

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

## ***Condensed Interim Financial Statements As at and for the nine month periods September 30, 2014 and 2013***

*(expressed in US dollars)*

*(unaudited)*

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

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

# United Hunter Oil & Gas Corp.

## Statements of Financial Position

(expressed in US dollars)

(unaudited)

|  |              | As at<br>September 30,<br>2014 | As at<br>December 31,<br>2013 |
|--|--------------|--------------------------------|-------------------------------|
|  |              | \$                             | \$                            |
|  | <b>Notes</b> |                                |                               |
| <b>Assets</b>                            |              |                                |                               |
| Current                                  |              |                                |                               |
| Cash                                     |              | 459,327                        | 22,488                        |
| Receivables                              |              | 4,757                          | 10,548                        |
| Prepaid expenses                         |              | 13,544                         | 20,649                        |
|  |              | <hr/> 477,628                  | <hr/> 53,685                  |
| Investment in Excelaron                  | 5            | 4,630,072                      | 4,628,193                     |
| Investment in Alamo                      | 6            | 27,259                         | 29,765                        |
| Property, plant and equipment            | 7            | -                              | -                             |
|  |              | <hr/> <b>5,134,959</b>         | <hr/> <b>4,711,643</b>        |
| <b>Liabilities</b>                       |              |                                |                               |
| Current                                  |              |                                |                               |
| Accounts payable and accrued liabilities |              | 72,896                         | 116,431                       |
| Loans payable                            | 8            | -                              | 170,854                       |
| Consideration payable                    | 9            | 800,000                        | 800,000                       |
|  |              | <hr/> 872,896                  | <hr/> 1,087,285               |
| Decommissioning liabilities              |              | -                              | -                             |
|  |              | <hr/> 872,896                  | <hr/> 1,087,285               |
| <b>Shareholders' equity</b>              |              |                                |                               |
| Share capital                            | 10           | 8,843,957                      | 7,923,357                     |
| Warrants                                 |              | -                              | -                             |
| Contributed surplus                      |              | 2,180,099                      | 2,182,315                     |
| Deficit                                  |              | (6,761,992)                    | (6,481,314)                   |
|  |              | <hr/> 4,262,063                | <hr/> 3,624,358               |
|  |              | <hr/> <b>5,134,959</b>         | <hr/> <b>4,711,643</b>        |
| Going-concern                            | 2            |                                |                               |

**Approved by the Board:**

Tim Turner  
Director

Jeff Ratcliffe  
Director

# United Hunter Oil & Gas Corp.

## Statements of Loss and Comprehensive Loss

(expressed in US dollars)

(Unaudited)

|  |       | 3 months ended<br>September 30, |            | 9 months ended<br>September 30, |            |
|--|-------|---------------------------------|------------|---------------------------------|------------|
|  | Notes | 2014                            | 2013       | 2014                            | 2013       |
|  |       | \$                              | \$         | \$                              | \$         |
| <b>Revenues</b>  |       |                                 |            |                                 |            |
| Oil sales  | 13    | -                               | -          | -                               | 94,377     |
| Royalties  |       | -                               | -          | -                               | 1,888      |
| Net revenues   |       | -                               | -          | -                               | 92,489     |
| Foreign exchange gain                                    |       | (9,184)                         | 1,090      | (5,974)                         | (2,202)    |
|  |       | (9,184)                         | 1,090      | (5,974)                         | 90,287     |
| <b>Expenses</b>  |       |                                 |            |                                 |            |
| Operating and transportation                             |       | -                               | -          | -                               | 42,185     |
| Depletion  | 7     | -                               | -          | -                               | 44,400     |
| Impairment losses  | 7     | -                               | -          | -                               | -          |
| Professional fees  |       | 35,470                          | 12,502     | 54,431                          | 52,860     |
| Salaries and benefits                                    |       | 36,674                          | 15,119     | 90,034                          | 100,020    |
| Consulting fees  |       | 10,931                          | 11,558     | 29,223                          | 35,021     |
| Share-based compensation                                 | 10    | 1,174                           | 1,982      | 2,216                           | 45,690     |
| General and administrative                               |       | 1,053                           | 498        | 7,540                           | 7,163      |
| Public company costs                                     |       | 15,163                          | 631        | 35,564                          | 15,994     |
| Investor relations                                       |       | 204                             | (3)        | 1,461                           | 379        |
| Travel   |       | 8,976                           | 124        | 13,485                          | 2,369      |
| Insurance  |       | 3,158                           | 7,661      | 10,033                          | 18,327     |
| Interest   |       | 3,260                           | 7,661      | 11,396                          | 3,243      |
| Equity loss on Excelaron                                 | 5     | 2,464                           | 66,123     | 8,502                           | 37,522     |
| Equity loss on Alamo                                     | 6     | 4,710                           | 5,878      | 10,820                          | 6,486      |
| Loss on sale of property, plant and equipment            |       | -                               | -          | -                               | 32,130     |
|  |       | 129,210                         | 129,734    | 274,704                         | 443,789    |
| <b>Net loss and comprehensive loss</b>                   |       | (138,394)                       | (128,644)  | (280,678)                       | (353,502)  |
| <b>Basic and diluted loss per share</b>                  |       | (0.01)                          | (0.01)     | (0.02)                          | (0.03)     |
| <b>Weighted average number of shares<br/>outstanding</b> |       | 18,226,001                      | 12,030,272 | 14,145,052                      | 12,030,272 |

