

# **United Hunter Oil & Gas Corp.**

## **Condensed Interim Consolidated Financial Statements**

**September 30, 2018**

(expressed in Canadian dollars)

(unaudited)

### **Management's Comments on Unaudited Condensed Interim Consolidated Financial Statements**

These unaudited condensed interim consolidated financial statements of United Hunter Oil & Gas Corp. (the "Company") have been prepared by management and approved by the Board of Directors of the Company.

These unaudited condensed interim consolidated financial statements have not been reviewed by the Company's external auditors.

**United Hunter Oil & Gas Corp.**  
**Consolidated Statements of Financial Position**

(expressed in Canadian dollars)  
(unaudited)

|  | Notes | September 30,<br>2018<br>\$ | December 31,<br>2017<br>\$ |
|--|-------|-----------------------------|----------------------------|
| <b>Assets</b>                            |       |                             |                            |
| Current                                  |       |                             |                            |
| Cash                                     |       | 238,935                     | 69,365                     |
| Receivables                              |       | 7,174                       | 5,558                      |
| Prepaid expenses                         |       | 25,250                      | 9,961                      |
|  |       | <u>271,360</u>              | <u>84,884</u>              |
| <b>Liabilities</b>                       |       |                             |                            |
| Current                                  |       |                             |                            |
| Accounts payable and accrued liabilities | 9     | 175,590                     | 192,472                    |
| Loans payable                            | 5     | -                           | 372,289                    |
|  |       | <u>175,590</u>              | <u>564,761</u>             |
| <b>Shareholders' equity (deficit)</b>    |       |                             |                            |
| Share capital                            | 6     | 9,922,444                   | 8,982,214                  |
| Common shares to be issued               |       | -                           | 25,000                     |
| Contributed surplus                      |       | 2,544,791                   | 2,375,883                  |
| Deficit                                  |       | (12,371,466)                | (11,862,974)               |
|  |       | <u>95,770</u>               | <u>(479,877)</u>           |
|  |       | <u>271,360</u>              | <u>84,884</u>              |
| Going-concern                            | 2     |                             |                            |

**Approved by the Board:**

Timothy J. Turner  
**Director**

Christian Shomber  
**Director**

# United Hunter Oil & Gas Corp.

## Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)  
(unaudited)

|  | 3 months ended September 30, |                   | 9 months ended September 30, |                   |
|--|------------------------------|-------------------|------------------------------|-------------------|
|  | 2018                         | 2017              | 2018                         | 2017              |
|  | \$                           | \$                | \$                           | \$                |
| <b>Expenses</b>  |                              |                   |                              |                   |
| Professional fees  | 51,991                       | 10,249            | 64,497                       | 15,140            |
| Management fees  | 50,417                       | 33,900            | 175,199                      | 93,893            |
| Consulting fees  | 52,152                       | -                 | 58,583                       | -                 |
| Stock-based compensation   | 168,908                      | -                 | 168,908                      | -                 |
| General and administrative   | 2,533                        | -                 | 9,470                        | 9,158             |
| Public company costs   | 843                          | 2,629             | 23,118                       | 37,276            |
| Travel   | 6,506                        | 1,220             | 10,352                       | 26,197            |
| Foreign exchange loss (gain)   | 1,223                        | 2,648             | (688)                        | (1,353)           |
| Other  | -                            | (1,479)           | (947)                        | -                 |
| Interest   | -                            | 6,603             | -                            | 19,127            |
|  | <u>334,573</u>               | <u>55,771</u>     | <u>508,491</u>               | <u>199,438</u>    |
| <b>Loss</b>  | (334,573)                    | (55,771)          | (508,491)                    | (199,438)         |
| <b>Other comprehensive income</b>  |                              |                   |                              |                   |
| Foreign currency translation gain  | -                            | -                 | -                            | 876               |
| <b>Comprehensive loss</b>  | <u>(334,573)</u>             | <u>(55,771)</u>   | <u>(508,491)</u>             | <u>(198,562)</u>  |
| <b>Basic and diluted loss per share</b>                                  | <u>(0.02)</u>                | <u>(0.00)</u>     | <u>(0.03)</u>                | <u>(0.02)</u>     |
| <b>Weighted average number of shares outstanding - basic and diluted</b> | <u>17,480,375</u>            | <u>13,060,383</u> | <u>16,825,236</u>            | <u>13,060,383</u> |

# United Hunter Oil & Gas Corp.

## Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)

