Unaudited Interim Condensed Consolidated Financial Statements of

HUNTER OIL CORP.

Nine Months Ended September 30, 2018 and 2017

HUNTER OIL CORP.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated condensed financial statements of the Company have been prepared by management and approved by the Board of Directors of the Company.

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

November 27, 2018

HUNTER OIL CORP.

Condensed Consolidated Balance Sheets (Unaudited)
(all amounts expressed in thousands of US dollars)

	As of September 30, 2018		As of December 31, 2017	
Assets				
Current assets				
Cash and cash equivalents	$	3,919	$	75
Receivables		590		110
Prepaid expenses and other deposits		11		138
Total current assets		4,520		323
Non-current assets				
Exploration and evaluation assets		-		180
Property and equipment, net		11		33,493
Other long-term assets		131		-
Restricted cash		26		2,342
Total non-current assets		168		36,015
Total Assets	$	4,688	$	36,338
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	$	2,321	$	1,125
Short-term loan payable		263		-
Asset retirement obligations		-		349
Total current liabilities		2,584		1,474
Asset retirement obligations		-		12,751
Total liabilities		2,584		14,225
Shareholders' equity				
Equity instruments		111,706		126,626
Contributed surplus		9,294		9,256
Accumulated deficit		(118,896)		(113,769)
Total shareholders' equity		2,104		22,113
Total Liabilities and Shareholders' Equity	$	4,688	$	36,338

See accompanying notes to unaudited interim condensed consolidated financial statements.

Approved and authorized for issuance by the Board of Directors on November 27, 2018:

/s/ Srinivas Polishetty
Srinivas Polishetty
Director

/s/ Andrew Hromyk
Andrew Hromyk
Director

HUNTER OIL CORP.

Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)
(all amounts expressed in thousands of US dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues				
Oil and gas sales	$ -	$ -	$ -	$ -
Less: Royalties	-	-	-	-
Revenues, net of royalties	-	-	-	-
Expenses				
General and administrative	133	71	325	147
Management fees and consulting	61	86	234	329
Other, net	53	-	49	(1)
Stock-based compensation	15	-	24	-
Foreign currency translation (gain) loss	(18)	19	(20)	20
Total expenses	244	176	612	495
Net loss from continuing operations	(244)	(176)	(612)	(495)
Discontinued Operations (Note 15)	(2,422)	(429)	(4,515)	(1,718)
Net loss and comprehensive loss for the period	$ (2,666)	$ (605)	$ (5,127)	$ (2,213)
Loss per share - basic and diluted	$ (0.20)	$ (0.07)	$ (0.44)	$ (0.27)

See accompanying notes to unaudited interim condensed consolidated financial statements.

HUNTER OIL CORP.

Condensed Consolidated Statements of Shareholders' Equity (Unaudited)
(all amounts, except common shares, expressed in thousands of US dollars)

	Number of Common Shares September 30,		September 30,	
	2018	2017	2018	2017
Total Shareholders' Equity, beginning balances			$ 22,113	$ 25,301
Equity Instruments (Common Shares)				
Balance, January 1	8,070,871	8,070,871	126,626	126,628
Issued stock, no par value	5,000,000	-	1,540	-
Issued stock from exercise of options, no par value	190,000	-	116	-
Offering costs	-	-	-	(2)
Return of capital	-	-	(16,576)	-
Balance, September 30	13,260,871	8,070,871	111,706	126,626
Contributed Surplus				
Balance, January 1			9,256	9,256
Fair value of stock option grants			96	-
Fair value of stock options settled for cash			(58)	-
Balance, September 30			9,294	9,256
Accumulated Deficit				
Balance, January 1			(113,769)	(110,583)
Net loss			(5,127)	(2,213)
Balance, September 30			(118,896)	(112,796)
Total Shareholders' Equity, ending balances			$ 2,104	$ 23,086

See accompanying notes to unaudited interim condensed consolidated financial statements.

HUNTER OIL CORP.

