

**Blacksteel Energy Inc.**  
**Condensed Interim Financial Statements**  
**For the three months ended July 31, 2018**  
*(Unaudited)*

**NOTICE TO READER**

The accompanying unaudited condensed interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

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

**Blacksteel Energy Inc.**  
**Condensed Interim Balance Sheets**  
(Amounts in Canadian Dollars)  
(Unaudited)

	Notes	July 31, 2018	April 30, 2018
<b>Assets</b>			
Current assets			
Cash		\$ 229,869	\$ 100,660
Accounts receivable	3(b)	50,856	28,755
Deposits and prepaid expenses		30,037	30,037
Loans receivable	4	400,000	400,000
Total current assets		710,762	559,452
Loans receivable	4	235,000	235,000
Property and equipment	5	1,058,372	965,452
Total assets		\$ 2,004,134	\$ 1,759,904
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	3(d)	\$ 237,930	\$ 78,767
Non-current liabilities			
Convertible debentures	6	1,754,268	1,716,061
Decommissioning provisions	7	396,934	394,960
Total non-current liabilities		2,151,202	2,111,021
Total liabilities		2,389,132	2,189,788
<b>Shareholders' deficiency</b>			
Share capital	8(b)	15,182,583	14,937,629
Warrants	8(c)	-	874,235
Contributed surplus		5,014,755	4,260,274
Equity component of convertible debentures	6	458,266	458,266
Deficit		(21,040,602)	(20,960,288)
Total shareholders' deficiency		(384,998)	(429,884)
Total liabilities and shareholders' deficiency		\$ 1,900,134	\$ 1,759,904

Going concern (note 2(a))

See accompanying notes to the condensed interim financial statements.

Approved by the Board of Directors:

(signed) "Les Treitz"

(signed) "Chris Scase"

Les Treitz  
CEO & Director

Chris Scase  
Director

**Blacksteel Energy Inc.****Condensed Interim Statements of Loss and Comprehensive Loss***(Amounts in Canadian dollars)**(Unaudited)*

		<b>Three months ended July 31,</b>	
	Notes	<b>2018</b>	<b>2017</b>
Revenue			
Oil revenue		\$ <b>192,066</b>	\$ 119,725
Less: Royalty Expenses		<b>74,539</b>	(34,464)
Net revenue		<b>117,527</b>	85,261
Expenses			
Production, operating and transportation		<b>79,595</b>	69,789
General and administrative expenses	10	<b>20,398</b>	19,711
Stock-based compensation	9(b)	-	19,458
Depletion and depreciation	5	<b>27,500</b>	11,962
Total expenses		<b>127,493</b>	120,920
Operating loss		<b>(9,966)</b>	(35,659)
Finance income, being interest		<b>11,440</b>	12,169
Finance expense	11	<b>(81,788)</b>	(72,504)
Loss and comprehensive loss for the period		\$ <b>(80,314)</b>	\$ (95,994)
<b>Loss per share</b>			
Basic and diluted	12	\$ <b>(0.00)</b>	\$ (0.00)

See accompanying notes to the condensed interim financial statements.