(unaudited)

|                                    | Share capital       |                  | Shares to<br>be issued | Contributed<br>surplus | Accumulated<br>other<br>loss | Deficit             | Total            |
|------------------------------------|---------------------|------------------|------------------------|------------------------|------------------------------|---------------------|------------------|
|                                    | Number of<br>shares | Amount<br>\$     |                        |                        |                              |                     |                  |
| <b>Balance, December 31, 2017</b>  | 33,700,957          | 8,982,214        | 25,000                 | 2,375,883              | -                            | (11,862,974)        | (479,877)        |
| Private placements                 | -                   | 1,000,000        | (25,000)               | -                      | -                            | -                   | 975,000          |
| Share issue costs                  | 10,000,000          | (48,627)         | -                      | -                      | -                            | -                   | (48,627)         |
| Effect of share consolidation      | (26,220,582)        | -                | -                      | -                      | -                            | -                   | -                |
| Share consolidation costs          | -                   | (11,143)         | -                      | -                      | -                            | -                   | (11,143)         |
| Stock-based compensation           | -                   | -                | -                      | 168,908                | -                            | -                   | 168,908          |
| Loss                               | -                   | -                | -                      | -                      | -                            | (508,491)           | (508,491)        |
| <b>Balance, September 30, 2018</b> | <b>17,480,375</b>   | <b>9,922,444</b> | <b>-</b>               | <b>2,544,791</b>       | <b>-</b>                     | <b>(12,371,466)</b> | <b>95,770</b>    |
| <b>Balance, December 31, 2016</b>  | 32,650,957          | 8,883,214        | -                      | 2,375,883              | (1,363)                      | (11,609,714)        | (351,980)        |
| Loss                               | -                   | -                | -                      | -                      | -                            | (199,438)           | (199,438)        |
| Other comprehensive income         | -                   | -                | -                      | -                      | 876                          | -                   | 876              |
| <b>Balance, September 30, 2017</b> | <b>32,650,957</b>   | <b>8,883,214</b> | <b>-</b>               | <b>2,375,883</b>       | <b>(487)</b>                 | <b>(11,809,152)</b> | <b>(550,542)</b> |

# United Hunter Oil & Gas Corp.

## Consolidated Statements of Cash Flows

(expressed in Canadian dollars)  
(unaudited)

|   | 9 months ended September 30, |                 |
|---|------------------------------|-----------------|
|   | 2018                         | 2017            |
|   | \$                           | \$              |
| <b>Cash flow from operating activities</b>          |                              |                 |
| Loss  | (508,491)                    | (199,438)       |
| Items not affecting cash                            |                              |                 |
| Stock-based compensation                            | 168,908                      | -               |
| Interest not paid                                   | -                            | 19,127          |
| Changes in non-cash working capital                 |                              |                 |
| Receivables   | (1,617)                      | (3,273)         |
| Prepaid expenses                                    | (15,291)                     | (2,973)         |
| Accounts payable and accrued liabilities            | (16,880)                     | 111,610         |
|   | <u>(373,371)</u>             | <u>(74,947)</u> |
| <b>Cash flow from financing activities</b>          |                              |                 |
| Advances of loans payable                           | -                            | 74,380          |
| Repayment of loans payable                          | (372,289)                    | -               |
| Private placement of common shares                  | 975,000                      | -               |
| Share issue costs                                   | (48,627)                     | -               |
| Share consolidation costs                           | (11,143)                     | -               |
|   | <u>542,941</u>               | <u>74,380</u>   |
| <b>Net change in cash</b>                           | 169,570                      | (567)           |
| <b>Cash, beginning of period</b>                    | 69,365                       | 83              |
| Effect of foreign exchange rate changes on cash     | -                            | 876             |
| <b>Cash, end of period</b>                          | <u>238,935</u>               | <u>392</u>      |
| <b>Non-cash transaction</b>                         |                              |                 |
| Common shares issued for common shares to be issued | 25,000                       | -               |
| <b>Supplementary information</b>                    |                              |                 |
| Interest paid                                       | 29,925                       | -               |
| Income taxes paid                                   | -                            | -               |

# United Hunter Oil & Gas Corp.

## Notes to Condensed Interim Consolidated Financial Statements

### September 30, 2018

(expressed in Canadian dollars)  
(unaudited)

#### 1. Nature of operations

United Hunter Oil & Gas Corp. (the "Company") is a public company engaged in the exploration and development of oil and gas properties.