Condensed Consolidated Statements of Cash Flows (Unaudited)
(all amounts expressed in thousands of US dollars)

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Cash provided by (used in):		
Operating activities		
Net loss for the period from continuing operations	$ (612)	$ (495)
Add (deduct) non-cash items:		
Foreign currency translation (gain) loss	(20)	20
Stock-based compensation	24	-
Non-cash other expense	13	-
Total non-cash items	(595)	(475)
Asset retirement expenditures	-	-
Changes in working capital	1,263	66
Cash used in operations - continuing operations	668	(409)
Cash used in operations - discontinued operations	(3,612)	(68)
	(2,944)	(477)
Investing activities		
Investing in other long term assets	(131)	-
Proceeds on sale of discontinued operations	21,593	-
Property and equipment expenditures	(4)	-
Cash provided by (used in) investing activities - continuing operations	21,458	-
Cash provided by (used in) investing activities - discontinued operations	-	(490)
	21,458	(490)
Financing activities		
Proceeds from private placement funding	1,540	-
Proceeds of stock options	116	-
Proceeds of short term loan	250	-
Capital distribution	(16,576)	-
Offering costs on private placement funding	-	(2)
Cash provided by (used in) financing activities - continuing operations	(14,670)	(2)
Cash provided by (used in) financing activities - discontinued operations	-	-
	(14,670)	(2)
Change in cash and cash equivalents	3,844	(969)
Cash and cash equivalents, beginning of the period	75	1,050
Cash and cash equivalents, end of period	$ 3,919	$ 81

See accompanying notes to unaudited interim condensed consolidated financial statements.

1. Reporting Entity and Description of Business

Hunter Oil Corp. (the "Company") is incorporated in British Columbia, Canada and is engaged in the business of acquiring and developing crude oil and natural gas properties. On August 31, 2018 the Company disposed of all of its business operations (See Note 15). The Company is currently evaluating potential interests in oil and gas properties and other business opportunities in the oil and gas industry.

Common shares of the Company are listed on the TSX Venture Exchange ("TSX-V") under the symbol "HOC" and quoted on the OTCQX under the symbol "HOILF". The Company's head office is located at Suite 940, 1040 West Georgia Street, Vancouver, British Columbia, V6E 4H1 Canada.

2. Liquidity and Continuance of Operations

These unaudited interim condensed consolidated financial statements are prepared on the basis that the Company will continue to operate as a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the twelve-month period following the date of these consolidated financial statements. The Company has an accumulated deficit of $119 million and a working capital of $1.9 million as at September 30, 2018.

Although the Company has no current operations nor operating remaining assets, other than cash, the board of directors is actively seeking a transaction(s) whereby it will continue as a going concern. Therefore, these financial statements are presented on a going concern basis of accounting.

3. Basis of Presentation and Summary of Significant Accounting Policies

Statement of Compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim condensed financial statements, including International Accounting Standard 34, "Interim Financial Reporting." Except for the two standards it adopted on January 1, 2018 (see "Changes to Significant Accounting Policies" below), the Company has consistently applied the same accounting policies as those set out in the audited consolidated financial statements for the year ended December 31, 2017, which are available on the Company's website at www.hunteroil.com. Certain disclosures included in the notes to the annual consolidated financial statements have been condensed in the following note disclosures or have been disclosed on an annual basis only. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS as issued by the IASB.

(All amounts in thousands of US dollars unless otherwise indicated)

The accounting policies applied in these unaudited interim consolidated financial statements are based on IFRS issued and outstanding as of November 27, 2018, the date the Company's Board of Directors approved the statements.

The accompanying unaudited interim condensed consolidated financial statements include all adjustments, composed of normal recurring adjustments, considered necessary by management to fairly state the Company's results of operations, financial position and cash flows. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. Accordingly, actual results may differ from these estimates.

Basis of Presentation

Functional Currency – These unaudited interim condensed consolidated financial statements are presented in United States dollars, unless otherwise indicated. All references to $ are to United States dollars and references to C$ are to Canadian dollars.

Basis of Measurement and Estimation Uncertainty – The unaudited interim condensed consolidated financial statements are prepared on a historical cost basis except as detailed in the Company's accounting policies disclosed in this note. The timely preparation of the unaudited interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the unaudited interim condensed consolidated financial statements, and the amount of revenues and expenses. Accordingly, actual results may differ from these estimates.

Principles of Consolidation and Presentation – The unaudited interim condensed consolidated financial statements of the Company include the financial information of Hunter Oil Corp. (the "Parent Company") and its wholly-owned subsidiaries. The following table lists the Company's principal operating subsidiaries, their jurisdiction of incorporation and its percentage ownership of their voting securities as of the date of this report:

Subsidiary Name	Jurisdiction	Company Ownership
Hunter Oil Management Corp.	Florida, USA	100%
Hunter Ventures Corp.	Delaware, USA	100%
Hunter Oil Resources Corp.	Delaware, USA	100%
Hunter Oil Production Corp.	Florida, USA	100%
Ridgeway Arizona Oil Corp. (1)	Arizona, USA	100%
EOR Operating Company (1)	Texas, USA	100%
Milnesand Minerals Inc. (2)	Delaware, USA	100%
Chaveroo Minerals Inc. (2)	Delaware, USA	100%
Hunter Ranch Corp.	Delaware, USA	100%

(1) Results of discontinued operations included to August 31, 2018 (See Note 15). Subsidiaries sold as disposal of discontinued operations.

