



Unaudited Interim Condensed Consolidated Financial Statements of

**HUNTER OIL CORP.**

Nine Months Ended September 30, 2017 and 2016

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 29, 2017

# HUNTER OIL CORP.

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

	<u>As of September 30,</u> <u>2017</u>	<u>As of December 31,</u> <u>2016</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 81	\$ 1,050
Receivables	110	166
Subscriptions receivable	-	453
Pepaid expenses and other deposits	514	522
Total current assets	<u>705</u>	<u>2,191</u>
Non-current assets		
Exploration and evaluation assets	180	64
Property and equipment, net	39,180	38,947
Restricted cash	2,340	2,340
Total non-current assets	<u>41,700</u>	<u>41,351</u>
Total Assets	<u>\$ 42,405</u>	<u>\$ 43,542</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 901	\$ 474
Asset retirement obligations	648	527
Total current liabilities	<u>1,549</u>	<u>1,001</u>
Asset retirement obligations	17,770	17,240
Total liabilities	<u>19,319</u>	<u>18,241</u>
Shareholders' equity		
Equity instruments	126,626	126,628
Contributed surplus	9,256	9,256
Accumulated deficit	(112,796)	(110,583)
Total shareholders' equity	<u>23,086</u>	<u>25,301</u>
Total Liabilities and Shareholders' Equity	<u>\$ 42,405</u>	<u>\$ 43,542</u>

See accompanying notes to unaudited interim condensed consolidated financial statements.

Approved by the Board of Directors:

/s/ Al H. Denson

Al H. Denson  
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		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Revenues				
Oil and gas sales	\$ 381	\$ 407	\$ 1,185	\$ 960
Less: Royalties	(80)	(95)	(248)	(212)
Revenues, net of royalties	301	312	937	748
Expenses				
Operating and production costs	242	282	802	630
Workover expenses	-	198	49	239
General and administrative	398	704	1,441	1,871
Loss on disposition of assets	13	-	35	45
Depreciation and depletion	147	194	471	557
Accretion	108	83	329	274
Financing costs and other, net	(21)	(8)	3	(4)
Foreign currency translation loss	19	6	20	6
Total expenses	906	1,459	3,150	3,618
Net comprehensive loss for the period	\$ (605)	\$ (1,147)	\$ (2,213)	\$ (2,870)
Loss per share - basic and diluted	\$ (0.07)	\$ (0.20)	\$ (0.27)	\$ (0.50)

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,	
	2017	2016	2017	2016
<b>Total Shareholders' Equity, beginning balances</b>			\$ 25,301	\$ 26,810
<b>Equity Instruments (Common Shares)</b>				
Balance, January 1	8,070,871	1,600,871	126,628	124,166
Issued stock, no par value	-	6,470,000	-	2,500
Offering costs	-	-	(2)	-
Balance, September 30	8,070,871	8,070,871	126,626	126,666
<b>Contributed Surplus</b>				
Balance, January 1			9,256	9,256
Balance, September 30			9,256	9,256
<b>Accumulated Deficit</b>				
Balance, January 1			(110,583)	(106,612)
Net loss			(2,213)	(2,870)
Balance, September 30			(112,796)	(109,482)
<b>Total Shareholders' Equity, ending balances</b>			\$ 23,086	\$ 26,440

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,	
	2017	2016
Cash provided by (used in):		
Operating activities		
Net loss for the year	\$ (2,213)	\$ (2,870)
Add (deduct) non-cash items:		
Depreciation and depletion	471	557
Accretion of asset retirement costs	329	274
Loss on disposition of assets	35	45
Foreign currency translation loss	20	6
Non-cash other expense	(7)	(55)
Total non-cash items	(1,365)	(2,043)
Asset retirement expenditures	(58)	(330)
Changes in working capital	946	(102)
Cash used in operations	(477)	(2,475)
Investing activities		
Exploration and evaluation expenditures	(116)	-
Property and equipment expenditures	(374)	(461)
Decreases in restricted cash	-	1,933
Cash provided by (used in) investing activities	(490)	1,472
Financing activities		
Proceeds from private placement funding	-	2,200
Offering costs on private placement funding	(2)	-
Cash provided by (used in) financing activities	(2)	2,200
Change in cash and cash equivalents	(969)	1,197
Cash and cash equivalents, beginning of the period	1,050	1,257
Cash and cash equivalents, end of period	\$ 81	\$ 2,454

See accompanying notes to unaudited interim condensed consolidated financial statements.

# HUNTER OIL CORP.

Notes to Unaudited Interim Condensed Consolidated Financial Statements  
(All amounts in thousands of US dollars unless otherwise indicated)

Nine Months Ended September 30, 2017 and 2016

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## 1. Reporting Entity and Description of Business

Hunter Oil Corp., formerly known as Enhanced Oil Resources Inc., was incorporated in British Columbia, Canada and is engaged, through its wholly-owned U.S. subsidiaries (collectively referred to as the “Company”) in the acquisition, development, operation and exploitation of crude oil and natural gas properties in the Permian Basin in eastern New Mexico, United States.

