Consolidated Financial Statements of

BLACKHAWK RESOURCE CORP.

Years ended June 30, 2017 and 2016

Independent Auditors' Report

To the Shareholders of Blackhawk Resource Corp.

We have audited the accompanying consolidated financial statements of Blackhawk Resource Corp., which comprise the consolidated statements of financial position as at June 30, 2017 and June 30, 2016, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Blackhawk Resource Corp. as at June 30, 2017 and June 30, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP
Chartered Professional Accountants

Calgary, Alberta
October 3, 2017

MNP

BLACKHAWK RESOURCE CORP.
Consolidated Statement of Financial Position

As at	June 30, 2017	June 30, 2016
Assets		
Cash and cash equivalents	$ 30,707	$ 64,594
Trade and other receivables (note 17(a))	11,700	21,615
Prepaid expenses and deposits	32,465	35,383
Investments at fair value – Short term loans (note 6)	162,561	1,193,329
Investments at fair value – Equity (note 6)	5,356,298	2,346,153
Property, plant and equipment (note 7)	44,509	44,509
Lease reclamation deposits	123,126	122,207
	$ 5,761,366	**$ 3,827,790**
Liabilities and Shareholders' Equity		
Trade and other payables (note 17(b))	$ 93,125	$ 165,174
Dividends declared	–	43,256
Decommissioning liabilities (note 8)	189,467	194,357
	282,592	402,787
Shareholders' equity		
Share capital (note 9)	7,492,253	7,492,253
Contributed surplus	846,680	845,197
Deficit	(2,860,159)	(4,912,447)
	5,478,774	3,425,003
	$ 5,761,366	**$ 3,827,790**

See accompanying notes to the consolidated financial statements.

Approved for issuance by the Board of Directors on October 3, 2017

Signed *"Raymond Antony"*
Director

Signed *"Mike Smith"*
Director

BLACKHAWK RESOURCE CORP.

Consolidated Statements of Comprehensive Income (Loss)

Year ended June 30,	**2017**	**2016**
Revenues		
Net investment gains (losses)		
Net realized loss on disposal of investments	$ (102,877)	$(1,178,249)
Net change in unrealized gain on investments	2,608,400	319,529
Interest revenue	155,051	381,206
Dividends	–	75
Other investment revenue (note 10)	–	49,000
	2,660,574	(428,439)
Net revenue from oil and gas properties (note 12)	51,946	53,123
	2,712,520	(375,316)
Expenses		
General and administrative	409,235	385,844
Professional fees	78,326	101,908
Stock based compensation (note 9(c))	1,483	51,669
Transaction costs	2,525	13,013
Finance costs (note 11)	763	2,017
Oil and natural gas expenses (note 12)	66,969	296,329
	559,301	850,780
Net income (loss) and comprehensive income (loss)	**$ 2,153,219**	**$(1,226,096)**
Net income (loss) per share (note 13):		
Basic and diluted	$ 0.05	$ (0.03)

See accompanying notes to the consolidated financial statements.

BLACKHAWK RESOURCE CORP.

Consolidated Statements of Changes in Equity

As at		June 30, 2017		June 30, 2016
Share capital				
Balance, beginning of year	$	7,492,253	$	7,492,253
Balance, end of year		7,492,253		7,492,253
Contributed surplus				
Balance, beginning of year		845,197		793,528
Stock based compensation		1,483		51,669
Balance, end of year		846,680		845,197
Deficit				
Balance, beginning of year		(4,912,447)		(3,513,326)
Net income (loss) and comprehensive income (loss)		2,153,219		(1,226,096)
Dividend declared		(100,931)		(173,025)
Balance, end of year		(2,860,159)		(4,912,447)
Shareholders' equity	**$**	**5,478,774**	**$**	**3,425,003**

See accompanying notes to the consolidated financial statements.

BLACKHAWK RESOURCE CORP.

Consolidated Statements of Cash Flows

Year ended June 30,	**2017**	**2016**
Cash provided by (used in):		
Operations:		
Net income (loss) from continuing operations	$ 2,153,219	$(1,226,096)
Items not affecting cash:		
Net change in unrealized gains on investments	(2,608,400)	(319,529)
Depletion (note 12)	–	1,701
Impairment of property, plant and equipment (note 12)	–	141,104
Stock based compensation	1,483	51,669
Accretion (note 12)	1,374	1,734
Revision of estimates in decommissioning liabilities (note 12)	(5,729)	65,426
Change in non-cash operating working capital:		
Trade and other receivables	9,915	95,803
Proceeds on disposal of investments, net of realized gain (loss)	823,323	5,016,537
Purchase of investments	(194,300)	(4,098,804)
Prepaid expenses and deposits	1,999	(5,623)
Trade and other payables	(72,049)	40,041
Due on investments to be settled	–	(45,908)
	110,835	**(281,945)**
Finance:		
Dividends paid	(144,187)	(129,769)
	(144,187)	**(129,769)**
Investments:		
Decommissioning costs incurred	(535)	(78,348)
	(535)	**(78,348)**
Net change in cash and cash equivalents	(33,887)	(490,062)
Cash and cash equivalents, beginning of year	64,594	554,656
Cash and cash equivalents, end of year	**$ 30,707**	**$ 64,594**
Supplemental cash flow information:		
Interest received	$ 63,112	$ 283,660
Dividends received	–	75