(2) Results of discontinued operations. Assets and liabilities of each subsidiary sold as part of discontinued operations (See Note 15).

Changes to Significant Accounting Policies

IFRS 9: Financial Instruments

The complete version of *IFRS 9* was issued in July 2014. It replaced guidance in *International Accounting Standard* ("*IAS*") *39, Financial Instruments: Recognition and Measurement,* that relates to the classification and measurement of financial instruments. *IFRS 9* retains, but simplifies, the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit and loss (P&L). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in *IAS 39*. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. *IFRS 9* relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under *IAS 39.* Hunter Oil retrospectively adopted *IFRS 9* on January 1, 2018. Due to the short-term and/or liquid nature of its financial assets and financial liabilities, the adoption had no impact on the amounts recognized in the Company's unaudited interim condensed consolidated financial statements for the nine months ended September 30, 2018.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. In accordance with *IFRS 15*, the Company recognizes revenue when it satisfies a performance obligation (when control of the commodities is transferred to the purchaser). The standard replaces *IAS 18, Revenue,* and *IAS 11, Construction Contracts,* and related interpretations. On January 1, 2018, Hunter Oil adopted *IFRS 15* using the modified retrospective approach with a practical expedient that allows the Company to avoid re-considering the accounting for any sales contracts that were completed prior to the adoption date and were previously accounted for under *IAS 18*. The adoption had no impact on the Company's unaudited interim condensed consolidated financial statements for the nine months ended September 30, 2018.

(All amounts in thousands of US dollars unless otherwise indicated)

4. Future Accounting Pronouncements

The following new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2019, and have not been applied in preparing these consolidated financial statements.

IFRS 16: Leases

This new standard replaces *IAS 17 Leases* and the related interpretative guidance. *IFRS 16* applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, *IFRS 16* introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted *IFRS 15*. The Company has not fully assessed the impact of *IFRS 16* on the financial statements but does not expect the impact to be significant.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

5. Restricted Cash

Restricted cash is comprised of cash escrowed amounts and certificates of deposit at banks which are pledged either to secure a well site reclamation project in Canada.

The following table summarizes restricted cash balances:

	September 30, 2018	December 31, 2017
Bank deposits pledged to secure asset retirement obligations	$ 26	$ 2,342

6. Receivables

The Company's receivables were comprised primarily of final payment of proceeds from the purchaser on the sale of the Company's discontinued operations (See Note 15). Management does not consider any of the receivable balances to be impaired.

7. Other Long-Term Assets

The Company's long-term assets as at September 30, 2018 were comprised of investments in industry domains, for which the Company is seeking potential new business ventures. Management does not consider any of these assets to be impaired.

(All amounts in thousands of US dollars unless otherwise indicated)

8. Exploration and Evaluation Assets

Exploration and evaluation asset activity for the nine months ended September 30, 2018, was as follows:

		Oil and Gas Properties
Balance, December 31, 2017	**$**	**180**
Additions		-
Impairment loss		(5)
Dispositions		(175)
Balance, September 30, 2018	**$**	**-**
Net book value:		
December 31, 2017	$	180
September 30, 2018	$	-

On August 31, 2018 the Company sold primarily all of its oil and gas properties (See Note 15).

9. Property and Equipment

Property and equipment activity for the nine months ended September 30, 2018, was as follows:

		Oil and Gas Properties		Other [1]		Total
Balance, December 31, 2017	**$**	**37,817**	**$**	**134**	**$**	**37,951**
Additions		29		-		29
Dispositions		(37,846)		(115)		(37,961)
Balance, September 30, 2018	**$**	**-**	**$**	**19**	**$**	**19**
Accumulated depreciation and depletion:						
Balance, December 31, 2017	**$**	**(4,395)**	**$**	**(63)**	**$**	**(4,458)**
Depreciation and depletion		(404)		(16)		(420)
Dispositions		5,810		74		5,884
Impairment loss		(1,011)		(3)		(1,014)
Balance, September 30, 2018	**$**	**-**	**$**	**(8)**	**$**	**(8)**
Net book value:						
December 31, 2017	$	33,422	$	71	$	33,493
September 30, 2018	$	-	$	11	$	11

(1) The "Other" column aggregates long-term, depreciable assets (e.g., Property, Plant, and Equipment, Furnitures and Fixtures) not included in the aggregated amounts listed either in Note 8 - Exploration and Evaluation Assets or in the "Oil and Gas Properties" column listed above.