# United Hunter Oil & Gas Corp.

## Statements of Changes in Equity

(expressed in US dollars)

(unaudited)

|                                    | Share<br>capital<br>\$ | Warrants<br>\$ | Contributed<br>surplus<br>\$ | Deficit<br>\$      | Total<br>\$      |
|------------------------------------|------------------------|----------------|------------------------------|--------------------|------------------|
| <b>Balance, December 31, 2013</b>  | 7,923,357              | -              | 2,182,315                    | (6,481,314)        | 3,624,357        |
| Issuance of shares                 | 920,600                | -              | -                            | -                  | 920,600          |
| Share-based compensation           | -                      | -              | (2,216)                      | -                  | (2,216)          |
| Loss                               | -                      | -              | -                            | (280,678)          | (280,678)        |
| <b>Balance, September 30, 2014</b> | <b>8,843,957</b>       | <b>-</b>       | <b>2,180,099</b>             | <b>(6,761,992)</b> | <b>4,262,063</b> |
| <b>Balance, December 31, 2012</b>  | 7,923,357              | -              | 2,136,458                    | (6,095,967)        | 3,963,848        |
| Share-based compensation           | -                      | -              | 45,690                       | -                  | 45,690           |
| Loss                               | -                      | -              | -                            | (353,501)          | (353,501)        |
| <b>Balance, September 30, 2013</b> | <b>7,923,357</b>       | <b>-</b>       | <b>2,182,148</b>             | <b>(6,449,468)</b> | <b>3,656,037</b> |

# United Hunter Oil & Gas Corp.

## Statements Cash of Cash Flows

(expressed in US dollars)

(unaudited)

|   |       | 9 Months ended<br>September 30, | Year ended<br>December 30, |
|---|-------|---------------------------------|----------------------------|
|   | Notes | 2014<br>\$                      | 2013<br>\$                 |
| <b>Cash flow from operating activities</b>                                      |       |                                 |                            |
| Loss  |       | (280,678)                       | (353,501)                  |
| Items not affecting cash  |       |                                 |                            |
| Depletion   |       | -                               | 44,400                     |
| Share-based compensation  |       | 2,216                           | 45,690                     |
| Interest not paid   |       | -                               | 3,243                      |
| Equity loss on Excelaron  | 5     | 8,502                           | 37,522                     |
| Equity loss on Alamo  | 6     | 10,820                          | 6,486                      |
| Loss on sale of property, plant and equipment                                   |       | -                               | 32,130                     |
| Accounts receivable   |       | 5,791                           | 22,289                     |
| Prepaid expenses  |       | 7,105                           | 22,284                     |
| Accounts payable and accrued liabilities  |       | (43,535)                        | 33,741                     |
| Decommissioning liabilities   |       | -                               | -                          |
|   |       | <u>(289,779)</u>                | <u>(105,717)</u>           |
| <b>Cash flow from financing activities</b>                                      |       |                                 |                            |
| Share capital   |       | 920,600                         | -                          |
| Loan payable  |       | (175,289)                       | 173,004                    |
|   |       | <u>745,311</u>                  | <u>173,004</u>             |
| <b>Cash flow from investing activities</b>                                      |       |                                 |                            |
| Investment in Excelaron   |       | (10,381)                        | (26,450)                   |
| Investment in Alamo Creek   |       | (8,313)                         | -                          |
| Property, plant and equipment   | 7     | 0                               | (73,808)                   |
|   |       | <u>(18,694)</u>                 | <u>(100,258)</u>           |
| <b>Net change in cash</b>   |       | 436,839                         | (32,970)                   |
| <b>Cash, beginning of period</b>  |       | 22,488                          | 103,366                    |
| <b>Cash, end of period</b>  |       | <u>459,327</u>                  | <u>70,396</u>              |
| <b>Non-cash transaction</b>   |       |                                 |                            |
| Accounts payable assumed and paid by purchaser of property, plant and equipment | 7     | -                               | 171,087                    |

