull's Eye, BRC, Gold Source and King's Ransom properties; and
- The Company investing an aggregate of \$2,500,000 in Luckystrike by subscribing for 8,333,334 units of Luckystrike at a subscription price of \$0.30 per Unit. Each Unit is comprised of one Luckystrike Share and one share purchase warrant, with each Warrant entitling the holder to acquire one Luckystrike Share at a price of \$0.60 for a period of 36 months from August 10, 2018, subject to acceleration. The Company attributed all of the transaction value to the shares as this was supported by the subsequent trading price of the Luckystrike share which is a level 1 fair value measure. No value was recorded for the warrants as IFRS 9 does not permit the recognition of a day 1 gain or loss where the fair value measurement uses unobservable inputs.

The plan of arrangement was accounted for as a distribution of non-cash assets to the Company's owners in accordance with IFRIC 17. The Company recorded a gain being the difference between the fair value and the carrying value of the assets distributed. The fair value of the assets transferred was estimated based on the fair value of the equity instruments issued by Luckystrike to complete the Transaction as follows:

Equity instruments issued:	
Luckystrike common shares	\$ 8,157,575
Stock options	927,513
Warrants	903,071
	\$ 9,988,159

The fair value of the Luckystrike common shares was estimated based on the private placement that was completed concurrently with the Transaction. The fair value of the options and warrants was estimated based on the Black-Scholes option pricing model. The carrying value of the White Gold District properties at the time of the Transaction was \$3,197,488 resulting in a gain of \$6,790,671. On completion of the Transaction, the Company recorded the fair value of the assets distributed as a charge to deficit.

Goldstrike Resources Ltd.
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7. Investment in associate

The Company holds a total of 8,333,334 Luckystrike Resources Ltd.'s common shares at \$0.30 per share, which is representing 21.03% of the issued and outstanding Luckystrike Shares. The Company's interest in Luckystrike shares is accounted for using the equity method.

	Carrying Value
Fair value of Luckystrike investment acquired under plan arrangement	2,500,000
Share of loss for period	(456,516)
Carrying value at December 31, 2018	2,043,484
Share of loss for period	(83,027)
Carrying value at September 30, 2019	1,960,457

Summarized financial information for Luckystrike as at September 30, 2019 as follows:

	September 30, 2019	
Total assets	\$	11,684,486
Total liabilities		60,943
Net loss	\$	394,809

The Company also holds 2,500,000 share purchase warrants in Luckystrike. Each Luckystrike warrant entitles the Company to purchase one additional share of Luckystrike at a price of \$0.60 per share for a period of 36 months from August 10, 2018, subject to acceleration. The value recorded for the warrants at December 31, 2018 is \$Nil (Note 6).

8. Petroleum and natural gas assets

	Well Equipment	Exploration and Evaluation	Total
Balance at December 31, 2017	116,269	554,745	671,014
Additions	-	245,753	245,753
Incidental revenue	-	(158,875)	(158,875)
Amortization	(11,198)	11,198	-
Balance at December 31, 2018	\$ 105,071	\$ 652,821	\$ 757,892
Additions	-	151,839	151,839
Incidental revenue	-	(64,355)	(64,355)
Amortization	(7,685)	7,685	-
Balance at September 30, 2019	\$ 97,386	\$ 747,990	\$ 845,376

The Company's petroleum and natural gas assets consist of oil and gas wells located in Saskatchewan and Manitoba.

9. Accounts payables and accrued liabilities

	September 30, 2019	December 31, 2018
Accounts Payable	\$ 15,172	\$ 34,660
Accrued Liabilities	24,710	31,379
Due to related parties (Note 11)	-	21,977
GST payable	-	319
Prepaid rent advance received	30,000	30,000
	\$ 69,882	\$ 118,335

10. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital during the period ended September 30, 2019.

No share was issued during the period ended September 30, 2019.

Stock option

The Company has adopted a stock option plan, which provides that the Board of Directors of the Company may, in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent of the issued and outstanding common shares.

As at September 30, 2019 the Company had the following options outstanding and exercisable:

Date Issued	Expiry Date	Exercise Price*	Number of Options Outstanding	Number of Options Exercisable
January 26, 2011	January 26, 2021	\$ 0.0875	650,000	650,000
August 5, 2011	August 5, 2021	\$ 0.1488	100,000	100,000
August 5, 2011	August 5, 2021	\$ 0.0875	2,900,000	2,900,000
August 19, 2011	August 19, 2021	\$ 0.0875	100,000	100,000
October 17, 2011	October 17, 2021	\$ 0.1488	100,000	100,000
June 23, 2014	June 23, 2024	\$ 0.0875	1,700,000	1,700,000
August 15, 2014	August 15, 2024	\$ 0.0875	2,100,000	2,100,000
March 6, 2015	March 5, 2020	\$ 0.0875	1,000,000	1,000,000
February 29, 2016	August 3, 2020	\$ 0.0875	125,000	125,000
February 29, 2016	November 26, 2020	\$ 0.0875	725,000	725,000
February 29, 2016	February 2, 2021	\$ 0.0875	75,000	75,000
February 29, 2016	May 5, 2021	\$ 0.0875	225,000	225,000
February 29, 2016	July 31, 2024	\$ 0.0875	1,450,000	1,450,000
April 11, 2016	April 11, 2021	\$ 0.1400	100,000	100,000
April 19, 2016	April 19, 2026	\$ 0.1488	1,000,000	1,000,000
April 28, 2016	April 28, 2026	\$ 0.1575	2,350,000	2,350,000
May 6, 2016	May 6, 2026	\$ 0.1575	3,000,000	3,000,000
July 26, 2016	July 26, 2021	\$ 0.2275	100,000	100,000
July 29, 2016	July 29, 2021	\$ 0.2275	200,000	200,000
October 11, 2016	October 11, 2021	\$ 0.2275	500,000	500,000
May 18, 2017	May 18, 2027	\$ 0.2975	9,250,000	9,250,000
			27,750,000	27,750,000