On March 21, 2018, the Company signed a non-binding Letter of Intent with the objective of looking into a new business opportunity. Significant financial resources and due diligence efforts went into this project and, as a result of differences in valuations, the Company elected to terminate the Letter of Intent on July 30, 2018.

The Company was incorporated under the Business Corporations Act of Ontario on February 22, 2008 and its registered office is located at 77 King Street West, Suite 400, Toronto, Ontario, M5K 0A1.

#### 2. Going-concern

These condensed interim consolidated financial statements have been prepared on a going concern basis that presumes the realization of assets and discharge of liabilities in the normal course of business.

The Company is in the exploration stage and has no revenue. During the 9 months ended September 30, 2018, the Company recorded a loss of \$508,491 (2017 - \$199,438) and as at that date, the Company had accumulated deficit of \$12,371,466 (December 31, 2017 - \$11,862,974), working capital of \$95,770 (December 31, 2017 - working capital deficit of \$479,878) and cash flow deficit from operations of \$373,371 (2017 - \$74,947). The losses, accumulated deficit and cash flow deficit from operations limit the Company's ability to fund its operations and the acquisition, exploration and development of oil and gas properties. As a result, there is significant doubt about the Company's ability to continue as a going concern.

The continued operation of the Company is dependent upon the support of its creditors and its ability to secure financing to fund its operations and finance the acquisition, exploration and development of oil and properties. The Company is actively seeking to raise the necessary financing, however, there can be no assurance that additional financing will be available.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

#### 3. Basis of presentation

##### Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board.

The accounting policies used in these condensed interim consolidated financial statements are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2017.

These condensed interim consolidated financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2017.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on November 6, 2018.

##### Changes in accounting standards

On January 1, 2018, the Company adopted the following amendment to standards:

#### *IFRS 9, Financial Instruments ("IFRS 9")*

This standard will replace *IAS 39, Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held for trading are measured at FVTPL and all other financial liabilities are measured at amortized cost unless the fair value option is applied.

The adoption of this accounting standard had no impact on these financial statements.

#### **New standards and interpretations not yet adopted**

The following new standard will be effective for periods beginning on or after January 1, 2019:

#### *IFRS 16, Leases ("IFRS 16")*

This standard will replace *IAS 17, Leases*. IFRS 16 provides an updated definition of a lease contract, including guidance on the combination and separation of contracts. The standard requires lessees to recognize a right-of-use asset and a lease liability for substantially all lease contracts. The accounting for lessors is substantially unchanged from IAS 17. The Company has not determined the extent of the impact of IFRS 16 on its financial statements.

#### **4. Significant accounting policies**

The accounting policy set out below has been applied consistently to all years presented in these financial statements.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiary, United Hunter Texas, LLC ("UHT") until December 29, 2017, the date that UHT was dissolved. All intercompany transactions and balances are eliminated on consolidation.

#### **5. Loans payable**

|                             |           |
|-----------------------------|-----------|
|                             | \$        |
| Balance, December 31, 2017  | 372,289   |
| Repayments                  | (372,289) |
| Balance, September 30, 2018 | —         |

|  | September 30,<br>2018 | Outstanding at<br>December 31,<br>2017 |
|--|-----------------------|--|
|  | \$                    | \$                                     |
| 6% promissory notes, unsecured, due on demand                      | —                     | 212,729                                |
| 12% promissory notes, unsecured, due on demand                     | —                     | 92,000                                 |
| 6% promissory note for US\$30,000, unsecured, due on March 1, 2018 | —                     | 37,635                                 |
| Accrued interest   | —                     | 29,925                                 |
|  | —                     | 372,289                                |

#### **6. Share capital**

##### **Authorized**

Unlimited number of common shares without par value.

Unlimited number of preference shares, issuable in series.

##### **Private placements**

On February 6, 2018, the Company completed a private placement of 7,511,860 common shares at a price of \$0.10 per common share for gross proceeds of \$751,186. In connection with the private placement, the Company paid commissions of \$2,000. Of the private placement, two officers of the Company acquired 763,110 common shares.

On March 9, 2018, the Company completed a private placement of 2,488,140 common shares at a price of \$0.10 per common share for gross proceeds of \$248,814. In connection with the private placement, the Company paid commissions of \$3,000. Of the private placement, two officers of the Company acquired 102,760 common shares.

### Share consolidation

At the Annual General and Special Meeting held on April 30, 2018, the shareholders of the Company approved an amendment to the articles of the Company to consolidate the common shares by a ratio of 2.5:1. On June 6, 2018, the outstanding 43,700,957 common shares were consolidated into 17,480,375 common shares.