# United Hunter Oil & Gas Corp.

## Notes to Condensed Interim Financial Statements

(expressed in US 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 January 1, 2012, the Company amalgamated with its wholly-owned subsidiary United Hydrocarbon Corporation. The Company owns a 65% indirect joint venture interest in Excelaron, LLC ("Excelaron"), an exploration stage company based in San Luis Obispo, California; a 25% joint venture interest in Alamo Creek Oil LLC ("Alamo"), an exploration stage company based in San Luis Obispo, California.

The Company was incorporated under the Business Corporations Act of Ontario on February 22, 2008 and its registered office is located at 615 – 700 Pender Street, Vancouver, British Columbia V6C 1G8.

### 2. Going concern

The financial statements were prepared on a going concern basis, which assumes that the Company will 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.

The Company has financed its operations through the issue of equity. At September 30, 2014, the Company had a working capital deficit of \$395,268 (December 31, 2013 - \$1,033,600) and for the nine months ended September 30, 2014, the Company incurred losses of \$280,678 (2013 - \$353,501) and negative cash flows from operations of \$289,805 (2013 - \$152,294). The working capital deficiency and losses limit the Company's ability to fund operations and the exploration and development of oil and gas properties. In addition, there is uncertainty whether the Company will secure conditional use permits for its planned exploration and development of the Huasna property and in the event the conditional use permits are secured, the Company is committed to make a payment of \$800,000. As a result, there is significant doubt about the Company's ability to continue as a going concern.

The continuation of the Company as a going concern is dependent on completing an equity financing and securing conditional use permits for its Huasna property. The Company will work to raise the necessary financing and secure the conditional use permits, but the outcome of these efforts cannot be predicted at this time.

The 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.

### 3. Basis of presentation

#### Statement of compliance

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

The accounting policies used in these condensed interim financial statements are consistent with those disclosed in the Company's audited financial statements for the year ended December 31, 2013, except for changes in accounting policies resulting from the adoption of new accounting standards.

These condensed interim financial statements do not include certain information and disclosure 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, 2013.

These condensed interim financial statements were approved and authorized for issue by the Board of Directors on November 14, 2014

#### Functional and presentation currency

These financial statements are presented in US dollars, which is the functional currency of the Company and its joint ventures.

# United Hunter Oil & Gas Corp.

## Notes to Condensed Interim Financial Statements

(expressed in US dollars)

(Unaudited)

### 4. Significant accounting policies and future accounting changes

#### Changes in accounting standards

On January 1, 2013, the Company adopted the following new standards, amendments to standards and interpretations:

- IFRS 10 *Consolidation*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*
- IAS 27 *Separate Financial Statements*
- IAS 28 *Investments in Associates and Joint Ventures*

Other than the adoption of IFRS 11, the adoption of these accounting standards had no impact on these financial statements.

#### New standards and interpretations not yet adopted

The effective date of the following amendment to standards and interpretations is to be determined:

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

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments - Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is expected to have an effect on the financial statements of the Company. The Company has not determined the extent of the impact of these standards and does not plan to early adopt these new standards.

### 5. Investment in Excelaron LLC

The Company holds an indirect 65% joint venture interest in Excelaron, which holds a 100% interest in an oil and natural gas property consisting of 260 acres on the western edge of the Huasna Basin, an existing California Department of Oil, Gas and Geothermal Resources designated oilfield within the Meridian Anticline located in Arroyo Grande, California. Huasna is subject to a 5% assignable gross overriding royalty payable on all amounts received directly or indirectly by the Company that can be attributed to the Company's 65% joint venture interest in Excelaron.