10. Impairment Loss

IAS 36, Impairment of Assets, requires an entity to assess at the end of each reporting period, or sooner if economic factors and circumstances dictate it, whether or not there is any indication that a cash generating unit (an "asset") may be impaired.

On August 1, 2018, the Company entered a Purchase and Sale Agreement (the "PSA") with Pacific Energy Development Corp. to sell substantially all of its oil and gas operations and related assets and asset retirement obligations (the "Assets") for an aggregated purchase price of $21.3 million, subject to certain post-closing adjustments (see Note 15 – Discontinued Operations).

During the second quarter of 2018, the Company recognized $1.01 million in asset impairments relating to the future sale of its exploration and evaluation assets and property and equipment. The impairment has been reclassified as part of Discontinued Operations.

11. Asset Retirement Obligations

The Company no longer has any asset retirement obligations. These obligations resulted from the ownership interests in oil and gas properties including well sites and gathering systems. These obligations were assumed by the purchaser with the sale of the respective oil and gas properties. The previously recognized asset retirement obligations have been reclassified as part of sale of assets in discontinued operations (See Note 15).

12. Accounts Payable and Accrued Liabilities

The Company's account payable and accrued liabilities at September 30, 2018, and December 31, 2017, were $2.3 million and $1.1 million respectively. This included an accrued liability in the amount of $2.1 million related to shareholder distributions that were either not cashed or were electronically processed subsequent to September 30, 2018.

13. Equity Instruments

Authorized Shares – The Company is authorized to issue an unlimited number of common shares of no par value and up to 25 million preferred shares of no par value.

Issued and Outstanding – The Company had 8,070,871 common shares outstanding at December 31, 2017. During the nine months ended September 30, 2018, the Company issued 5,000,000 common shares in connection with a private placement and 190,000 shares on exercise of stock options. The Company had 13,260,871 and 8,070,871 common shares outstanding at September 30, 2018 and 2017, respectively. During the period ended September 30, 2018, the Company declared a capital distribution of $16.58 million at a price of $1.25 per share. As of September 30, 2018, $2.1 million of payments remained to be processed or cheques cashed.

Stock option plan – The Company has a stock option plan under which up to 10% of the number of outstanding common shares may be reserved for issuance as of any particular stock option grant date. On May 17, 2018, the Company granted 1,250,000 stock options to key personnel and consultants for services provided to the Company. These options were granted with a one-year vesting period and a five-year expiry. The option prices for all outstanding options are denominated in Canadian dollars (C$), the trading currency of the Company's common shares.

With the sale of the Company's operations during the quarter, this trigged an accelerated vesting event with respect to the options. The Company concluded certain agreements to cancel outstanding options in conjunction with the sale of the business. All issued stock options were either cancelled or exercised during the period. As at September 30, 2018 the Company has no stock options outstanding.

The Company's option activity during the first nine months of 2018 was as follows (number of options in thousands):

	Number of Options	Weighted-Average Exercise Price (C$)
Oustanding, December 31, 2017	-	
Granted	1,250	$ 0.80
Exercised	(190)	0.80
Cancelled	(1,060)	0.80
Outstanding, September 30, 2018	-	

Earnings per share – The weighted average number of shares outstanding that was used for purposes of the computation of basic per share data for the nine-month period ended September 30, 2018, were 11,768,307 and 13,118,697, respectively. The weighted average number of shares outstanding that was used for purposes of the computation of basic per share data for the nine-month period and three-month period ended September 30, 2017, were both 8,070,871. Since the Company incurred a net loss for both periods, no common stock equivalents were included in the computation of diluted earnings per share as their inclusion would have been anti-dilutive.

Stock-Based Compensation – The Company records stock-based compensation expense in the consolidated financial statements for stock options granted using the fair value method. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model. Depending on the terms of vesting for each option, compensation expense is recognized over the vesting period, which ranges from vesting on the day of the grant to vesting after one year. On May 17, 2018, the Company granted 1,250,000 stock options to key personnel and consultants for services provided to the Company. The Company recognized approximately $0.10 million in stock-based compensation expense on the options that vested during the nine-month period ending September 30, 2018. The compensation expense was based on the estimated fair value of the options on the grant date in accordance with the fair value method of accounting for stock-based compensation.