See accompanying notes to the consolidated financial statements.

1. General information:

Blackhawk Resource Corp. (the "Corporation") was incorporated under the Business Corporations Act (Alberta) on March 25, 1986.

The Corporation invests in equity and debt instruments of companies to generate positive returns for shareholders. The Corporation's current strategy is focused on investing mainly in the e-Sports industry throughout North America.

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

2. Basis of preparation:

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. 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 and judgments are significant to the consolidated financial statements are disclosed in note 4.

The Corporation presents its consolidated financial position on a non-classified basis in order of liquidity.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except as disclosed in note 3. These consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency.

3. Significant accounting policies:

These policies have been applied consistently for all periods presented in these consolidated financial statements.

a.) Basis of consolidation

These consolidated financial statements have been prepared in accordance with IFRS 10, Consolidated Financial Statements, and include the accounts of the Corporation and its wholly owned consolidated subsidiary. As discussed under critical accounting estimates and judgements, the Corporation has determined it meets the definition of an investment entity.

Consolidated subsidiary

In accordance with IFRS 10, subsidiaries are those entities that provide investments-related services and that the Corporation controls by having the power to govern the financial and operating polices of the entity. Such entities would include those who incur management and consulting fees for the Corporation's day to day operations. All intercompany amounts and transactions amongst these consolidated entities have been eliminated upon consolidation.

The Corporation's only consolidated entity is Blackhawk Resource Operating Corp.

Interests in unconsolidated subsidiaries

In accordance with the amendments for investment entities under IFRS 10, interests in subsidiaries other than those that provide investment related services are accounted for at fair value through profit or loss rather than consolidating them. As discussed under critical accounting estimates and judgements, management exercised judgement when determining whether subsidiaries are investment entities.

The entities, UMG Media Corp. and Redwing Energy Services Ltd., which are significant in nature, are significantly influenced or controlled by the Corporation either directly or indirectly and are held as investments. Both entity's principal place of business is in Canada, with UMG also operating out of the United States through a subsidiary.

3. Significant accounting policies (continued):

b.) Joint ventures

Certain of the Corporation's oil and gas activities are conducted through joint ventures. A joint venture is an arrangement that the Corporation controls jointly with one or more other investors, and over which the Corporation has rights to a share of the arrangements net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

Substantially all of the Corporation's oil and gas activities are conducted jointly with others, and the consolidated financial statements reflect only the Corporation's proportionate interest in such activities.

c.) Cash and cash equivalents

Cash comprises cash on hand. Other investments (term deposits and certificates of deposit) with an original term to maturity at purchase of three months or less are reported as cash equivalents in the consolidated statement of financial position.

d.) Property, plant and equipment

Development and production

Property, plant and equipment is measured at cost less accumulated depletion and depreciation and impairment provisions. When significant components of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for separately.

The deemed cost of an asset comprises its purchase price, construction and development costs, costs directly attributable to bringing the asset into operation, the estimate of any asset retirement costs, and applicable borrowing costs. Property acquisition costs are comprised of the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Oil and natural gas properties within each CGU are depleted using the unit-of-production method over proved reserves. The unit of-production rate takes into account expenditures incurred to date, together with future development expenditures required to develop proved reserves.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in the consolidated statement of comprehensive income (loss).

Impairment

The Corporation assesses property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or CGU may not be recoverable. Indications of impairment include the existence of low benchmark commodity prices for an extended period of time, significant downward revisions of estimated reserves, or increases in estimated future development expenditures. If any such indication of impairment exists, the Corporation performs an impairment test related to the assets or CGU.

Individual assets are grouped for impairment assessment purposes into CGU's, which are the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets. A CGU's recoverable amount is the higher of its fair value less costs of disposal ("FVLCOD") and its value in use ("VIU"). FVLCOD is determined to be the amount the asset could be sold in an orderly transaction between market participants at the measurement date.

VIU is based upon the estimated before tax net present value of the Corporation's proved plus probable reserves, as prepared by independent reserve evaluators. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount.