The planned exploration and development of Huasna requires Excelaron to secure necessary permits from regulatory authorities. On August 21, 2012, the Board of Supervisors of San Luis Obispo County ("County") denied Excelaron's application for conditional use permits ("Notice"). On November 19, 2012, Excelaron filed a petition for writ of mandate, complaint inverse condemnation and damages action ("Complaint") in the Superior Court of the State of California, County of San Luis Obispo ("Superior Court") against the County seeking a writ commanding the County to set aside its decision denying Huasna and either approving or remanding Huasna to the Board of Supervisors for further consideration consistent with the Court's opinion on the merits or to recover just compensation for the value of Huasna, as well as reasonable attorney's fees, expenses, and costs of the suit. As required by County Code and Code of Civil Procedure, Excelaron filed the Complaint within 90 days of the Notice and served the Complaint within 60 days of filing. On January

# United Hunter Oil & Gas Corp.

## Notes to Condensed Interim Financial Statements

(expressed in US dollars)

(Unaudited)

25, 2013, the County filed a general demurrer to all causes of action in the Complaint, claiming that it was barred by statute of limitations imposed by Government Code, which required the action to be filed and served within 90 days of the Notice.

On March 18, 2013, the Superior Court dismissed the Complaint and on April 8, 2013, the Company filed an Appeal of the dismissal. On November 7, 2013, Excelaron filed an Opening Brief setting out its arguments and on March 19, 2014, the County filed a response. Subsequent to the County's filing a Respondent's Brief, Excelaron, as Petitioner, on April 7, 2014, filed with the Court an Appellant's Reply Brief in this matter. The Second Appellate District, Court of Appeal of the State of California, on July 25, 2014, affirmed the Superior Court of California, County of San Luis Obispo's ruling to dismiss the writ and takings lawsuit filed by Excelaron, LLC, the Company is a 65% partner of Excelaron, in regards to the San Luis Obispo Board of Supervisors denial of the permit to drill the Huasna Oil Field. The Company is currently reviewing all of its available options related to the Huasna Prospect at this time.

|                                   | \$              |
|-----------------------------------|-----------------|
| Balance, January 1, 2013          | 4,632,489       |
| Investment                        | 35,366          |
| Equity loss                       | (39,662)        |
| <hr/> Balance, December 31, 2013  | <hr/> 4,628,193 |
| Investment                        | 10,381          |
| Equity loss                       | (8,502)         |
| <hr/> Balance, September 30, 2014 | <hr/> 4,630,072 |

The carrying value of this investment is dependent upon the ability of Excelaron to secure the necessary permits for the planned exploration and development of Huasna.



# United Hunter Oil & Gas Corp.

## Notes to Condensed Interim Financial Statements

(expressed in US dollars)

(Unaudited)

### Summarized financial information

*Statements of financial position*

|  | September 30,<br>2014<br>\$ | December 31,<br>2013<br>\$ |
|--|-----------------------------|----------------------------|
| <b>Assets</b>                            |                             |                            |
| Current                                  |                             |                            |
| Cash                                     | 5,421                       | 5,253                      |
| Accounts receivable                      | 5,943                       | 3,210                      |
|  | <u>11,364</u>               | <u>8,463</u>               |
| Exploration and evaluation               | 1,759,304                   | 1,759,303                  |
| Property, plant and equipment            | 818                         | 818                        |
|  | <u>1,771,486</u>            | <u>1,768,584</u>           |
| <b>Liabilities</b>                       |                             |                            |
| Current                                  |                             |                            |
| Accounts payable and accrued liabilities | 82,776                      | 82,776                     |
| <b>Members' equity</b>                   |                             |                            |
| Share capital                            | 4,178,467                   | 4,162,486                  |
| Deficit                                  | (2,489,757)                 | -2,476,678                 |
|  | <u>1,688,710</u>            | <u>1,685,808</u>           |
|  | <u>1,771,486</u>            | <u>1,768,584</u>           |

