Consolidated Financial Statements of

BLACKHAWK RESOURCE CORP.

Periods ended December 31, 2013 and 2012

BLACKHAWK RESOURCE CORP.

February 24, 2014

Management is responsible for the reliability and integrity of these financial statements. The accompanying interim consolidated financial statements have been prepared by management in accordance with International Accounting Standards ("IAS") 34 - Interim Financial Reporting and are in accordance with International Financial Reporting Standards ("IFRS"). The interim consolidated financial statements are presented in Canadian Dollars.

The accompanying interim consolidated financial statements have been prepared using policies and procedures established by management and reflect fairly the Corporation's financial position, results of operations and changes in financial position, within reasonable limits of materiality and within the framework of the accounting policies outlined in the notes to the interim consolidated financial statements. Management has established and maintains a system of internal controls which is designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board, which is composed of a majority of non-management directors. The Audit Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the consolidated financial statements and to recommend approval of the consolidated financial statements to the Board.

The following interim consolidated financial statements are unaudited.

Signed *"David Antony"*
David Antony, CEO

Signed *"Charidy Lazorko"*
Charidy Lazorko, CFO

BLACKHAWK RESOURCE CORP.

Interim Consolidated Statement of Financial Position
(Unaudited)

As at	December 31, 2013	June 30, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 3,038,220	$ 3,136,429
Trade and other receivables (notes 3 and 11(a))	233,481	279,498
Prepaid expenses and deposits	32,614	33,192
	3,304,315	3,449,119
Property, plant and equipment (note 5)	275,370	478,581
	$ 3,579,685	**$ 3,927,700**
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables (notes 11(b))	$ 72,204	$ 341,337
Decommissioning liabilities (note 6)	502,277	539,548
	574,481	880,885
Shareholders' equity		
Share capital (note 7)	6,405,065	6,405,065
Contributed surplus	743,475	727,548
Deficit	(4,143,336)	(4,085,798)
	3,005,204	3,046,815
	$ 3,579,685	**$ 3,927,700**

See accompanying notes to the interim consolidated financial statements.

Approved for issuance by the Board of Directors on February 24, 2014

Signed *"Raymond Antony"*
Raymond Antony, Director

Signed *"Michael Bowie"*
Michael Bowie, Director

BLACKHAWK RESOURCE CORP.

Interim Consolidated Statements of Comprehensive loss
(Unaudited)

	3 months		6 months	
December 31,	**2013**	**2012**	**2013**	**2012**
Revenue				
Oil and natural gas revenue	$ 295,338	$ 199,645	$ 609,151	$ 408,685
Less: royalties	(101,458)	(36,789)	(170,758)	(65,485)
Other revenue (note 3 and 4)	253,940	225,000	255,071	225,000
	447,820	387,856	693,464	568,200
Expenses				
Depletion	96,929	158,388	168,153	330,809
Gain on sale of property, plant and equipment	(5,846)	–	(5,846)	–
Field operating expenses	84,021	124,224	211,142	244,749
Transportation costs	(6,131)	7,013	14,587	14,574
General and administrative	195,344	78,841	258,280	156,828
Professional fees	102,600	22,049	123,302	33,489
Stock based compensation	15,927	16,947	15,927	44,989
Finance costs (note 8)	(17,904)	3,866	(34,543)	9,120
	464,940	411,328	751,002	834,558
Net comprehensive loss	**$ (17,120)**	**$ (23,472)**	**$ (57,538)**	**$ (266,358)**
Loss per share (note 9):				
Basic	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)
Diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)

See accompanying notes to the interim consolidated financial statements.

BLACKHAWK RESOURCE CORP.