(All amounts in thousands of US dollars unless otherwise indicated)

The estimated fair value of share options issued and outstanding as at September 30, 2018, was determined using the Black Scholes option-pricing model with the following weighted average assumptions:

Risk-free interest rate	2.27%
Expected option life	5 years
Volatility in the price of the Company's shares	178%
Estimated forfeiture rate	nil
Dividend yield	nil

In addition, the Company entered into agreements to cancel various stock options in connection with the sale of its discontinued operations. The cancelation constituted a share-based payment and as a result any cash payments made in excess of the previously vested and expensed stock-based compensation was expensed. The Company recorded an expense of $0.5 million in relation to the settlement of various stock options during the nine months ended September 30th, 2018. As the settlement related to the sold operations these amounts have been included in discontinued operations.

Private Placement - On March 13, 2018, the Company closed a non-brokered private placement of 5,000,000 common shares of the Company at a price of C$0.40 per share to raise gross proceeds of C$2.0 million (USD $1.54 million).

14. Related Party Transactions

During the nine months ended September 30, 2018, the Company incurred expenses from transactions with the three related parties identified below.

Century Capital Management

Pursuant to a management services agreement with Century Capital Management Ltd., a company controlled by the Company’s Executive Chairman, the Company incurred approximately $0.18 million and $0.18 million in management fees, office rent and office expenses during the nine months ended September 30, 2018 and 2017, respectively. The services under the Agreement are provided at $0.24 million per year, payable monthly. On July 27, 2018, in conjunction with the closing on the sale of the Company’s discontinued operations, Century agreed to terminate its management services agreement effective September 30, 2018 and agreed to accept the sum of $0.25 million in settlement of the change of control payment due under the agreement. In addition, the Executive Chairman agreed to surrender all stock options.

Al H. Denson

On June 15, 2018, the Company entered into a management services agreement with its new Chief Executive Officer to provide management consulting services for a period of two years after the effective date of the contract. Compensation for services under the agreement are provided at $0.24 million per year, payable monthly. Mr. Denson was also granted 500,000 stock options. Pursuant to the agreement, the Company incurred approximately $0.06 million in management fees during the nine months ended September 30, 2018.

On July 27, 2018, in conjunction with the closing on the sale of the Company's discontinued operations, Mr. Denson agreed to terminate the management services agreement effective September 30, 2018, to accept the sum of $0.25 million in settlement of the certain change of control payments due under the agreement. In addition, Mr. Denson agreed to surrender 250,000 (50%) of his options. The Company subsequently entered into an agreement to purchase and cancel the remaining stock options (See Note 13) for an agreed upon amount of $0.18 million.

Mark Strawn

On June 15, 2018, the Company entered into a management services agreement with its new Vice President to provide management consulting services for a period of two years after the effective date of the contract. Compensation for services under the agreement are provided at $0.18 million per year, payable monthly. Mr. Strawn was also granted 250,000 stock options. Pursuant to the agreement, the Company incurred approximately $0.05 million in management fees during the nine months ended September 30, 2018.

On July 27, 2018, in conjunction with the closing on the sale of the Company's discontinued operations, Mr. Strawn agreed to terminate the management service agreement effective September 30, 2018, and to accept the sum of $0.25 million in settlement of the certain change of control payments due under the agreement. The Company subsequently entered into an agreement to purchase and cancel the remaining stock options (See Note 13) for an agreed upon amount of $0.18 million.

(All amounts in thousands of US dollars unless otherwise indicated)

15. Discontinued Operations

On August 31, 2018, the Company closed a Purchase Sale Agreement with Pacific Energy Development Corp. (the "Purchaser") in which certain subsidiaries of the Company sold (the "Transaction") substantially all of the Company's oil and gas operations and related assets (the "Assets") located in the Permian Basin, eastern New Mexico, for an aggregate purchase price of $21.3 million. The Purchaser also agreed to assume all retirement obligations associated with the Assets. The purchase price is subject to certain normal course adjustments, and a holdback of $500,000 remains payable to the Company in two equal tranches on November 29, 2018 and January 28, 2019, has been recorded as a receivable by the Company as at September 30, 2018.