3. Significant accounting policies (continued):

In subsequent periods, an assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is re-estimated and the net carrying amount of the asset or CGU is increased to its revised recoverable amount. The recoverable amount cannot exceed the carrying amount that would have been determined, net of depletion, had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in the consolidated statement of comprehensive income (loss). After a reversal, the depletion charge is adjusted in future periods to allocate the asset's revised carrying amount over its remaining useful life.

e.) Decommissioning liabilities

A provision is recognized for the present value of the future cost of abandonment of oil and gas wells and related facilities. This provision is recognized when a legal or constructive obligation arises. The estimated costs, based on engineering cost levels prevailing at the reporting date, are computed on the basis of the latest assumptions as to the scope and method of abandonment. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a risk free rate, updated at each reporting date that reflects current market assessments of the time value of money and the risks specific to the obligation. The corresponding amount is capitalized as part of exploration and evaluation expenditure or property, plant and equipment and is amortized on a unit-of-production basis as part of the depreciation, depletion and amortization charge. Any adjustment arising from the reassessment of estimated cost of decommissioning liabilities is capitalized, whilst the charge arising from the accretion of the discount applied to the decommissioning liabilities is treated as a component of finance costs.

f.) Foreign currency translation

The Corporation's consolidated subsidiary has the same functional currency as that of the Corporation and translates foreign denominated monetary assets and liabilities at the exchange rate prevailing at period end; non-monetary assets, liabilities and related depreciation at historic rates; revenues and expenses at the average rate of exchange for the period; and any resulting foreign exchange gains or losses are included in the consolidated statement of comprehensive income (loss).

g.) Taxes

The Corporation follows the liability method of accounting for taxes. Under this method, deferred tax assets and liabilities are recognized based on the estimated tax effects of temporary differences in the carrying amount of assets and liabilities in the consolidated financial statements and their respective tax bases.

Deferred tax assets and liabilities are calculated using the enacted or substantively enacted income tax rates that are expected to apply when the asset is recovered or the liability is settled. Deferred tax assets or liabilities are not recognized when they arise on the initial recognition of an asset or liability in a transaction (other than in a business combination) that, at the time of the transaction, affects neither accounting nor taxable profit.

Deferred tax assets for deductible temporary differences and tax loss carryforwards are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences or tax loss carryforwards can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date, and is reduced if it is no longer probable that sufficient future taxable profits will be available against which the temporary differences or tax loss carryforwards can be utilized.

Current tax is calculated based on net earnings for the year, adjusted for items that are non-taxable or taxed in different periods, using income tax rates that are enacted or substantively enacted at each reporting date.

Income taxes are recognized in equity or other comprehensive income, consistent with the items to which they relate.

h.) Revenue recognition

Purchases and sales of investments are recognized on the trade date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the consolidated statement of comprehensive income (loss). Upon disposal of an investment, previously recognized unrealized gains or losses are reversed to recognize the full realized gain or loss in the period of disposition.

3. Significant accounting policies (continued):

The Corporation recognizes interest income as the interest is earned using the accrual method.

Revenue associated with the sale of petroleum and natural gas production owned by the Corporation is recognized when the title passes from the Corporation to its customers and collection is reasonably assured.

Revenue associated with royalties on petroleum and natural gas production is recognized when earned.

i.) Stock based compensation

The Corporation's Stock Option Plan (the "Option Plan") provides current employees with the right to elect to receive common shares in exchange for options surrendered. The Corporation records compensation expense over the graded vesting period based on the fair value of options granted. Compensation expense is recorded in the consolidated statement of comprehensive income (loss) as stock based compensation expense with a corresponding credit to contributed surplus. When stock options are exercised, the proceeds, together with the amount recorded in contributed surplus, are recorded in share capital. The fair value of stock options granted is estimated using the Black-Scholes option pricing model, taking into account amounts that are believed to approximate the forfeiture rate, volatility of the trading price of the Corporation's shares, the expected lives of the awards of stock based compensation, the fair value of the Corporation's stock and the risk-free interest rate, as determined at the grant date. Forfeitures are estimated through the vesting period based on past experience and future expectations, and adjusted upon actual vesting.

j.) Financial instruments (investments at fair value)

Classification

All investments at fair value are classified upon initial recognition as either held for trading or designated as fair value through profit or loss with changes in fair value reported in the consolidated statement of comprehensive income (loss).

Recognition, derecognition and measurement

Purchases and sales of investments are recognized on the trade date.

Equity investments held for trading and loan investments designated as fair value through profit or loss are initially recognized at fair value. Transaction costs are expensed as incurred in the consolidated statement of comprehensive income (loss). Investments are derecognized when the rights to receive cash flow from the investment has expired or the Corporation has transferred the financial asset and the transfer qualifies for derecognition.