Common shares of the Company are listed on the TSX Venture Exchange (“TSX-V”) under the symbol “HOC” and quoted on the OTCQX (“Over the Counter” marketplace) under the symbol “HOILF”. The address of the registered office of the Company is Suite 940, 1040 West Georgia Street, Vancouver, British Columbia, V6E 4H1 Canada.

## 2. Liquidity and Going Concern

While these unaudited interim condensed 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, certain conditions and events cast significant doubt on the validity of this assumption. For the nine months ended September 30, 2017, the Company had negative cash flows from operations of approximately \$0.5 million and, at September 30, 2017, an accumulated deficit of approximately \$112.8 million. The Company also expects to incur further losses during the future development of its business. The Company’s ability to continue as a going concern is dependent upon its ability to generate profitable production and to obtain additional funding from loans or equity financings or through other arrangements. Although the Company has been successful in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

These annual consolidated 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 deemed to be inappropriate. These adjustments could be material.

## 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.” 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, 2016, which are available on the Company’s website at [www.hunteroil.com](http://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 interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

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Notes to Unaudited Interim Condensed Consolidated Financial Statements  
(All amounts in thousands of US dollars unless otherwise indicated)

Nine Months Ended September 30, 2017 and 2016

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The accounting policies applied in these unaudited interim consolidated financial statements are based on IFRS issued and outstanding as of November 29, 2017, 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.

**Reclassifications** – Certain reclassifications have been made to the September 30, 2017, unaudited interim condensed consolidated financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or accumulated deficit.

**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.	Arizona, USA	100%
EOR Operating Company	Texas, USA	100%
Milnesand Minerals Inc.	Delaware, USA	100%
Chaveroo Minerals Inc.	Delaware, USA	100%
Hunter Ranch Corp.	Delaware, USA	100%



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Notes to Unaudited Interim Condensed Consolidated Financial Statements  
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Nine Months Ended September 30, 2017 and 2016

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## 4. Future Accounting Pronouncements

The following new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2018, and have not been applied in preparing these consolidated financial statements.

### *IFRS 9: Financial Instruments*

The complete version of *IFRS 9* was issued in July 2014. It replaced guidance in *IAS 39* 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*. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company has not fully assessed the impact of *IFRS 9* on the financial statements, but does not expect the impact to be significant.

### *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. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Company has not fully assessed the impact of *IFRS 15* on the financial statements, but does not expect the impact to be significant.

### *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.

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## 5. Restricted Cash

Restricted cash is comprised of cash escrowed amounts and certificates of deposit at banks which are pledged either to secure plugging and abandonment obligations for properties operated by the Company's subsidiaries or to secure a well site reclamation project in Canada.

The following table summarizes restricted cash balances:

	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Bank deposits pledged to secure asset retirement obligations	\$ 2,340	\$ 2,340
Short -term	\$ -	\$ -
Long-term	\$ 2,340	\$ 2,340

## 6. Receivables and Subscriptions Receivable

The Company's receivables were comprised of amounts due from crude oil purchasers of \$0.1 million at both September 30, 2017 and December 31, 2016, and other receivables of \$0.1 million at December 31, 2016. The Company's subscriptions receivable was comprised of private placement proceeds held in escrow of \$0.5 million at December 31, 2016. Management does not consider any of the receivable balances to be impaired.

## 7. Prepaid Expenses and Other Deposits

The Company's prepaid expenses were comprised of plugging bonds, insurance, and other short-term assets of \$0.1 million and \$0.2 million at September 30, 2017, and December 31, 2016, respectively. In addition, the Company reported \$0.4 million and \$0.3 million in deferred financing costs directly related to a proposed credit facility at September 30, 2017, and December 31, 2016, respectively. Upon completion of the credit facility, the deferred financing costs will be recorded as a reduction of the related liability and amortized using the effective interest method.

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Notes to Unaudited Interim Condensed Consolidated Financial Statements  
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## 8. Exploration and Evaluation Assets

Exploration and evaluation asset activity for the nine months ended September 30, 2017, was as follows:

	<b>Oil and Gas Properties</b>	
<b>Balance, January 1, 2017</b>	<b>\$</b>	<b>64</b>
Additions		116
<b>Balance, September 30, 2017</b>	<b>\$</b>	<b>180</b>
<b>Net book value:</b>		
January 1, 2017	\$	64
September 30, 2017	\$	180

Exploration and evaluation assets include lands and assets that management has not fully evaluated for technical feasibility and commercial viability. Transfers to property and equipment are made when technical feasibility and commercial viability are determined to exist. During 2017, the Company acquired new acreage in Roosevelt County, New Mexico. The acquisition represents unproved properties with unevaluated potential for primary oil recovery projects and are excluded from the costs subject to depletion and depreciation until proved reserves are attributed to the property.