**Blacksteel Energy Inc.**  
**Condensed Interim Statements of Changes in Shareholders' Equity (Deficiency)**

*(Amounts in Canadian dollars)*

*(Unaudited)*

	Notes	Number of Class A shares	Class A share capital stated value	Number of warrants	Warrants stated value	Contributed surplus	Equity component of convertible debenture	Deficit	Total shareholders' equity (deficiency)
<b>Balance, April 30, 2017</b>		<b>36,108,451</b>	<b>\$ 15,166,660</b>	<b>6,594,743</b>	<b>\$ 924,148</b>	<b>\$ 3,901,564</b>	<b>\$ 458,266</b>	<b>\$ (20,412,634)</b>	<b>\$ 38,004</b>
Expiry of warrants		-	-	(216,000)	(6,819)	6,819	-	-	-
Extension of warrants life		-	-		19,458	-	-	-	19,458
Loss for the period		-	-	-	-	-	-	(95,994)	(95,994)
<b>Balance, July 31, 2017</b>		<b>36,108,451</b>	<b>\$ 15,166,660</b>	<b>6,378,743</b>	<b>\$ 936,787</b>	<b>\$ 3,908,383</b>	<b>\$ 458,266</b>	<b>\$ (20,508,628)</b>	<b>\$ (38,532)</b>
Cancellation of common shares	8(b)	(1,058,000)	(444,640)	-	-	312,307	-	-	(132,333)
Extension of warrants life	8(c)	-	-	-	82,448	-	-	-	82,448
Exercise of warrants	8(b), 8(c)	550,965	215,609	(550,965)	(105,416)	-	-	-	110,193
Expiry of warrants	8(c)	-	-	(1,257,833)	(39,584)	39,584	-	-	-
Loss for the period		-	-	-	-	-	-	(451,660)	(451,660)
<b>Balance, April 30, 2018</b>		<b>35,601,416</b>	<b>\$ 14,937,629</b>	<b>4,569,945</b>	<b>\$ 874,235</b>	<b>\$ 4,260,274</b>	<b>\$ 458,266</b>	<b>\$ (20,960,288)</b>	<b>\$ (429,884)</b>
Exercise of warrants	8(b), 8(c)	626,000	244,954	(626,000)	(119,754)	-	-	-	125,200
Expiry of warrants	8(c)	-	-	(3,943,945)	(754,481)	754,481	-	-	-
Loss for the period		-	-	-	-	-	-	(80,314)	(80,314)
<b>Balance, July 31, 2018</b>		<b>36,227,416</b>	<b>\$ 15,182,583</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 5,014,755</b>	<b>\$ 458,266</b>	<b>\$ (21,040,602)</b>	<b>\$ (384,998)</b>

See accompanying notes to the interim condensed financial statements.

# Blacksteel Energy Inc.

## Condensed Interim Statements of Cash Flows

(Amounts in Canadian dollars)

(Unaudited)

		Three months ended July 31,	
	Notes	2018	2017
Cash provided by (used in):			
Cash flows from operating activities			
Loss for the period		\$ (80,314)	\$ (95,994)
Adjustments for:			
Stock-based compensation		-	19,458
Depletion and depreciation		27,500	11,962
Non cash finance expense	11	40,181	41,807
Changes in non-cash working capital		137,062	19,944
Net cash used in operating activities		124,429	(2,823)
Cash flows from investing activities			
Expenditures on property and equipment	5	(120,420)	-
Net cash used in investing activities		(120,420)	-
Cash flows from financing activities			
Proceeds from warrant exercises		125,200	-
Net cash from financing activities		125,200	-
Change in cash		129,209	(2,823)
Cash, beginning of period		100,660	249,932
Cash, end of period		\$ 229,869	\$ 247,109

See accompanying notes to the condensed interim financial statements.

**Blacksteel Energy Inc.**  
**Notes to the Condensed Interim Financial Statements**  
**For the three months ended July 31, 2018**  
*(Amounts in Canadian dollars)*  
*(Unaudited)*

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**1. General business description**

Blacksteel Energy Inc. ("Blacksteel" or the "Corporation") is engaged in the exploration for, development of and production of oil and natural gas. Blacksteel Energy Inc. is a publicly traded company, incorporated and domiciled in Canada. The address of business of the Corporation is 2204 6 AVE NW, Calgary, Alberta, Canada, T2N 0W9. These condensed interim financial statements were approved and authorized for issuance by the Board of Directors on September 28, 2018.

**2. Basis of preparation**

(a) Statement of compliance and going concern

These condensed interim financial statements present Blacksteel's financial position as at July 31, 2018, and April 30, 2018 and financial performance for the three month periods ended July 31, 2018 and 2017. They have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee as applicable to interim financial statements including International Accounting Standards ("IAS") 34, Interim Financial Reporting.

In preparation of these condensed interim financial statements, Blacksteel used the same accounting policies and methods of computation as in the annual financial statements for the year ended April 30, 2018 except as described in note 2(b). These condensed interim financial statements should be read in conjunction with Blacksteel's annual audited financial statements for the year ended April 30, 2018. The disclosure provided is incremental to that included with the annual financial statements. Certain information and disclosures included in the notes to the financial statements is condensed or disclosed only on an annual basis.