Subsequent to initial recognition, all investments are measured at fair value. Gains and losses arising from changes in the fair value of the investments at fair value through profit or loss category are presented in the consolidated statement of comprehensive income (loss) within net change in unrealized and realized gains or losses on investments in the period in which they arise.

Determination of fair values

The determination of fair value requires judgment and is based on market information, where available and appropriate. At the end of each financial reporting period, the Corporation's management estimates the fair value of investments based on the criteria below and reflects such valuations in the consolidated financial statements.

The Corporation is also required to disclose details of its investments within three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring or disclosing the fair value, and to provide additional disclosure in connection therewith.

Equity investments

Securities including shares, and warrants which are traded in an active market, such as on a recognized securities exchange and for which no sales restrictions apply, are presented at fair value based on quoted closing trade prices at the consolidated statement of financial position date or the closing trade price on the last day the security traded if there were no trades at the consolidated statement of financial position date. These are included in Level 1 in note 6.

For warrants which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, the Black-Scholes valuation technique is used. These are included in Level 2 in note 6.

3. Significant accounting policies (continued):

The determinations of fair value of the Corporation's privately-held investments at other than initial cost are subject to certain limitations. Financial information for private companies in which the Corporation has investments may not be available and, even if available, that information may be limited and/or unreliable. These are included in Level 3 in note 6.

Loan investments

The determination of fair value of the Corporation's short term loans are subject to certain limitations. When determining the fair value of short term loans, the Corporation considers the nature and length of the loan, interest on the loan, business risk of the investee company and any other factors that may be relevant to the ongoing and realizable value of the loan investments. The short term loans would be included in Level 3.

k.) Financial instruments other than investments held at fair value

The Corporation classifies its financial instruments into one of the following categories: Held for trading; fair value through profit or loss, loans and receivables; available for sale financial assets; and financial liabilities measured at amortized cost. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods is dependent on the classification of the respective financial instrument.

Held for trading and fair value through profit or loss financial instruments are subsequently measured at fair value with changes in fair value recognized in the statement of comprehensive income (loss). All other categories of financial instruments are measured at amortized cost using the effective interest method.

Cash and cash equivalents, and trade and other receivables are classified as loans and receivables. Trade and other payables and investments to be settled are classified as other financial liabilities measured at amortized cost.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognized immediately in the consolidated statement of comprehensive income (loss). Transaction costs in respect of other financial instruments are included in the initial measurement of the financial instrument and amortized to the consolidated statement of comprehensive income (loss) using the effective interest method.

Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset, other than those subsequently measured at fair value, is impaired. If such evidence exists, an impairment loss is recognized in the consolidated statement of comprehensive income (loss).

Impairment losses on financial assets carried at amortized cost, including loans and receivables, are calculated as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

l.) Per common share amounts

Basic per share amounts are calculated by dividing the net earnings or loss by the weighted average number of shares outstanding during the year. Diluted per share amounts are calculated by using the treasury stock method, by adjusting the weighted average number of shares outstanding for the potential number of issued instruments which may have a dilutive effect on net earnings or loss. This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase common shares at the average market price for the year.

m.) Segmented disclosure

The Corporation has two operating segments: oil and gas and investing. Each of these segments is managed separately and requires different marketing approaches. Corporate assets which are not directly attributable to the business activities of these operating segments are not allocated to a segment.

4. Critical accounting estimates and judgments:

The Corporation has made estimates and assumptions regarding certain assets, liabilities, revenues and expenses in the preparation of the consolidated financial statements. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from estimated amounts. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Accounting Estimates:

a.) Estimates of crude oil and natural gas reserves

Depletion and amounts used in impairment calculations are based on estimates of oil and natural gas reserves. Reserve estimates are based on engineering data, estimated future prices, expected future rates of production and the timing of future capital expenditures, all of which are subject to many uncertainties and interpretations. The Corporation expects that, over time, its reserve estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels, and may be affected by changes in commodity prices.

b.) Decommissioning liabilities

The calculation of decommissioning liabilities include estimates of the future costs and the timing of the cash flows to settle the liability, the discount rate used in reflecting the passage of time, and future inflation rates.

c.) Stock based compensation

The Corporation has made various assumptions in estimating the fair values of the common stock options granted including expected volatility, expected exercise behavior and future forfeiture rates. At each period end, options outstanding are re-measured for changes in the fair value of the liability.

d.) Deferred taxes

Tax interpretations, regulations and legislation are subject to change and as such, income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by management at the end of the reporting period to determine the probability that they will be realized from future taxable earnings.

e.) Fair value of investments in securities not quoted in an active market or private company investments:

Where the fair value of financial assets recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values.

f.) Valuation of GORR:

The Corporation has made various assumptions in estimating the value of the GORR including expected cash flow, duration of the cash flow and discount rate.