*Statements of loss and comprehensive loss*

|  | 9 months ended September 30, |                 |
|--|------------------------------|-----------------|
|  | 2014<br>\$                   | 2013<br>\$      |
| <b>Expenses</b>                        |                              |                 |
| Professional fees                      | 7,846                        | 43,918          |
| General and administrative             | 4,636                        | 6,619           |
| Investor relations                     | -                            | -               |
| Permitting                             | 598                          | 7,188           |
|  | <u>13,080</u>                | <u>57,726</u>   |
| <b>Net loss and comprehensive loss</b> | <u>13,080</u>                | <u>57,726</u>   |
|  | <u>(13,080)</u>              | <u>(57,726)</u> |

# United Hunter Oil & Gas Corp.

## Notes to Condensed Interim Financial Statements

(expressed in US dollars)

(Unaudited)

### 6. Investment in Alamo Creek Oil LLC

The Company owns a 25% joint venture interest in Alamo Creek Oil LLC ("Alamo") which has leased 4,068 acres ("Porter Ranch") adjacent to the Santa Maria Basin, which is south east of the Company's Huasna property. Effective June 30, 2012, the Company declined to pay its share of a cash call and its joint venture interest in Alamo was reduced from 45% to 25%.

|                                    | \$            |
|------------------------------------|---------------|
| Balance, January 1, 2013           | 38,651        |
| Investment                         | 17,812        |
| Equity loss                        | (26,698)      |
| <b>Balance, December 31, 2013</b>  | <b>29,765</b> |
| Investment                         | 8,313         |
| Equity loss                        | (10,820)      |
| <b>Balance, September 30, 2014</b> | <b>27,259</b> |

### Summarized financial information

*Statements of financial position*

|  | September 30,<br>2014 | December 31,<br>2013 |
|--|-----------------------|----------------------|
|  |                       | \$                   |
| <b>Assets</b>                            |                       |                      |
| Current                                  |                       |                      |
| Cash                                     | 326                   | 9,107                |
| <b>Liabilities</b>                       |                       |                      |
| Current                                  |                       |                      |
| Accounts payable and accrued liabilities | 70,818                | 110,113              |
| <b>Members' equity</b>                   |                       |                      |
| Share capital                            | 364,067               | 343,899              |
| Deficit                                  | (434,560)             | (444,905)            |
|  | (70,492)              | (101,006)            |
|  | 326                   | 9,107                |

# United Hunter Oil & Gas Corp.

## Notes to Condensed Interim Financial Statements

(expressed in US dollars)  
(Unaudited)

### Statements of loss and comprehensive loss

|  | 9 month ended September 30, |                 |
|--|-----------------------------|-----------------|
|  | 2014                        | 2013            |
|  | \$                          | \$              |
| <b>Expenses</b>                        |                             |                 |
| Professional fees                      | 8,253                       | 10,118          |
| General and administrative             | 1,776                       | 1,832           |
| Leases                                 | 33,250                      | 8,840           |
|  | <u>43,279</u>               | <u>20,790</u>   |
| <b>Net loss and comprehensive loss</b> | <u>(43,279)</u>             | <u>(20,790)</u> |

### 7. Property, plant and equipment

#### Cost

|                             | \$          |
|-----------------------------|-------------|
| Balance, January 1, 2013    | 1,730,695   |
| Additions                   | 73,808      |
| Disposition                 | (1,804,503) |
| Balance, December 31, 2013  | -           |
| Balance, September 30, 2014 | -           |

#### Accumulated depletion and impairment losses

|                             | \$          |
|-----------------------------|-------------|
| Balance, January 1, 2013    | 1,499,723   |
| Depletion                   | 44,400      |
| Disposition                 | (1,544,123) |
| Balance, December 31, 2013  | -           |
| Balance, September 30, 2014 | -           |

#### Carrying amount

|                    | \$      |
|--------------------|---------|
| January 1, 2013    | 230,972 |
| December 31, 2013  | -       |
| September 30, 2014 | -       |

# United Hunter Oil & Gas Corp.

## Notes to Condensed Interim Financial Statements

(expressed in US dollars)

(Unaudited)

### 8. Loans payable

Loans payable of \$325,618 include the following amount denominated in Canadian dollars: On September 8, 2014 all principle and interest was repaid for a total of \$329,200 denominated in Canadian dollars.

### 9. Consideration payable

The Company is committed to pay \$800,000 when Excelaron secures its permits for its planned operations on its oil and gas properties. In the event that Excelaron does not secure such permits or the Company does not pay the \$800,000, the Company's 65% joint venture interest in Excelaron will be reduced to a 40% joint venture interest.

