# United Hunter Oil & Gas Corp.

## Condensed Interim Consolidated Financial Statements

**March 31, 2017**
(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 | As at March 31, 2017 $ | As at December 31, 2016 $ |
|---|---|---|---|
| **Assets** | | | |
| Current | | | |
| Cash | | 1,349 | 83 |
| Receivables | | 1,100 | 627 |
| Prepaid expenses | | 3,667 | 5,667 |
| | | 6,116 | 6,377 |
| **Liabilities** | | | |
| Current | | | |
| Accounts payable and accrued liabilities | | 99,155 | 67,771 |
| Loans payable | 5 | 348,568 | 290,586 |
| | | 447,723 | 358,357 |
| **Shareholders' equity (deficit)** | | | |
| Share capital | 6 | 8,883,214 | 8,883,214 |
| Contributed surplus | | 2,375,883 | 2,375,883 |
| Accumulated other comprehensive loss | | (487) | (1,363) |
| Deficit | | (11,700,218) | (11,609,714) |
| | | (441,608) | (351,980) |
| | | 6,116 | 6,377 |

| | |
|---|---|
| Going-concern | 2 |
| Subsequent events | 10 |

**Approved by the Board:**

| Tim Turner | Eldon Christian Shomber |
|---|---|
| **Director** | **Director** |

# United Hunter Oil & Gas
# Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)
(unaudited)

| | 3 months ended March 31, 2017 $ | 2016 $ |
|---|---|---|
| **Expenses** | | |
| Professional fees | 2,891 | 1,431 |
| Management fees, salaries and benefits | 28,500 | 41,431 |
| Share-based compensation | - | 21 |
| General and administrative | 3,435 | 5,936 |
| Public company costs | 29,973 | 8,766 |
| Travel | 19,142 | - |
| Foreign exchange loss | 595 | 372 |
| Interest | 5,968 | 83 |
| | 90,503 | 58,040 |
| **Loss** | (90,503) | (58,040) |
| **Other comprehensive income** | | |
| Foreign currency translation gain | 876 | - |
| **Comprehensive loss** | (89,627) | (58,040) |
| **Basic and diluted loss per share** | (0.003) | (0.002) |
| **Weighted average number of shares outstanding - basic and diluted** | 32,650,957 | 32,485,923 |

# United Hunter Oil & Gas Corp.
# Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)
(unaudited)

| | Share capital | | | | | |
|---|---|---|---|---|---|---|
| | Number of shares | Amount $ | Contributed surplus $ | Accumulated other comprehensive loss $ | Deficit $ | Total $ |
| **Balance, December 31, 2016** | 32,650,957 | 8,883,214 | 2,375,883 | (1,363) | (11,609,714) | (351,980) |
| Loss | - | - | - | - | (90,503) | (90,503) |
| Other comprehensive income | - | - | - | 876 | - | 876 |
| **Balance, March 31, 2017** | 32,650,957 | 8,883,214 | 2,375,883 | (487) | (11,700,217) | (441,608) |
| | | | | | | |
| **Balance, December 31, 2015** | 32,430,262 | 8,883,214 | 2,375,841 | - | (11,221,891) | 37,164 |
| Share-based compensation | - | - | 21 | - | - | 21 |
| Loss | - | - | - | - | (58,040) | (58,040) |
| **Balance, March 31, 2016** | 32,430,262 | 8,883,214 | 2,375,862 | - | (11,279,931) | (20,855) |

# United Hunter Oil & Gas Corp.
# Consolidated Statements of Cash Flows
(expressed in Canadian dollars)
(unaudited)

| | 3 months ended March 31, 2017 | 2016 |
|---|---|---|
| | $ | $ |
| **Cash flow from operating activities** | | |
| Loss | (90,503) | (58,040) |
| Items not affecting cash | | |
| Share-based compensation | - | 21 |
| Interest not paid | 5,968 | 83 |
| Changes in non-cash working capital | | |
| Receivables | (473) | (567) |
| Prepaid expenses | 2,000 | (956) |
| Accounts payable and accrued liabilities | 31,383 | 20,233 |
| | (51,624) | (39,226) |
| **Cash flow from financing activities** | | |
| Loans payable | 52,014 | 12,000 |
| **Net change in cash** | 390 | (27,226) |
| **Cash, beginning of period** | 83 | 37,383 |
| Effect of foreign exchange rate changes on cash | 876 | - |
| **Cash, end of period** | 1,349 | 10,157 |
| **Supplementary information** | | |
| Interest paid | - | - |
| Income taxes paid | - | - |