Accounting Judgments:

a.) Determination of investment entity

Judgement is required when making the determination that the Corporation or its subsidiaries meet the definition of an investment entity under IFRS. In accordance with IFRS 10, an investment entity is an entity that: "obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis." In addition, IFRS 10 clarifies that an investment entity may earn fee income from the provision of investment related services to external parties. In determining its status as an investment entity, the Corporation has determined that fair value is the primary measurement attribute used to monitor and evaluate its investments.

4. Critical accounting estimates and judgments (continued):

b.) Identification of cash generating units

The classification of the Corporation's oil and gas assets into CGU's requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, external users, shared infrastructures, and the way in which management monitors the Corporation's oil and gas operations.

5. Future accounting standards:

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after July 1, 2017 or later periods. The standards impacted that are applicable to the Corporation are as follows:

a) IFRS 9, "Financial Instruments" final version was issued in July 2014, which reflects all phases of the financial instruments project and replaces IAS 39 'Financial Instruments: Recognition and Measurement' and all previous versions of IFRS 9. IFRS 9 introduces new requirements for classifying and measurement, impairments and hedge accounting for financial assets. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Corporation is currently assessing the impact of this standard.

b) IFRS 15, "Revenue from Contracts with Customers" was issued in May 2014 to replace IAS 18 "Revenue" and IAS 11 "Construction Contracts", and several revenue related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options and other common complexities. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The Corporation is currently assessing the impact of this standard.

c.) IFRS 16 "Leases", was issued in January 2016, which provides guidance on accounting for leases. The new standard replaces IAS 17 "Leases" and related interpretations. IFRS 16 eliminates the distinction between operating leases and financing leases for lessees. The new standard is effective January 1, 2019 with earlier adoption permitted providing that IFRS 15 has been adopted. The new standard is required to be applied retrospectively, with a policy alternative of restating comparative prior periods or recognizing the cumulative adjustment in opening retained earnings at the date of adoption. The Corporation is assessing the impact of this standard.

6. Investments at fair value and financial instruments hierarchy:

Financial hierarchy:

The fair value measurements use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Equity investments by sector consist of the following as at June 30, 2017:

Sector	**Cost**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**% of total fair value**
Mining	$508,166	$3,000	$ −	$508,166	$511,166	10%
Technology and other	1,834,822	17,410	32,222	4,795,500	4,845,132	90%
Total	**$2,342,988**	**$20,410**	**$32,222**	**$5,303,666**	**$5,356,298**	**100%**

6. Investments at fair value and financial instruments hierarchy (continued):

Equity investments by sector consist of the following as at June 30, 2016:

Sector	Cost	Level 1	Level 2	Level 3	Total fair value	% of total fair value
Mining	$60,000	$259,000	$289,425	$ –	$548,425	23%
Technology and other	1,881,243	432,543	72,790	1,292,395	1,797,728	77%
Total	**$1,941,243**	**$691,543**	**$362,215**	**$1,292,395**	**$2,346,153**	**100%**

Level 1 instruments include shares and warrants actively traded in an active market, level 2 instruments include warrants held in public companies and, level 3 instruments include common shares held in private companies.

The fair value of warrants granted is estimated using the Black-Scholes pricing model, taking into account amounts that are believed to approximate the volatility of the trading price of the company’s shares, the expected lives of the warrants, the fair value of the company’s stock and the risk-free interest rate, as determined at the grant date. A 25% change in the volatility used to measure these instruments will result in a corresponding $4,960 (2016 - $28,060) change in the value of the investment.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions. The analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Corporation’s view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

In accordance with IFRS 10, the fair value of the Corporations investments includes the fair value of an entity that is controlled by the Corporation.

The fair value of the common shares included in level 3 of $5,303,666 consists of 2 separate related party investments. Each investment has been evaluated based on available data from the corporations involved. The first investment is carried at its cost of $508,166, which the Corporation believes represents its fair value based on the valuation of cash flow and assets of the company. The second investment had an unrealized gain on investment of $3,437,500 with a cost of $1,358,000, giving it a fair value of $4,795,500 which the Corporation determined based on the most recent private placements completed in 2017.