### 10. Share capital

#### Authorized

An unlimited number of common shares.

Unlimited number of preference shares, issuable in series.

On July 22, 2014, the Company completed a 10:1 share consolidation of all of its outstanding common shares. All share capital, per share amounts, and share-based awards in the current and comparative periods have been adjusted to reflect this change

#### Outstanding

|  | Share capital              |                  |
|--|----------------------------|------------------|
|  | Number of<br>common shares | Amount<br>\$     |
| Balance, January 1, 2013                                 | 12,030,272                 | 7,519,574        |
| Fair value of expired warrants                           | –                          | 403,783          |
| Shares issued pursuant to Private Placement (i)          | 20,000,000                 | 920,600          |
| <b>Balance, December 31, 2013 and September 30, 2014</b> | <b>32,030,272</b>          | <b>8,843,957</b> |

(i) On September 4, 2014, the Company closed a private placement of 20,000,000 common shares at a price of \$0.05 in Canadian dollars for total proceeds of \$1,000,000 Canadian dollars. The US dollar equivalent is \$920,600.

# United Hunter Oil & Gas Corp.

## Notes to Condensed Interim Financial Statements

(expressed in US dollars)  
(Unaudited)

### Warrants

A summary of the Company's warrants is presented below:

|  | Number of<br>warrants | Weighted-<br>average<br>exercise price<br>C\$ | \$        |
|--|-----------------------|---|-----------|
| Balance, January 1, 2012                         | 3,352,500             | 0.38  | 403,783   |
| Expired  | (3,352,500)           | 0.38  | (403,783) |
| Balance, December 31, 2012 and December 31, 2013 | –                     | –   | –         |

### Stock options

Under its stock option plan, the Company may grant options to its employees to acquire up to 10% of the issued and outstanding common shares at the time of the grant. As at September 30, 2014, there were 32,030,272 common shares available for issuance under the stock option plan.

A summary of the Company's stock options is presented below:

|                             | Number of<br>options | Weighted-average<br>exercise price<br>C\$ |
|-----------------------------|----------------------|---|
| Balance, January 1, 2013    | 897,500              | 1.50                                      |
| Granted                     | 105,000              | 1.00                                      |
| Cancelled                   | (465,000)            | 1.50                                      |
| Balance, December 31, 2013  | 537,500              | 1.40                                      |
| Granted                     | 145,000              | 0.30                                      |
| Cancelled                   | (407,500)            | 1.40                                      |
| Balance, September 30, 2014 | 275,000              | 0.67                                      |

A summary of the Company's outstanding stock options at September 30, 2014 is presented below:

| <i>Exercise price</i> | <i>Expiry date</i> | <i>Options<br/>outstanding</i> | <i>Options<br/>exercisable</i> |
|-----------------------|--------------------|--------------------------------|--------------------------------|
| C\$1.50               | January 18, 2016   | 25,000                         | 25,000                         |
| C\$1.00               | September 4, 2017  | 35,000                         | 23,333                         |
| C\$1.00               | November 26, 2018  | 70,000                         | 23,333                         |
| C\$1.00               | June 30, 2019      | 35,000                         | 11,667                         |
| C\$0.07               | September 1, 2019  | 110,000                        | -                              |
|                       |                    | 275,000                        | 83,333                         |

The weighted average remaining contractual life of outstanding stock options is 3.73 years.

# United Hunter Oil & Gas Corp.

## Notes to Condensed Interim Financial Statements

(expressed in US dollars)  
(Unaudited)

A summary of the stock options granted and the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model is presented below:

|                          | 4-Sep-12 (i) | 26-Nov-13 (i) | 30-Jun-14 (i) | 1-Sep-14 (ii) |
|--------------------------|--------------|---------------|---------------|---------------|
| Options granted          | 35,000       | 70,000        | 35,000        | 110,000       |
| Exercise price           | C\$1.00      | C\$1.00       | C\$1.00       | C\$0.07       |
| Share price              | C\$0.02      | C\$0.005      | C\$0.005      | C\$0.10       |
| Expiry date              | 4-Sep-17     | 26-Nov-18     | 30-Jun-19     | 1-Sep-19      |
| Fair value               | \$4,000      | \$1,000       | \$500         | \$7,700       |
| Risk-free interest rate  | 1.32%        | 1.73%         | 1.53%         | 1.58%         |
| Expected volatility      | 100%         | 100%          | 100%          | 100%          |
| Expected life of options | 5 years      | 5 years       | 5 years       | 5 years       |
| Expected dividend yield  | Nil          | Nil           | Nil           | Nil           |
| Forfeiture rate          | Nil          | Nil           | Nil           | Nil           |