Interim Consolidated Statements of Changes in Equity
(Unaudited)

As at		December 31, 2013		December 31, 2012
Share capital				
Balance, beginning of period	$	6,405,065	$	6,405,065
Balance, end of period		6,405,065		6,405,065
Contributed surplus				
Balance, beginning of period		727,548		680,553
Stock based compensation		15,927		44,989
Balance, end of period		743,475		725,542
Deficit				
Balance, beginning of period		(4,085,798)		(2,848,634)
Net loss		(57,538)		(266,358)
Balance, end of period		(4,143,336)		(3,114,992)
Shareholders' equity	**$**	**3,005,204**	**$**	**4,015,615**

See accompanying notes to interim consolidated financial statements.

BLACKHAWK RESOURCE CORP.
Interim Consolidated Statements of Cash Flows
(Unaudited)

	3 Month		6 Month	
December 31,	**2013**	**2012**	**2013**	**2012**
Cash provided by (used in):				
Operations:				
Income (loss) from operations	$ (17,120)	$ (23,472)	$ (57,538)	$ (266,358)
Items not affecting cash:				
Depletion	96,929	158,388	168,153	330,809
Gain on sale of property, plant and equipment	(5,846)	–	(5,846)	–
Stock based compensation	15,927	16,947	15,927	44,989
Finance costs	1,670	2,641	3,689	5,283
	97,406	154,504	130,231	114,723
Change in non-cash operating working capital:				
Decrease (increase) in accounts receivable	66,222	(147,635)	46,017	(130,828)
Decrease (increase) in prepaid expenses and deposits	(10,422)	8,243	578	19,664
Decrease in accounts payable and accrued liabilities	(103,778)	(311,585)	(269,133)	(401,593)
	49,428	(296,473)	(92,307)	(398,033)
Financing:				
Note receivable	1,667,936	–	–	–
	1,667,936	–	–	–
Investments:				
Property, plant and equipment	(5,863)	(427)	(5,903)	(780)
	(5,863)	(427)	(5,903)	(780)
Net change in cash and cash equivalents	1,711,501	(296,900)	(98,210)	(398,813)
Cash and cash equivalents, beginning of period	1,326,719	3,967,330	3,136,429	4,069,243
Cash and cash equivalents, end of period	**$ 3,038,219**	**$3,670,430**	**$3,038,219**	**$ 3,670,430**

Supplemental cash flow information:				
Interest income	$ 20,369	$ –	$ 39,409	$ 560
Interest paid	$ 618	$ 876	$ 618	$ 3,925

See accompanying notes to interim consolidated financial statements.

1. General information:

Blackhawk Resource Corp. and its subsidiaries (collectively "Blackhawk" or "the Corporation") was incorporated under the Business Corporations Act (Alberta) on March 25, 1986. The Corporation is primarily engaged in the exploration and production of oil and natural gas in Western Canada.

The Corporation's registered office is located at Suite 650, 816 7th Ave SW, Calgary, Alberta, T2P 1A1.

2. Basis of preparation:

The interim consolidated financial statements for the six month periods ended December 31, 2013 and 2012 have been prepared in accordance with International accounting standard ("IAS") 34 - Interim Financial Reporting and are in accordance with International Financial Reporting Standards ("IFRS"). The interim consolidated financial statements are presented in Canadian dollars.

Statement of compliance

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the interim consolidated financial statements are disclosed in the Corporation's June 30, 2013 yearend financials.

The interim consolidated financial statements have been prepared on a historical cost basis with some exceptions in accordance with IFRS, as detailed in the accounting policies set out in the Corporation's June 30, 2013 yearend financials. These policies have been applied consistently for all periods presented in these interim consolidated financial statements.

3. Trade and other receivables:

On November 12, 2012, the Corporation signed a sale agreement in relation to a past investment which was written off in 2009. Under the agreement, the Corporation has sold its interest in the past investment for $225,000, with $75,000 being paid upon the signing of the agreement and $150,000 to be paid at a future date.

4. Loan receivable:

On July 22, 2013, the Corporation advanced a loan to Global Royalty Corp. ("GRC") with a principal amount of $1,648,896.36 with a maturity of 180 days following the termination of the Share Exchange Agreement that will accrue interest at a rate of prime plus 3% per annum, calculated monthly from the date of the advance, until payment is made, and is secured by general security agreements from GRC and its subsidiaries. As of December 31, 2013, the loan has been paid back in full plus $39,409 in interest.