The Corporation has working capital at July 31, 2018 of \$472,832, and April 30, 2018 of \$480,685, and has incurred net losses and negative cash flow from operating activities for the period ended July 31, 2018, and in the year ended April 30, 2018. The Corporation has a small amount of oil and gas production revenue, but the currently producing wells are not generating sufficient cash flows to support operations in the long-term. These factors indicate a material uncertainty that may cast significant doubt on the ability of the Corporation to continue as a going concern. The accompanying condensed interim financial statements have been prepared with the assumption that the Corporation will realize its assets and discharge its liabilities in the normal course of business. The Corporation believes it has sufficient cash reserves to continue as a going concern. If the going concern assumption is not appropriate, adjustments may be necessary to the carrying values of assets and liabilities, reported revenues and expenses, and the balance sheet classifications used in the condensed interim financial statements.

(b) Accounting policies

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Corporation's annual financial statements for the year ended April 30, 2018 except as described below. There have been no changes to the use of estimates or judgements since April 30, 2018.

*New standards adopted by the Corporation*

i) IFRS 9, "Financial Instruments"

On May 1, 2018, the Corporation adopted IFRS 9, "Financial Instruments", which replaces IAS 39 "Financial Instruments". This new standard accounts for all aspects of financial instruments and includes a logical model for classification and measurement, a single forward looking

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'expected-loss' impairment model and a substantially reformed approach to hedge accounting. Adoption of this new standard did not have a material impact on the Corporation's financial statements. The Corporation has adopted IFRS 9 using a retrospective approach with no impact to net loss or opening retained earnings of comparative periods.

The Corporation has revised the description of its accounting policy for financial instruments to reflect the new classification approach as follows:

*Financial Instruments*

On initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods depends on the classification of the financial instrument as described below:

Amortized cost: Financial instruments under this classification include accounts receivable, deposits, loans receivable, accounts payable and accrued liabilities and convertible debentures.

Fair value through profit or loss: Financial instruments under this classification include cash and cash equivalents.

Fair value through other comprehensive income: The Corporation has no financial instruments under this classification.

ii) IFRS 15, "Revenue from Contracts with Customers"

On May 1, 2018, the Corporation adopted IFRS 15, "Revenue from Contracts with Customers". IFRS 15 replaces the existing revenue recognition guidance with a single comprehensive accounting model. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser. The Corporation has adopted IFRS 15 using a modified retrospective approach.

As a result of the adoption of IFRS 15, no changes to the Corporation's comparative financial statements were required. IFRS 15 did not have a material impact on the condensed interim statements of loss and comprehensive loss for the three month period ended July 31, 2018 or its condensed interim balance sheets as at July 31, 2018.

The Corporation has revised the description of its accounting policy for revenue recognition to reflect the new standard as follows:

Revenue from the sale of oil, natural gas and natural gas liquids is recorded when control of the product is transferred to the buyer based on the consideration specified in the contracts with customers. This usually occurs when the product is physically transferred at the delivery point agreed upon in the contract and legal title to the product passes to the customer.

The Corporation evaluates its arrangements with third parties and partners to determine if the Corporation acts as the principal or as an agent. In making this evaluation, the Corporation considers if it obtains control of the product delivered or services provided, which is indicated by the Corporation having the primary responsibility for the delivery of the product or rendering of the service, having the ability to establish prices or having inventory risk. If the Corporation acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the Corporation from the transaction.

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**3. Financial instruments and risk management**

**(a) Fair Values**

The fair values of cash, accounts receivable, short term loans receivable, and accounts payable and accrued liabilities approximate their carrying value due to the short term maturity of these instruments. The fair value of long-term loans receivable approximates its carrying value as management believes it currently bears an interest rate reflective of the risk profile of the loans. The fair value of convertible debentures approximates its carrying value as the Corporation believes market discount rates and the Corporation's risk profile have not changed materially since issuance.

IFRS established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

When the inputs used to measure fair value fall within different level of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measure in its entirety.

At July 31, 2018 cash is measured at fair value of \$229,869 (April 30, 2018 - \$100,660) falls under level 1 of the hierarchy.

The fair value of the convertible debentures liability is determined using a level 3 valuation model at recognition. Inputs include interest rates for similar non-convertible debt and consideration of term to maturity.

**(b) Risk Management**

The Corporation is exposed to financial risks arising from its financial assets and liabilities. The Corporation manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Corporation are credit risk, market risk and liquidity risk.