Pursuant to the Transaction, the exercise price of the stock options was reduced by 12.5% to reflect the estimated fair value of the Company's assets that were distributed to Luckystrike. This reduction is reflected in the exercise prices in the above table.

10. Share capital (Continued)

Stock options (Continued)

The following is a summary of the Company's stock option activities:

	September 30, 2019		December 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	27,750,000	\$ 0.18	28,350,000	\$ 0.21
Option cancelled	-	-	(600,000)	0.30
Options outstanding, end of year	27,750,000	\$ 0.18	27,750,000	\$ 0.18

For nine months ended September 30, 2019, the Company recognized share-based compensation of \$nil (2018 - \$104,074).

As at September 30, 2019, 27,750,000 options were exercisable. The weighted average life and weighted average exercise price of exercisable options are 5.34 years and \$0.18 respectively.

Share purchase warrants

As at September 30, 2019, the Company had the following warrants outstanding:

Date issued	Expiry date	Exercise price	Number of warrants outstanding
February 13, 2015	February 13, 2020	\$ 0.05250	11,420,000

Pursuant to the Transaction, the exercise price of the share purchase warrants was reduced by 12.5% to reflect the estimated fair value of the Company's assets that were distributed to Luckystrike. This reduction is reflected in the exercise prices in the above table.

The following is a summary of the Company's warrant activities:

	September 30, 2019		December 31, 2018	
	Number of Common Shares Issuable	Weighted Average Exercise Price	Number of Common Shares Issuable	Weighted Average Exercise Price
Warrants outstanding, beginning	40,283,232	\$ 0.31	44,664,996	\$ 0.35
Warrants cancelled	(12,705,715)	0.65625	-	-
Warrants expired	(16,157,517)	0.21875	(4,381,764)	0.30
Warrants outstanding, ending	11,420,000	\$ 0.05	40,283,232	\$ 0.31

As at September 30, 2019, the weighted average exercise price and weighted average life of the warrants are \$0.05 and 0.37 years, respectively.

Share-based payment reserves

The share-based payment reserves record items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

11. Related party transactions

Key personnel compensation:

	September 30, 2019	September 30, 2018
Management and accounting fees incurred to a company controlled by the Chief Financial Officer of the Company	\$ 45,000	\$ 97,500
Management fees incurred to a company controlled by the Chief Executive Officer of the Company	\$ 3,350	\$ 85,143
Corporate development and communication fees incurred to a company controlled by the Chief Operating Officer of the Company	\$ 42,495	\$ 73,608
Exploration management fees incurred to a company controlled by the Chief Operating Officer and capitalized to exploration and evaluation assets	\$ 77,498	\$ 132,232
Directors' fees incurred to directors of the Company	\$ 9,000	\$ 9,000

As at September 30, 2019, \$nil (December 31, 2018 - \$21,977) was owing to related parties and has been included in accounts payables and accrued liabilities (Note 9). The amounts are unsecured, non-interest bearing and due on demand.

12. Decommissioning liabilities

Closing balance, December 31, 2017	\$	303,288
Accretion		3,121
Reclamation expenses		(4,734)
Closing balance, December 31, 2018	\$	301,675
Accretion		2,340
Reclamation expenses		(3,832)
Closing balance, September 30, 2019	\$	300,183

The Company's decommissioning liabilities result from ownership interests in petroleum and natural gas interests including well sites, gathering systems and processing facilities. The total decommissioning liabilities were estimated by management based on the Company's net ownership interest in all wells, estimated costs to reclaim and abandon the wells and the estimated timing of the costs to be incurred in future periods. The Company has estimated the total discounted amount of future cash flows to settle the liabilities to be \$300,183 (December 31, 2018 - \$301,675) as at September 30, 2019. These payments are expected to be made over the next two to five years.

A risk-free rate of 0.8% (2018 – 0.8%) and an inflation rate of approximately 1% (2018 – 1%) were used to calculate the fair value of the decommissioning liabilities.

13. Contingencies

As of September 30, 2019, the Company has two guaranteed letters of credit in the amount of \$173,070 (expiring and renewable in June 2020) (2018 - \$173,070) and \$145,230 (expiring and renewable in January 2020) (2018 – \$145,230), issued by Bank of Montreal for the Minister of Finance – the Saskatchewan Oil and Gas Orphan Fund.

14. Subsequent event

None.