On November 22, 2013, the Corporation signed a termination agreement with Global Royalty Corp. terminating the previously signed share exchange agreement. As part of the termination agreement the Corporation received a termination fee of $250,000 that has been included in other income on the statement of comprehensive loss.

5. Property, plant and equipment:

CGU	Provost Area, Alberta	Greencourt Area, Alberta	Edson Area, Alberta	Queenstown Area, Alberta	Wood River Area, Alberta	Total
Cost						
June 30, 2012	$4,373,078	$79,845	$621,525	$318,083	$435,754	$5,828,284
Additions	–	–	(126)	–	–	(126)
Change in estimate of decommissioning liabilities	(5,590)	(177)	(604)	57	(3,923)	(10,237)
June 30, 2013	$4,367,488	$79,668	$620,794	$318,140	$431,831	$5,817,921
Disposal	(35,106)	–	–	–	–	(35,106)
Change in estimate of decommissioning liabilities	527	23	(51)	33	(484)	48
December 31, 2013	**$4,332,909**	**$79,691**	**$620,743**	**$318,173**	**$431,347**	**$5,782,863**

CGU	Provost Area, Alberta	Greencourt Area, Alberta	Edson Area, Alberta	Queenstown Area, Alberta	Wood River Area, Alberta	Total
Accumulated depletion						
June 30, 2012	$(3,650,962)	$(70,574)	$(616,325)	$(172,018)	$(266,330)	$(4,776,209)
Expense	(429,688)	(3,266)	(935)	(38,324)	(35,420)	(507,633)
Impairment	–	–	–	(55,498)	–	(55,498)
June 30, 2013	$(4,080,650)	$(73,840)	$(617,260)	$(265,840)	$(301,750)	$(5,339,340)
Expense	(151,157)	(927)	–	(10,106)	(5,963)	(168,153)
December 31, 2013	**$(4,231,807)**	**$(74,767)**	**$(617,260)**	**$(275,946)**	**$(307,713)**	**$(5,507,493)**
Net book value						
June 30, 2013	$286,838	$5,828	$3,534	$52,300	$130,081	$478,581
December 31, 2013	**$101,102**	**$4,924**	**$3,512**	**$42,227**	**$123,634**	**$275,370**

5. Property, plant and equipment (continued):

On December 19, 2013, but effective July 1, 2013, the Corporation disposed of one of its Provost area properties in exchange for the related decommissioning liability on the property, resulting in a gain on sale of $5,846.

6. Decommissioning liabilities:

	December 31, 2013	June 30, 2013
Balance, beginning of period	$539,548	$540,922
Finance cost	3,689	10,555
Disposal	(40,953)	
Revision of estimates	(7)	(11,929)
Balance, end of period	**$502,277**	**$539,548**

The Corporation estimates the total undiscounted amount of cash flow required to settle its decommissioning liabilities as at December 31, 2013 is approximately $530,980 (June 30, 2013 - $575,627), which is expected to be incurred over the next year to 14 years. An inflation factor of 3% per annum (June 30, 2013 – 3% per annum) was applied to determine the expected future costs and an average risk free rate of 1.47% was used to calculate the present value of the estimated future decommissioning liabilities at December 31, 2013 (June 30, 2013 – 1.56%).