**(i) Credit Risk**

Credit risk is the risk of financial loss to the Corporation of a customer or counterparty to a financial instrument failing to meet its contracted obligations.

At July 31, 2018, the maximum exposure to credit risk was \$915,725 (April 30, 2018 - \$764,415) being the carrying value of its cash, accounts receivable and loans receivable.

Cash consist primarily of cash bank balances. The Corporation manages the credit exposure of cash by selecting financial institutions with high credit ratings and monitors all short-term deposits to ensure an adequate return. The Corporation does not invest its excess cash in high risk investment vehicles such as asset backed commercial paper.

There were no receivables allowed for or written off during the period ended July 31, 2018 or the



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year ended April 30, 2018. The Corporation considers all receivables greater than 90 days to be past due. There were no past due receivables as at July 31, 2018 and April 30, 2018.

The loans receivable are receivable from the Corporation's joint venture partner as part of its working interest acquisition in Girouville oil and gas assets (\$400,000) as well as the Corporation's directors (\$235,000) (note 4). The \$400,000 loan is secured by a claim on a 14% working interest in the Girouville assets. The \$235,000 loan receivable from the directors is deemed collectable as the Corporation also owes the directors \$235,000 under convertible debenture agreements (note 6).

As at July 31, 2018, and April 30, 2017 the Corporation's accounts receivable were comprised of the following:

	<b>July 31, 2018</b>	<b>April 30, 2018</b>
Joint Venture	<b>\$ 31,431</b>	\$ 13,896
Goods and Services Tax	<b>590</b>	-
Interest	<b>18,835</b>	14,859
Total	<b>\$ 50,856</b>	\$ 28,755

(ii) Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, interest rates and foreign exchange rates will affect the Corporation's net earnings or the value of financial instruments. The objective of the Corporation is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns. Market risks are as follows:

*Commodity Price Risk*

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by world and continental/regional economic and other events that dictate the levels of supply and demand. Given the Corporation's limited production, the Corporation has chosen not to hedge any of its oil and natural gas production and consequently, the Corporation had no financial derivative sales contracts in place as at or during the period ended July 31, 2018, and year ended April 30, 2018. The Corporation manages this risk by monitoring commodity prices and factoring any changes into operational decisions.

*Foreign Currency Exchange Risk*

Foreign currency exchange rate risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. The Corporation is exposed to foreign currency exchange risk as the underlying market prices in Canada for oil and natural gas fluctuate with changes in the exchange rate between the Canadian and United States dollar. As of July 31, 2018, and April 30, 2018, the Corporation did not conduct business transactions in other currencies, had no forward exchange rate contracts in place, and had no working capital items denominated in foreign currencies. The Corporation manages this risk by monitoring foreign currency exchange rates and factoring any changes into operational decisions.

*Interest Rate Risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate price risk to the extent that its loans receivable and convertible debentures bear interest at fixed rates. The Corporation had no interest

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rate swaps or financial contracts in place as at or during the period ended July 31, 2018, or year ended April 30, 2018.

(iii) 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 Corporation monitors this risk by preparing capital expenditure forecasts which are regularly monitored and updated as considered necessary. As well, the Corporation utilizes authorizations for expenditures on non-operated projects to manage capital expenditures and liquidity.

The Corporation's accounts payable and accrued liabilities are comprised of the following:

	<b>July 31, 2018</b>	<b>April 30, 2018</b>
Trade	<b>\$ 182,454</b>	\$ 64,898
Interest	<b>55,476</b>	13,869
	<b>\$ 237,930</b>	\$ 78,767

The Corporation's convertible debentures mature September 30, 2019, if not converted.

(c) Capital Management

The Corporation considers its capital structure to include shareholders' equity and long-term debt, if any. The Corporation's objective when managing capital is to safeguard its ability to continue as a going concern (note 2(a)) so that it can continue to maintain investor confidence and to not expose the Corporation to excess risk.

The Corporation manages its capital structure and makes adjustments to it based upon the level of funds available to support the exploration and development of its petroleum and natural gas properties. The Corporation currently generates minimal cash flow from its operations. As such, the Corporation continues to be dependent on external financing to fund its exploration and development activities, and as necessary, to pay general and administrative and other ongoing costs. To date, external financing has included only issuing common shares, common share purchase warrants and convertible debentures.