See accompanying notes to consolidated financial statements

### 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.

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 3 months ended March 31, 2017, the Company recorded a loss of $90,503(2016 - $58,040) and as at that date, the Company had accumulated deficit of $11,700,217 (2016 - $11,279,931), working capital deficit of $441,608 (2016 - $20,855) and cash flow deficit from operations of $51,623 (2016 - $39,226). The losses, accumulated deficit, working capital 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 Company’s 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, 2016.

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, 2016.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 30, 2017.

#### New standards and interpretations not yet adopted
The following amendment to standards will be effective for periods beginning on or after January 1, 2018:

*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 Company has not determined the extent of the impact of IFRS 9 on its financial statements.

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. Exploration and evaluation

On December 12, 2016, the Company paid US$75,000 to acquire an exclusive option to purchase oil and gas interests in the Hull Silk Sikes 4,300' Sand Unit (the "HSS Unit") in Archer County, Texas. The HSS Unit is approximately 12 miles southwest of Wichita Falls, Texas and comprises approximately 2,300 acres in a single operating unit.

The option provides the Company with the exclusive right to purchase the interest, for a period that has been extended, by way of two negotiated Purchase and Sale Agreements ("PSA") for a combined purchase price of US$13,000,000, subject to any closing cost adjustments as defined in the PSA's, payable over a 5-year period from closing. The Company would receive an estimated 80.5% net revenue interest, which includes an enhanced oil recovery tax credit of 2.3% of the market value of the total operated basis from the State of Texas.

## 5. Loans payable

| | **March 31, 2017 $** | **December 31, 2016 $** |
|---|---|---|
| 6% promissory notes, unsecured, due on demand | 202,729 | 190,729 |
| 12% promissory notes, unsecured, due on demand | 92,000 | 92,000 |
| 6% promissory note for US$30,000, unsecured, due on March 1, 2018 | 39,930 | – |
| Accrued interest | 13,823 | 7,859 |
| | 348,482 | 290,588 |

See note 10 for additional loan proceeds received subsequent to March 31, 2017.

## 6. Share capital

**Authorized**
An unlimited number of common shares without par value.

**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 March 31, 2017, the Company may grant up to 3,265,096 stock options (December 31, 2016 – 3,265,096). 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 March 31, 2017 is presented below:

| | Weighted-average exercise price $ | Number of stock options outstanding and exercisable |
|---|---|---|
| Balance, December 31, 2016 and March 31, 2017 | 1.00 | 140,000 |

| Exercise price | Expiry date | Number of stock options outstanding and exercisable |
|---|---|---|
| $1.00 | September 4, 2017 | 35,000 |
| $1.00 | November 26, 2018 | 105,000 |
| | | 140,000 |

See note 10 for proposed private placement subsequent to March 31, 2017.

**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.

*Receivables, accounts payable and accrued liabilities and loans payable*

The fair value of receivables, accounts payable and accrued liabilities and loans payable approximates their carrying value due to their 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. Receivables consists of refunds for Goods and Services Tax from the Government of Canada.

***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. Loans payable of $294,729 plus accrued interest is due on demand and a loan payable of US$30,000 plus accrued interest is due on March 1, 2018.

***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 and has loans payable of US$30,000.

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. In addition, loans payable bear interest at fixed rates of interest.

***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:

| | 3 months ended March 31, 2017 | 3 months ended March 31, 2016 | Outstanding at March 31, 2017 | Outstanding at December 31, 2016 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Management fees | 28,500 | 40,500 | 52,923 | 30,795 |

## 10. Subsequent events

### Loans payable

On May 2, 2017, the Company received proceeds of $15,000 from the issue of a 6% promissory note, unsecured, due on demand.

### Proposed private placement

On April 19, 2017, the Company announced its intention to complete a non-brokered private placement of up to 5,000,000 units at a price of $0.20 for gross proceeds of up to $1,000,000 with each unit consisting of one common share and one-half of a warrant. Each whole warrant will entitle the holder to purchase one common share for $0.30 for 2 years after the closing date of the private placement.