7. Share capital:

a.) Authorized:

Unlimited number of common voting shares and preferred shares

a.) Issued:

	Number of Shares	Amount
Balance, June 30, 2013 and December 31, 2013	**22,179,706**	**$6,405,065**

c.) Stock options:

The Corporation has implemented a stock option plan for Directors, Officers, employees, and consultants. The exercise price of each option approximates the market price for the common shares on the date the option was granted. Options granted under the plan generally vest over an eighteen month period from the date of the grant and expire five years after the grant date. The maximum number of common shares to be issued upon the exercise of options granted under the plan is 2,217,970 (June 30, 2013 – 2,217,970) common shares. The details of this plan are as follows:

	December 31, 2013		June 30, 2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	1,561,667	$0.32	1,828,334	$0.32
Granted	700,000	$0.10	–	–
Expired	(66,667)	$0.30	(266,667)	$0.30
Options outstanding, end of period	**2,195,000**	**$0.25**	**1,561,667**	**$0.32**
Exercisable, end of period	**1,728,333**	**$0.29**	**1,561,667**	**$0.32**

7. Share capital (continued):

The following table summarizes information about stock options outstanding at December 31, 2013:

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
$0.30	191,667	0.40 years	$0.30
$0.45	61,666	0.60 years	$0.45
$0.45	175,000	0.92 years	$0.45
$0.30	866,667	3.19 years	$0.30
$0.30	200,000	3.44 years	$0.30
$0.10	700,000	4.97 years	$0.10
	2,195,000	**3.28 years**	**$0.25**

The following table summarizes information about stock options outstanding and exercisable at December 31, 2013:

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
$0.30	191,667	0.40 years	$0.30
$0.45	61,666	0.60 years	$0.45
$0.45	175,000	0.92 years	$0.45
$0.30	866,667	3.19 years	$0.30
$0.30	200,000	3.44 years	$0.30
$0.10	233,333	4.97 years	$0.10
	1,728,333	**2.83 years**	**$0.29**

8. Finance costs:

The Corporations finance costs consists of the following:

Three month period ended December 31,	**2013**	**2012**
Bank fees	$177	$349
Interest expenses	618	876
Interest income	(20,369)	–
Accretion of decommissioning liabilities	1,670	2,641
Finance costs	**$(17,904)**	**$3,866**

8. Finance costs (continued):

Six month period ended December 31,	2013	2012
Bank fees	$559	$472
Interest expenses	618	3,925
Interest income	(39,409)	(560)
Accretion of decommissioning liabilities	3,689	5,283
Finance costs	**$(34,543)**	**$9,120**

9. Per share amounts:

Net loss per share on a diluted weighted average basis is the same as that presented for basic as all factors are anti-dilutive. The number of shares that would have been included in the computation of diluted earnings per share would have been as follows:

Three and six month period ended December 31,	2013	2012
Weighted average shares outstanding, basic	22,179,706	22,179,706
Effect of stock options	–	–
Weighted average shares outstanding, diluted	22,179,706	22,179,706

10. Key management compensation and related party transactions:

a.) Key management compensation

Key management personnel are composed of the Corporation's Directors and Officers as set out in its information circular.

For the three month period ended December 31, 2013, the Corporation incurred consulting fees of $32,700 (2012 – $33,250) paid to companies which are controlled by key management of the Corporation, which are included in general and administrative on the interim consolidated statement of comprehensive loss. The Corporation also incurred $13,625 (2012 - $29,151) in stock based compensation for options issued to key management. At December 31, 2013, no consulting fees remained outstanding (2012 – $Nil).

For the six month period ended December 31, 2013, the Corporation incurred consulting fees of $63,600 (2012 – $66,500) paid to companies which are controlled by key management of the Corporation, which are included in general and administrative on the consolidated statement of comprehensive loss. The Corporation also incurred $13,625 (2012 - $29,151) in stock based compensation for options issued to key management. At December 31, 2013, no consulting fees remained outstanding (2012 – $Nil).

b.) Related party transactions

During the three month period ended December 31, 2013, the Corporation incurred legal costs of $4,935 (2012 - $11,182) with a law firm in which the Corporate secretary is a Partner. The legal costs incurred were in the normal course of operations and were based on the exchange value of the service provided. Of the legal services provided, none were included in trade and other payables at December 31, 2013 (2012 - $Nil).

During the six month period ended December 31, 2013, the Corporation incurred legal costs of $6,787 (2012 - $11,182) with a law firm in which the Corporate secretary is a Partner. The legal costs incurred were in the normal course of operations and were based on the exchange value of the service provided. Of the legal services provided, none were included in trade and other payables at December 31, 2013 (2012 - $Nil).