The Corporation will pursue additional sources of external financing to ensure that it has necessary financial resources available. To the extent that market conditions are not believed to be positive for raising equity or debt, adjustments may be made to the timing of planned capital expenditures and operating costs reduced to the extent possible until those market conditions become acceptable. Management reviews its capital management approach on an ongoing basis. There were no changes in the Corporation's approach to capital management during the period ended July 31, 2018 or year ended April 30, 2018.

The Corporation's capital consists of shareholders' equity (deficiency) and long-term debt, if any, as follows:

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	July 31, 2018	April 30, 2018
Shareholders' deficiency	\$ (384,998)	\$ (429,884)
Long-term debt	1,754,268	1,716,061
Capital	\$ 1,369,270	\$ 1,286,177

The Corporation is not subject to any externally imposed capital requirements.

**4. Loans receivable**

The Corporation loaned TERIC \$610,000 during the year ended April 30, 2016 which bears interest at 8.5% per annum and matures September 30, 2019 and was secured by a general security agreement providing a first charge over all TERIC's assets. This loan was cancelled during the year ended April 30, 2018 when the Corporation entered into an agreement with TERIC and the Corporation's directors. The agreement resulted in the redemption of 1,058,000 common shares of Blacksteel held by TERIC, with a value of \$0.125 per share, the transfer of face value \$235,000 of convertible debentures from TERIC to the Corporation's directors, the transfer of \$235,000 of loan receivable from TERIC to the Corporation's directors under the same terms, and the elimination of the remaining \$375,000 of TERIC loan receivable, and the related accrued interest which totaled \$75,573 at April 30, 2017. The loan receivable was written down to its expected fair value of \$372,627 at April 30, 2017, based on expected future collectability. Interest receivable of \$75,573 on the TERIC loan was also written off, for a total impairment charge of \$312,946. Based on the Corporation's share value on the date of the cancellation an additional \$5,274 was included in impairment charges on the cancellation date during the year ended April 30, 2018.

In connection with the acquisition of a 30% interest in the Girouxville oil and gas assets from Drakkar Energy Ltd. ("Drakkar"), Blacksteel also provided a \$400,000 loan to Drakkar. The loan matured on May 25, 2017, accrues interest at a rate of 12% per annum and is secured by a 20% working interest in the Girouxville assets retained by Drakkar. The loan was not repaid at maturity, with the consent of the Corporation, and is now effectively a demand loan.

**5. Property and equipment**

The Corporation acquired a 30% working interest in 18 sections of contiguous light oil assets around Girouxville in Northwest Alberta during the year ended April 30, 2017.

Cost:	Oil and natural gas interests
Balance, April 30, 2017	\$ 903,869
Additions	54,188
Decommissioning liabilities (Note 7)	148,136
Change in decommissioning liabilities estimate (Note 7)	(18,356)
Balance, April 30, 2018	\$ 1,087,837
Additions	120,420
Balance, July 31, 2018	\$ 1,208,257
Accumulated depletion and depreciation:	
Balance, April 30, 2017	\$ 11,962
Depletion	110,423
Balance, April 30, 2018	\$ 122,385
Depletion	27,500
Balance, July 31, 2018	\$ 149,885

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Net book value:	
Balance, April 30, 2018	\$ 965,452
Balance, July 31, 2018	\$ 1,058,372

*Depletion*

Future development costs of \$5,191,000 associated with the development of the Corporation's proved plus probable reserves were included in the calculation of depletion for the three months ended July 31, 2018 and year ended April 30, 2018.