In May, 2016, the Corporation participated in a private placement of UMG Media Corp. (formerly 1053446 BC Ltd., “UMG”, a private company that has directors and officers in common) in the amount of $1,250,000 at $0.40 per share which gave the Corporation approximately 63% ownership in UMG, an eSports company that has involvement in both live tournament events as well as online match play. The Corporation also entered into a loan agreement with UMG for a maximum of $100,000, incurring 15% interest and due in full by March 31, 2017. This loan and accrued interest of $8,000 was converted into addition shares of UMG in February 2017, at a price of $1.50 per share, resulting in the Corporation owning 3,197,000 common shares. Since the initial purchase, UMG closed additional private placements at $0.40 per share in July, 2016, and at $1.50 per share in February, March, April and June of 2017, diluting the Corporations ownership to 29% as at June 30, 2017. These shares are unrestricted, common shares.

In June, 2017, the Corporation settled one of its short term loans for shares of Redwing Energy Services Ltd. (“Redwing”, a private company that has directors and officers in common) in the amount of $508,166 for 400 common shares, which gave the Corporation 50% ownership in Redwing, a shallow drilling company focused in the mining industry in Alberta.

Short term loan investments consist of the following:

	June 30, 2017	June 30, 2016
Short term loans	$162,561	$1,043,329
Mortgage receivable	–	150,000
Total loan investments	**$162,561**	**$1,193,329**

6. Investments at fair value and financial instruments hierarchy (continued):

The carrying value of the Corporation's short term loans approximates their fair value due to the short term nature of these loans and would be included in level 3 of the financial instruments hierarchy. Short term loans include loans issued for a period of 12 months or less at an average interest rate of 21% (2016 – 17%).

On June 30, 2017, the Corporation wrote down $181,864 worth of short term loans as they were deemed uncollectable. The Corporation has begun the process to enforce collection on $155,617 of the short term loans written down.

7. Property, plant and equipment:

The Corporation's property, plant and equipment are composed of the following:

	June 30, 2017	June 30, 2016
Provost Area GORR	$44,509	$44,509
Total property, plant and equipment	**$44,509**	**$44,509**

For the year ended June 30, 2017, the Corporation did a five year cash flow analysis discounted at 10% to assess its Provost Area GORR for impairment. As a result of this assessment, no impairment was required (2016 - $23,153).

The Corporation's oil and gas properties at June 30, 2017 and 2016 consisted of 2 CGUs, the Greencourt Area and the Wood River Area. These CGUs have a total cost of $518,740 (2016 - $518,740) and accumulated depletion and impairment of $518,740 (2016 - $518,740).

The Corporation assessed its oil and gas properties for impairment on June 30, 2016 by CGU. The assessment looked at whether events or changes in circumstances indicate that the carrying value of an asset or CGU may not be recoverable. Indications of impairment include the existence of low benchmark commodity prices for an extended period of time, significant downward revisions of estimated reserves, or increases in estimated future development expenditures. Impairment of $117,951 was recorded in the CGUs as the carrying value exceeded their recoverable amount.

8. Decommissioning liabilities:

	June 30, 2017	June 30, 2016
Balance, beginning of year	$194,357	$205,545
Accretion	1,374	1,734
Decommissioning costs incurred	(535)	(78,348)
Disposal	–	–
Revision of estimates	(5,729)	65,426
Balance, end of year	**$189,467**	**$194,357**

The Corporation estimates the total undiscounted amount of cash flow required to settle its decommissioning liabilities as at June 30, 2017 is approximately $196,424 (2016 - $200,428) expected to be incurred over the next year 10 years. An inflation factor of 3% per annum (2016 – 3% per annum) was applied to determine the expected future costs and an average risk free rate of 0.74% was used to calculate the present value of the estimated future decommissioning liabilities at June 30, 2017 (2016 – 0.68%).

9. Share capital:

a.) Authorized:

Unlimited number of common voting shares and preferred shares

b.) Issued:

	Number of Shares	Amount
Balance, June 30, 2015 and 2016 and 2017	**41,196,374**	**$7,492,253**

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 4,119,637 (June 30, 2016 – 4,119,637) common shares. The details of this plan are as follows:

	June 30, 2017		June 30, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of year	3,266,666	$0.15	1,766,666	$0.20
Granted	–	–	1,500,000	$0.10
Expired	(866,666)	$0.30	–	–
Options outstanding, end of year	**2,400,000**	**$0.10**	**3,266,666**	**$0.15**
Exercisable, end of year	**2,400,000**	**$0.10**	**2,766,666**	**$0.16**

The following table summarizes information about stock options outstanding and exercisable at June 30, 2017:

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
$0.10	600,000	1.47 years	$0.10
$0.10	300,000	1.67 years	$0.10
$0.10	1,500,000	3.10 years	$0.10
	2,400,000	**2.51 years**	**$0.10**

9. Share capital (continued):

The following table summarizes information about stock options outstanding at June 30, 2016:

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
$0.30	866,666	0.44 years	$0.30
$0.10	600,000	2.47 years	$0.10
$0.10	300,000	2.67 years	$0.10
$0.10	1,500,000	4.10 years	$0.10
	3,266,666	**2.70 years**	**$0.15**

The following table summarizes information about stock options outstanding and exercisable at June 30, 2016:

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
$0.30	866,666	0.44 years	$0.30
$0.10	600,000	2.47 years	$0.10
$0.10	300,000	2.67 years	$0.10
$0.10	1,000,000	4.10 years	$0.10
	2,766,666	**2.44 years**	**$0.16**

For the year ended June 30, 2017, the Corporation recorded stock based compensation expense of $1,483 (2016 - $51,669) relating to options granted in 2016. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

	2016
Risk-free interest rate	0.72%
Expected life of options	5 years
Expected volatility	137.69%
Forfeiture rate	0.00%
Dividend per option	0.0042
Weighted average fair value per option	$0.04

10. Other investment revenue:

The Corporation's other investment revenue consists of the following:

June 30,	**2017**	**2016**
Loan processing fee	$ –	$1,500
Financial support fees	–	47,500
	$ –	**$49,000**

11. Finance costs:

The Corporation's finance costs consist of the following:

June 30,	**2017**	**2016**
Bank fees	$639	$1,791
Interest expenses	124	226
Finance costs	**$763**	**$2,017**

12. Oil and natural gas revenues and expenses:

The Corporation's oil and natural gas revenues and expenses consist of the following:

June 30,	**2017**	**2016**
Net revenue from oil and natural gas properties:		
Oil and natural gas revenue	$52,490	$52,889
Less royalties	(544)	234
Net revenue from oil and natural gas properties	**$51,946**	**$53,123**
Oil and natural gas expenses:		
Accretion	1,374	1,734
Depletion	–	1,701
Revision of estimates in decommissioning liabilities	(5,729)	63,631
Field operating costs	71,324	88,159
Impairment of property, plant and equipment (note 7)	–	141,104
Oil and natural gas expenses	**$66,969**	**$296,329**

13. Per share amounts:

Net income (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 have been included in the computation of basic and diluted loss per share are as follows:

June 30,	2017	2016
Weighted average shares outstanding, basic and diluted	41,196,374	41,196,374

14. Income taxes:

The income tax provision differs from income taxes, which would result from applying the expected tax rate to net income (loss) before income taxes. The differences between the "expected" income tax expenses and the actual income tax provision are summarized as follows:

	June 30, 2017	June 30, 2016
Income (loss) from continuing operations	$2,153,219	$(1,226,096)
Expected income tax recovery at 27.00% (2016 – 27.00%)	581,369	(331,046)
Non-deductible (taxable) portion of capital loss (gain)	(343,592)	159,064
Stock based compensation and other	8,206	(36,284)
Change in deferred tax assets not recognized	(245,983)	208,266
Total income taxes (recovery)	$ –	$ –

The deferred tax assets (liabilities) are comprised of:

	June 30, 2017	June 30, 2016
Investments at fair value	$(406,797)	$(54,663)
Non-capital losses available for future periods	240,228	-
Net capital losses available for future periods	166,569	54,663
	$ –	$ –

The components of the Corporation's unrecognized deductible temporary differences are as follows:

	June 30, 2017	June 30, 2016
Petroleum and natural gas properties	$203,489	$214,882
Non-capital losses available for future periods	3,767,184	4,273,246
Net capital losses available for future periods	-	382,832
Share issuance costs	21,525	32,287
	$3,992,198	$4,903,247

A deferred tax asset has not been recognized as it is not probable that the assets will be realized.

14. Income taxes (continued):

As at June 30, 2017, the Corporation has not recognized a deferred tax asset in respect of non-capital losses available to carry forward to future years totaling approximately $3,767,184 (2016 - $4,273,246). In addition, the Corporation has not recognized a deferred tax asset in respect of net capital losses available to carry forward to future years totaling approximately $Nil (2016 - $382,832).

The net operating loss carry-forwards reflected above expire as follows (capital losses do not expire):

Year of Expiry	Total
2037	$412,786
2036	347,914
2035	382,694
2034	532,370
2033	1,071,015
2032	272,478
2031	702,801
2030	45,126
Total	**$3,767,184**

15. Key management compensation and related party transactions:

a.) Key management compensation

Key management personnel are composed of the Corporation’s Directors and Officers.