## 9. Property and Equipment

Property and equipment activity for the period ended September 30, 2017, was as follows:

	<b>Oil and Gas</b>		
	<b>Properties</b>	<b>Other<sup>(1)</sup></b>	<b>Total</b>
<b>Balance, January 1, 2017</b>	<b>\$ 42,623</b>	<b>\$ 342</b>	<b>\$ 42,965</b>
Additions	199	345	544
Dispositions	(189)	(68)	(257)
Change in discount rates of asset retirement obligations	395	-	395
<b>Balance, September 30, 2017</b>	<b>\$ 43,028</b>	<b>\$ 619</b>	<b>\$ 43,647</b>
<b>Accumulated depreciation and depletion:</b>			
<b>Balance, January 1, 2017</b>	<b>\$ (3,826)</b>	<b>\$ (192)</b>	<b>\$ (4,018)</b>
Depreciation and depletion	(438)	(33)	(471)
Dispositions	(1)	23	22
<b>Balance, September 30, 2017</b>	<b>\$ (4,265)</b>	<b>\$ (202)</b>	<b>\$ (4,467)</b>
<b>Net book value:</b>			
January 1, 2017	\$ 38,797	\$ 150	\$ 38,947
September 30, 2017	\$ 38,763	\$ 417	\$ 39,180

- (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.

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Future development costs of \$236.2 million and \$95.6 million for the periods ended September 30, 2017 and 2016, respectively, have been included in the computation of depletion expense. No general and administrative costs have been capitalized with regard to property and equipment.

## 10. Asset Retirement Obligations

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the estimated future obligations associated with the retirement of oil and gas properties:

<b>Balance, January 1, 2017</b>	<b>\$ 17,767</b>
Increase in provision due to change in discount rates	395
Increase in provision due to passage of time (accretion)	329
Increase in provision due to asset addition	10
Decrease in provision due to asset disposition	(25)
Asset retirement costs incurred	(58)
<b>Balance, September 30, 2017</b>	<b>\$ 18,418</b>

The total undiscounted amount of estimated future cash flows required to settle the obligations as of September 30, 2017, is \$27.1 million, which has been discounted using risk free rates from 1.26% to 2.72% and an assumed inflation rate of 1.50%. These obligations are expected to be settled over the next twenty-four years and will be funded from general Company resources at the time of retirement.

At September 30, 2017, the Company estimated asset retirement obligations of \$2.1 million and \$0.9 million for active leases administered by the Bureau of Land Management (BLM) and for active leases administered by the New Mexico Oil Conservation Division (OCD), respectively, in its Milnesand field. In addition, the Company estimated plugging obligations of \$1.6 million and \$9.0 million for active BLM leases and for active OCD leases, respectively, in its Chaveroo field. Total estimated asset retirement obligations for expired leases (all in the Chaveroo field) was \$2.2 million. The following table summarizes the Company's total estimated asset retirement obligation by field at September 30, 2017 and 2016.

	Active Leases		Expired Leases		Facilities	Total Liability
	BLM	OCD	BLM	OCD		
Milnesand Field	\$ 2,055	\$ 912	\$ -	\$ -	\$ 774	\$ 3,741
Chaveroo Field	1,597	8,980	1,116	1,036	1,948	14,677
<b>Balance, September 30, 2017</b>	<b>\$ 3,652</b>	<b>\$ 9,892</b>	<b>\$ 1,116</b>	<b>\$ 1,036</b>	<b>\$ 2,722</b>	<b>\$ 18,418</b>

	Active Leases		Expired Leases		Facilities	Total Liability
	BLM	OCD	BLM	OCD		
Milnesand Field	\$ 2,188	\$ 974	\$ -	\$ -	\$ 827	\$ 3,989
Chaveroo Field	1,767	9,161	1,188	1,284	2,206	15,606
<b>Balance, September 30, 2016</b>	<b>\$ 3,955</b>	<b>\$ 10,135</b>	<b>\$ 1,188</b>	<b>\$ 1,284</b>	<b>\$ 3,033</b>	<b>\$ 19,595</b>

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Notes to Unaudited Interim Condensed Consolidated Financial Statements  
(All amounts in thousands of US dollars unless otherwise indicated)

Nine Months Ended September 30, 2017 and 2016

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The \$0.6 million recorded as current asset retirement obligations at September 30, 2017, represents the amount that the Company anticipates spending over the proceeding twelve calendar months on surface reclamation activities associated with recent asset retirement activities coupled with the estimated cost of asset retirement activities for the next ten wells in its BLM-compliant abandonment program.