11. Financial instruments:

The carrying values of the Corporation's financial instruments by category were as follows:

December 31, 2013 Asset (liability)	**Fair value through profit or loss**	**Loans and receivables at amortized cost**	**Financial liabilities at amortized cost**	**Total**
Cash and cash equivalents	$ –	$3,038,220	$ –	$3,038,220
Trade and other receivables	–	233,481	–	233,481
Trade and other payables	–	–	(72,204)	(72,204)
	$ –	**$3,271,701**	**$(72,204)**	**$3,199,497**

June 30, 2013 Asset (liability)	**Fair value through profit or loss**	**Loans and receivables at amortized cost**	**Financial liabilities at amortized cost**	**Total**
Cash and cash equivalents	$ –	$3,136,429	$ –	$3,136,429
Trade and other receivables	–	279,498	–	279,498
Trade and other payables	–	–	(341,337)	(341,337)
	$ –	**$3,415,927**	**$(341,337)**	**$3,074,590**

The carrying value of the Corporation's financial instruments approximate their fair value due to the short term nature of these instruments.

Financial risk factors

a.) Credit risk:

The Corporation is subject to credit risk in its cash and cash equivalents, and trade and other receivables. At December 31, 2013, the Corporations trade and other receivables of $233,481 (June 30, 2013 - $279,498) consisted of $64,563 (June 30, 2013 - $20,083) due from petroleum marketers, $7,946 (June 30, 2013 - $64,855) due from joint venture partners, $150,000 (June 30, 2013 - $150,000) due from a past investment that has been sold and $10,972 (June 30, 2013 - $44,533) of other receivables.

Cash and cash equivalents, when outstanding, consist of cash bank balances and short-term deposits maturing in 90 days or less. The Corporation manages the credit exposure related to short term investments by selecting counter parties based on credit ratings and monitors all investments to ensure a stable return. The maximum credit risk exposure associated with the Corporation's financial assets is the carrying value.

The Corporation's receivables are normally collected within a 60-90 day period. Receivables from petroleum and natural gas marketers are normally collected on the 25th day of the month following production. The Corporation has not experienced any collection issues with its petroleum and natural gas marketers. The Corporation attempts to mitigate the risk from joint-venture receivables by obtaining partner approval of significant capital expenditures prior to the expenditure. However, the receivables are from participants in the petroleum and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with joint-venture partners as disagreements occasionally arise that increases the potential for non-collection. The Corporation does not typically obtain collateral from petroleum and natural gas marketers or joint-venture partners. The Corporation is also exposed to credit risk with regards to its customers refusing payment.

11. Financial instruments (continued):

b.) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking harm to the Corporation's reputation.

The following are the contractual maturities of financial liabilities as at December 31, 2013:

Financial Liabilities	< One Year	> One Year
Trade and other payables	$72,204	$ –
Total	**$72,204**	**$ –**

The following are the contractual maturities of financial liabilities as at June 30, 2013:

Financial Liabilities	< One Year	> One Year
Trade and other payables	$341,337	$ –
Total	**$341,337**	**$ –**

c.) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as interest rates and commodity prices will affect the Corporation's comprehensive loss or the value of financial instruments. The objective of market risk management is to control market risk exposures within acceptable limits, while maximizing returns.

- Interest rate risk is the risk that future cash flows will fluctuate as a result in changes in market interest rates. The Corporation is exposed to interest rate risk to the extent the changes in market interest rates will impact the Corporation's bank balances. The Corporation has not entered into any interest rate swaps or financial contracts to date.

- Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar, but also world economic events that dictate the levels of supply and demand.

12. Capital disclosures:

In the definition of capital, the Corporation includes shareholders' equity. The Corporation`s objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Corporation sets the amount of capital in proportion to risk. The Corporation manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares, or engage in debt financing.