(i) Vesting period is 1/3 on date of grant and 1/3 each in 2 annual instalments

(ii) Vesting 6 months from the date of grant

Expected volatility was based on historical volatility of securities of comparable companies. The weighted-average grant date fair value of stock options granted during year was \$0.05 per stock option (2013 - \$0.10). The weighted-average exercise price of stock options exercisable as of September 30, 2014 was C\$0.67.

### 11. 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.

#### *Cash, accounts receivable, accounts payable and accrued liabilities, due to joint venture partner, loans payable and consideration payable*

The fair values of cash, accounts receivable, accounts payable and accrued liabilities, due to joint venture partner, loans payable and consideration payable are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At September 30, 2014, December 31, 2013 and January 1, 2013, the fair value of these balances approximated their carrying value due to their short term to maturity.

#### *Share-based payments*

Share-based payments are measured using a Black-Scholes options pricing model. Measurement inputs include share price on grant date, exercise price, expected volatility (based on historical volatility of securities of comparable companies), weighted average expected dividends and the risk-free interest rate based on government bonds).

#### *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

# United Hunter Oil & Gas Corp.

## Notes to Condensed Interim Financial Statements

(expressed in US dollars)

(Unaudited)

### 12. 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 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 principally from the Company's cash balances and receivables. The maximum exposure to credit risk is equal to the balances of cash and receivables.

The Company's limits its exposure to credit risk on its cash by holding its cash balances in deposits with a high credit quality Canadian chartered bank.

#### **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 and consideration payable are due in less than one year.

#### **Market risk**

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

#### **Currency risk**

Currency risk arises from the Company's financial instruments and purchases that are denominated in a currency other than the US dollar, the Company's functional currency. At September 30, 2014, the Company had the following monetary assets and liabilities denominated in Canadian dollars:

|  | \$            |
|--|---------------|
| <b>Assets</b>                            |               |
| Cash                                     | 459,327       |
| Accounts receivable                      | 4,757         |
|  | <hr/> 464,084 |
| <b>Liabilities</b>                       |               |
| Accounts payable and accrued liabilities | 72,896        |
|  | <hr/> 72,896  |

As at September 30, 2014, a 5% change in the exchange rate between the US dollar and Canadian dollar would have resulted in an impact on operations of \$19,559.

# United Hunter Oil & Gas Corp.

## Notes to Condensed Interim Financial Statements

(expressed in US dollars)

(Unaudited)

### **Interest rate risk**

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 oil and gas 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. 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.

### **13. Revenues**

For the period ended September 30, 2014, revenues of \$nil (2013 - \$92,489).

### **Related party transactions**

|   | <b>9 months ended September 30,</b> |             |
|---|-------------------------------------|-------------|
|   | <b>2014</b>                         | <b>2013</b> |
|   | <b>\$</b>                           | <b>\$</b>   |
| <b>Royalties</b>  |                                     |             |
| Payable to 2 former directors                               | -                                   | 1,888       |
| <b>Legal fees</b>   |                                     |             |
| Payable to a firm, of which, a former director is a partner | -                                   | 23,541      |

### **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,</b> |                |
|---|-------------------------------------|----------------|
|   | <b>2014</b>                         | <b>2013</b>    |
|   | <b>\$</b>                           | <b>\$</b>      |
| Salaries  | 36,674                              | 94,913         |
| Share-based payments, representing amortization of share-based compensation | 4,604                               | 34,171         |
|   | <u>41,278</u>                       | <u>129,084</u> |

At September 30, 2014, salaries of \$18,000 in Canadian dollars have not been paid.



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

## **Notes to Condensed Interim Financial Statements**

(expressed in US dollars)  
(Unaudited)

### **Legal Contingencies**

In the normal course of operations, certain contingencies may arise relating to legal actions undertaken against the Company. In the opinion of management, the outcome of such potential legal actions will not have a material adverse effect on the Company's results of operations, liquidity or its financial position.