## 11. Accounts Payable and Accrued Liabilities

The Company's trade payables at September 30, 2017, and December 31, 2016, were \$0.8 million and \$0.4 million respectively. The Company's accrued liabilities at both September 30, 2017, and December 31, 2016, were \$0.1 million.

## 12. Equity Instruments

**Share Consolidation** – Effective January 21, 2015, the Company implemented a share consolidation on the basis of one new common share for every ten pre-consolidation shares. Effective September 9, 2016, the Company implemented a share consolidation on the basis of one new common share for every ten pre-consolidation shares as of September 9, 2016. Accordingly, all references to the outstanding common shares of the Company in these financial statements have been restated to give effect to the consolidations as if the number of shares were effective for all periods presented.

**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 both September 30, 2017, and September 30, 2016. The Company did not issue shares during the first nine months of 2017.

**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.

As of September 30, 2017, the Company has nil stock options outstanding.

**Earnings per share** – The weighted average number of shares outstanding that was used for purposes of the computation of basic per share data was 8,070,871 and 5,713,319 at September 30, 2017 and 2016, respectively. 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** – No stock-based compensation expense was recognized during the nine months ended September 30, 2017 and 2016, as no options were granted. Stock-based compensation previously recorded by the Company relating to options that have not been exercised is included in contributed surplus.

At September 30, 2017, there were no stock options outstanding.

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Notes to Unaudited Interim Condensed Consolidated Financial Statements  
(All amounts in thousands of US dollars unless otherwise indicated)

Nine Months Ended September 30, 2017 and 2016

## 13. Related Party Transactions

Pursuant to a management services agreement (the “Agreement”) with Century Capital Management (“Century”), a company controlled by the Company’s Chief Executive Officer, the Company incurred approximately \$0.18 million in management fees, office rent and office expenses during the nine months ended September 30, 2017 and 2016, respectively. The services under the Agreement are provided at \$0.24 million per year, payable monthly.

## 14. 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 Chief Executive Officer, and the Chief Financial Officer:

	Nine Months Ended September 30,	
	2017	2016
Salaries, bonuses, benefits and fees	\$ 528	\$ 623
Management fees	180	180
Total compensation	\$ 708	\$ 803

## 15. Commitments and Contractual Obligations

The Company is committed to the following non-cancellable future minimum lease payments, related to an office lease, at September 30, 2017:

2017	\$ 46
2018	42
Total	\$ 88

## 16. 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.

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

## 17. Risk Management

**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 limits its exposure to credit risk with respect to cash equivalents by investing available cash in short-term deposits with Canadian and US banks, principally in overnight money market funds investing in government treasury instruments. The Company's receivables mainly consist of amounts due from sales of its crude oil and natural gas production.

With respect to its crude oil and natural gas production receivables, the Company is the operator of all its property interests and owns the significant majority of the working interest in producing properties.

Receivables related to the sale of crude oil production are with two major reputable marketers and proceeds are collected within approximately 25 days following the month of delivery. The Company produces a limited amount of natural gas which is sold to a reputable purchaser and collections occur within approximately 55 days of the end of any monthly period.

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As described in Note 2 of these consolidated financial statements, management of the Company has assessed that there may be significant doubt regarding the Company's ability to continue as a going concern. 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, 2017, the Company had cash of \$0.1 million, excluding restricted cash of \$2.3 million. The Company is dependent on raising funds by borrowings, equity issues, or asset sales to 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.

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## 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.

## Commodity Price Risk

The Company is exposed to fluctuations in the world commodity prices for its products with a corresponding impact to cash flow. Reduced cash flow may result in lower levels of capital being available for field activity, thus compromising the Company's capacity to grow production while at the same time replacing continuous production declines from existing properties. When the Company forecasts increased debt levels due to capital expenditures exceeding cash flow, it may enter into oil and natural gas hedging contracts in order to provide stability of future cash flow. The Company engages in derivative financial instruments solely to manage its commodity price risk exposure relative to its actual commodity production and not for speculative purposes. The Company has no derivative contracts in place at September 30, 2017.

## 18. Private Placement

On May 13, 2016, the Company closed a private placement of US \$2.5 million. On closing, a total of 6,470,000 common shares was issued at a price of C\$0.50 per share. The private placement proceeds are recorded in equity instruments on the unaudited interim condensed consolidated balance sheet.

## 19. Supplemental Cash Flow Information

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

	September 30, 2017	September 30, 2016
Receivables and subscriptions receivable	\$ 511	\$ 131
Prepaid expenses and deposits	8	(273)
Other non current assets	-	74
Accounts payable and accrued liabilities	427	(34)
Total	\$ 946	\$ (102)
Relating to:		
Operating activities	\$ 946	\$ (102)