### Stock options

The Company may grant stock options to directors, officers, employees and consultants for up to 10% of the issued and outstanding common shares. At September 30, 2018, the Company may grant up to 1,748,037 stock options (December 31, 2017 - 1,348,038). The exercise price for stock options will not be less than the market price of the common shares on the date of the grant, less any discount permissible under the rules of the TSX Venture Exchange. The maximum term for stock options will be 5 years and the options will be subject to vesting limitations imposed by the board of directors of the Company.

A summary of the Company's stock options outstanding and exercisable at September 30, 2018 is presented below:

|                             | Weighted-<br>average<br>exercise price<br>\$ | Number of<br>stock options |
|-----------------------------|--|----------------------------|
| Balance, December 31, 2017  | 2.50   | 28,000                     |
| Granted                     | 0.25   | 1,400,000                  |
| Cancelled                   | 2.50   | (28,000)                   |
| Balance, September 30, 2018 | 0.25   | 1,400,000                  |

| Exercise price | Expiry date     | Number of<br>stock options<br>outstanding | Number of<br>stock options<br>exercisable |
|----------------|-----------------|---|---|
| \$0.25         | August 20, 2023 | 1,400,000                                 | 1,150,000                                 |

### Grant of stock options

On August 20, 2018, the Company granted 1,400,000 stock options to directors and officers, with each stock option entitling the holder to purchase one common share for \$0.25 until August 20, 2023. A summary of the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model is presented below:

|  |  |
|--|--|
| Date of grant                                      | August 20, 2018  |
| Expiry date  | August 20, 2023  |
| Stock options granted                              | 1,400,000  |
| Exercise price                                     | \$0.25   |
| Share price  | \$0.15   |
| Risk-free interest rate                            | 2.18%  |
| Expected volatility based on historical volatility | 191%   |
| Expected life of stock options                     | 5 years  |
| Expected dividend yield                            | 0%   |
| Forfeiture rate                                    | 0%   |
| Vesting  | 1,150,000 on date of grant and<br>250,000 on August 20, 2019 |
| Fair value   | \$202,000  |
| Fair value per stock option                        | \$0.14   |

### Cancellation of stock options

On August 20, 2018, the Company cancelled 28,000 stock options entitling the holder to purchase one common share for \$2.50 until November 26, 2018.

## **7. Determination of fair values**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### *Accounts payable and accrued liabilities*

The fair value of accounts payable and accrued liabilities approximates their carrying value due to the short term to maturity.

### *Classification of fair value of financial instruments*

The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 - quoted prices in active markets for identical assets and liabilities;
- Level 2 - inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 - inputs for the asset or liability that are not based on observable market data

Cash is measured at fair value at Level 1 of the fair value hierarchy.

## **8. Financial risk management**

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

### **Credit risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from the Company's cash and receivables. The maximum exposure to credit risk is equal to the carrying amount of cash and receivables. The Company's limits its exposure to credit risk on its cash by holding its cash in deposits with high credit quality Canadian chartered banks.

### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due. The amounts for accounts payable and accrued liabilities are subject to normal trade terms.

### **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments.

### **Foreign exchange risk**

Foreign exchange risk is the risk of financial loss to the Company due to a change in foreign exchange rates. The majority of the Company's cash is held in Canadian dollars. Foreign exchange risk arises as the Company makes expenditures denominated in US dollars.

The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk. However, management of the Company believes there is no significant exposure to foreign currency fluctuations due to the limited number of transactions conducted in US dollars.

### **Interest rate risk**

Interest rate risk is the risk of financial loss to the Company due to a change in interest rates. The Company's exposure to interest rate risk is limited due to the short-term nature of its financial instruments.

### **Capital management**

Capital of the Company consists of share capital, contributed surplus and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's principal source of capital is from the issue of common shares and loans payable. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

### **9. Related party transactions**

#### **Compensation of key management personnel**

The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

|                 | <b>9 months ended September 30,<br/>2018</b> | <b>September 30,<br/>2017</b> | <b>Outstanding at<br/>September 30,<br/>2018</b> | <b>Outstanding at<br/>December 31,<br/>2017</b> |
|-----------------|--|-------------------------------|--|---|
|                 | <b>\$</b>                                    | <b>\$</b>                     | <b>\$</b>  | <b>\$</b>                                       |
| Management fees | 175,199                                      | 93,893                        | 76,820   | 141,095   |