For the year ended June 30, 2017, the Corporation incurred consulting fees of $226,425 (2016 – $215,250), and directors fees of $25,000 (2016 - $26,731), 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 income (loss). The Corporation also incurred $1,384 (2016 - $56,255) in stock based compensation for options issued to key management. At June 30, 2017, $7,481 in consulting fees remained outstanding (2016 – $Nil) and $5,000 in directors fees remained outstanding (2016 - $6,250).

b.) Related party transactions (not mentioned elsewhere in the financial statements – see Note 6)

During the year ended June 30, 2017, the Corporation incurred legal costs of $6,596 (2016 - $10,328) 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, $775 was included in trade and other payables at June 30, 2017 (2016 - $761).

For the year ended June 30, 2017, the Corporation owns common shares in a certain publicly traded companies that had a common director with a total fair value of $310 (2016 - $421,543). For the year ended June 30, 2017, the Corporation recognized $76,625 in realized losses and $291,858 in unrealized investment losses on former related parties. The investments were entered into under the same terms as other non-related investments.

16. Financial instruments:

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

June 30, 2017			
Asset (liability)	**Fair value through profit or loss**	**Loans and receivables at amortized cost**	**Financial liabilities at amortized cost**
Cash and cash equivalents	$ –	$30,707	$ –
Trade and other receivables	–	11,700	–
Investments at fair value – Equity	5,356,298	–	–
Investments at fair value – Short term loans	162,561	–	–
Trade and other payables	–	–	(93,125)
	$5,518,859	**$42,407**	**$(93,125)**

June 30, 2016			
Asset (liability)	**Fair value through profit or loss**	**Loans and receivables at amortized cost**	**Financial liabilities at amortized cost**
Cash and cash equivalents	$ –	$64,594	$ –
Trade and other receivables	–	21,615	–
Investments at fair value – Equity	2,346,153	–	–
Investments at fair value – Short term loans	1,193,329	–	–
Trade and other payables	–	–	(165,174)
Dividends declared	–	–	(43,256)
	$3,539,482	**$86,209**	**$(208,430)**

The carrying value of the Corporation's financial instruments, excluding investments at fair value (note 6), approximate their fair value due to the short term nature of these instruments.

17. Risk Management:

Financial instruments risks:

The use of financial instruments can expose the Corporation to several risks including credit, liquidity, and market risks. A discussion of the Corporation's use of financial instruments and their associated risks is provided below.

a.) Credit risk:

The Corporation is subject to credit risk on its cash and cash equivalents, trade and other receivables, short term loans at fair value and equity investments at fair value.

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.

At June 30, 2017, the Corporation's trade and other receivables of $11,700 (2016 - $21,615) consisted of $Nil (2016 - $1,835) due from petroleum marketers, $2,400 (2016 - $5,260) due from joint venture partners, $Nil due on financial guarantee contracts (2016 - $6,250), and $9,300 (2016 - $8,270) of other receivables.

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.

17. Risk Management (continued):

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 manages its credit risk on equity investments through thoughtful planning, significant due diligence of investment opportunities and by conducting activities in accordance with the investment policies that are approved by the Board of Directors. Management review the financial conditions of its investee companies regularly.

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 June 30, 2017:

Financial Liabilities	**< One Year**	**> One Year**
Trade and other payables	$93,125	$ −
Total	**$93,125**	**$ −**

The following are the contractual maturities of financial liabilities as at June 30, 2016:

Financial Liabilities	**< One Year**	**> One Year**
Trade and other payables	$165,174	$ −
Dividends declared	43,256	−
Total	**$208,430**	**$ −**

c.) Market risk:

Market risk is the risk that the fair value of, or future cash flows from, the Corporation's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in equity and commodity prices. The Corporation is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices.

Additionally the Corporation is required to fair value its investments held for trading at the end of each reporting period. This process could result in significant write-downs of the Corporation's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on the Corporation's financial position.

- Equity price risk is defined as the potential adverse impact on the Corporation's loss due to movements in individual equity prices or general movements in the level of stock market on traded investments. The Corporation has a concentration of equity price risk due to two of its investments being worth 99% of its portfolio. The Corporation sets thresholds on purchases of investments over which approval of the Board of Directors is required.

  During periods of significant broader market volatility or volatility experienced by the resource or commodity markets, the value of the Corporation's investment portfolio can be quite vulnerable to market fluctuations. A 5% change in the closing trade price of the Corporation's held for trading investments would result in a $267,815 (2016 - $123,813) change in unrealized gain (loss) on investments.

- 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.

18. Capital disclosures:

As at June 30, 2017, in the definition of capital, the Corporation includes shareholders' equity of $5,478,774 (2016 - $3,425,003). 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. The Corporation is not exposed to externally imposed capital requirements.

19. Commitments:

As at June 30, 2017, the Corporation had the following outstanding commitments:

June 30,	**2018**	**2019**	**2020**	**Total**
Office lease	$63,253	$63,253	$47,440	**$173,945**
Number of months	12	12	9	**33**