The gain/loss on discontinued operations consists of the following:

	Nine Months Ended September 30, 2018
Proceeds on sale	$ 21,593
Net book value of assets sold & liabilities assumed	33,930
Provisions for asset retirement obligation	(12,309)
Net asset value	21,621
Loss on sale of assets	$ (28)

(All amounts in thousands of US dollars unless otherwise indicated)

The results of discontinued operations are as follows:

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Revenues		
Oil and gas sales	$ 1,442	$ 1,185
Less: Royalties	(302)	(248)
Revenues, net of royalties	1,140	937
Expenses		
Operating and production costs	733	802
Workover expenses	225	49
General and administrative	2,447	965
Loss on disposition of assets	-	35
Depreciation and depletion	404	471
Accretion	277	329
Other, net	58	4
Stock-based compensation	472	-
Impairment loss	1,011	-
Total expenses	5,627	2,655
Net loss for the period	$ (4,487)	$ (1,718)

Loss from Discontinued Operations:

Results from discontinued operations	$ (4,487)
Loss on disposal of assets	(28)
Loss from discontinued operations	$ (4,515)

(All amounts in thousands of US dollars unless otherwise indicated)

16. Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The following table summarizes compensation paid or payable to officers and directors of the Company, including the Board of Directors, the Executive Chairmen, the Chief Executive Officer, the Vice President and the Chief Financial Officer:

	Nine Months Ended	
	2018	**2017**
Salaries, bonuses, benefits and fees (1)	$ 54	$ 54
Stock-based compensation	24	-
Change of control payment	250	-
Management fees	180	180
Total compensation	$ 508	$ 234

(1) Amounts related to discontinued operations are excluded for current and comparative figures

The Company had $0.02 million and $Nil recorded in accounts payable at September 30, 2018 and 2017, respectively, in relation to transactions with key management. These amounts were incurred during the normal course of business, are included in general and administrative expenses and are non-interest bearing, unsecured and due on demand.

17. Fair Value Measurements

Fair value estimates are made at a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and often cannot be determined with precision. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Values are based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.

- Level 2 – Values are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in level 2 are either directly or indirectly observable as of the reporting date.

- Level 3 – Values are based on prices or valuation techniques that are not based on observable market data.

The Company has determined that the carrying value of its short-term financial assets and liabilities (cash and cash equivalents, receivables, accounts payable and accrued liabilities) approximates fair value at the consolidated balance sheet dates due to the short-term maturity of these instruments.

18. Risk Management

The resource industry is highly competitive and, in addition, exposes the Company to a number of risks. Resource exploration and development involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. It is also highly capital intensive and the ability to complete a development project may be dependent on the Company's ability to raise additional capital. In certain cases, this may be achieved only through joint ventures or other relationships, which would reduce the Company's ownership interest in the project. There is no assurance that development operations will prove successful.

Risks Associated with Financial Assets and Liabilities – The Company is exposed to financial risks arising from its financial assets and liabilities. Financial risks include market risks (such as commodity prices, foreign exchange and interest rates), credit risk and liquidity risk. The future cash flows of financial assets or liabilities may fluctuate due to movements in market prices and the exposure to credit and liquidity risks. Disclosures relating to exposure risk are provided in detail as follows:

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments exposed to concentrations of credit risk are primarily cash and cash equivalents, including restricted cash, and accounts receivable.

The Company's receivables mainly consist of amounts due from one purchaser of its discontinued operations.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. At September 30, 2018, the Company had cash of $3.9 million, excluding restricted cash of $.03 million. The Company is dependent on raising funds by borrowings, equity issues, finance its ongoing operations, capital expenditures and acquisitions. The contractual maturity of the majority of accounts payable is within three months or less. The Company has historically financed its expenditures and working capital requirements through the sale of common stock or, on occasion, through the issuance of short-term debt.

Foreign Exchange Risk

Substantially all of the Company’s assets and expenditures are either denominated in or made with US dollars. As a result, the Company has very limited exposure to foreign exchange risk in relation to existing commitments or assets denominated in a foreign currency. The Company has chosen not to enter into any foreign exchange contracts since its Canadian dollar working capital balances are not significant to the consolidated entity.

(All amounts in thousands of US dollars unless otherwise indicated)

Commodity Price Risk

The Company is no longer exposed to commodity price risk following the sale of its discontinued operations. The Company has no derivative contracts in place at September 30, 2018.

19. Supplemental Cash Flow Information

The (increase)/decrease in working capital is comprised of:

	September 30, 2018		September 30, 2017	
Receivables	$	(578)	$	(3)
Prepaid expenses and deposits		(11)		(28)
Accounts payable and accrued liabilities		1,852		97
Total	$	1,263	$	66