**6. Convertible debentures**

On September 16, September 30, October 30, and November 30, 2015, the Corporation completed the issuance of convertible unsecured subordinated debentures (the "**Debentures**") for gross proceeds of \$663,000 (\$609,960 net of finder's fees), \$619,000 (\$569,480 net of finder's fees), \$521,000 (\$480,120 net of finder's fees), and \$155,000 (\$142,600 net of finder's fees) respectively, for total gross proceeds of \$1,958,000 (\$1,802,160 net of finder's fees), at a price of \$1,000 per debenture. The Debentures pay interest at a rate of 8.5% per annum, payable in cash on a semi-annual basis on March 31 and September 30, commencing on March 31, 2016. All Debentures mature on September 30, 2019 (the "**Maturity Date**"). Each Debenture is convertible, at the holder's option, into Class A Common Shares at any time prior to the earlier of the business day immediately preceding the Maturity Date and the business day immediately preceding any date fixed for redemption by the Corporation at a conversion price of \$0.25 per Class A Common Share (the "**Conversion Price**"). The Conversion Price shall be subject to standard anti-dilution adjustments. Prior to the Maturity Date, and after September 30, 2017, the Corporation may: (a) redeem the Debentures through payment of the outstanding principal and any accrued and unpaid interest; and/or (b) force the conversion of the Debentures if the 20 day weighted average volume trading price of the Class A Common Shares is no less than \$0.40.

The Debentures are compound financial instruments and have been classified as debt (net of issuance costs) with the residual value allocated, representing the conversion feature, to shareholders' equity. The fair value of the debt portion of the Debentures was determined by discounting the future cash flows using an interest rate for a similar debt instrument without a conversion feature, estimated to be 18% per annum. The issuance costs will be amortized over the term of the Debentures and the debt portion will accrete to the principle balance at maturity. The accretion of issuance costs and the interest paid are expensed on the statement of loss and comprehensive loss.

Debt component, April 30, 2017	\$ 1,547,788
Accretion of convertible debentures	168,273
Debt component, April 30, 2018	\$ 1,716,061
Accretion of convertible debentures (note 11)	38,207
<b>Debt component, July 31, 2018</b>	<b>\$ 1,754,268</b>
<b>Equity component, April 30, 2017, and 2018, and July 31, 2018</b>	<b>\$ 458,266</b>

**7. Decommissioning provisions**

The Corporation's decommissioning provisions result from its ownership interest in oil and natural gas

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assets including well sites and gathering systems. The total decommissioning provision is estimated based on the Corporation's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The total estimated, inflated undiscounted risked cash flows required to settle the provisions, before considering salvage, is approximately \$476,600 at July 31, 2018 (April 30, 2018 - \$476,600), which has been discounted using a weighted average risk-free rate of approximately 2.0% at July 31, 2018 (April 30, 2018 - 2.0%). These obligations are to be settled based on the economic lives of the underlying assets, which currently extend up to 11 years into the future and will be funded from general corporate resources at the time of abandonment.

The following table summarizes changes in the decommissioning provisions for the period ended July 31, 2018 and the year ended April 30, 2018:

	July 31, 2018	April 30, 2018
Decommissioning provisions, beginning of the period	\$ 394,960	\$ 257,280
Accretion (unwinding of discount)	1,974	7,900
Additions (note 5)	-	148,136
Change in estimate (note 5)	-	(18,356)
Decommissioning provisions, end of period	\$ 396,934	\$ 394,960

**8. Share capital**

(a) Authorized

Unlimited number of voting Class A and non-voting Class B common shares  
Unlimited number of voting Class C, and non-voting Class D and E preferred shares

(b) Issued common shares

Class A common shares issued and outstanding	Number of shares	Stated Value
<b>Balance, April 30, 2017</b>	36,108,451	\$ 15,166,660
Common shares cancellation <sup>(1)</sup>	(1,058,000)	(444,640)
Warrants exercised	550,965	215,609
<b>Balance, April 30, 2018</b>	<b>35,601,416</b>	<b>\$ 14,937,629</b>
Warrants exercised	626,000	244,954
<b>Balance, July 31, 2018</b>	<b>36,227,416</b>	<b>\$ 15,182,583</b>

(1) On August 4, 2017, the Corporation entered into a securities exchange agreement with TERIC and the Corporation's directors. The agreement resulted in the redemption of 1,058,000 common shares held by TERIC (note 5). The excess of the stated value of the redeemed shares of \$444,640 over the consideration paid of \$132,333, through the forgiveness of the loan receivable, was credited to contributed surplus.

(c) Warrants

The following table summarizes information about the Corporation's Class A common share purchase warrants:

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*(Unaudited)*

Class A common share purchase warrants outstanding			
	Number of Share purchase warrants	Weighted average exercise price	Warrant Assigned Value
<b>Balance, April 30, 2017</b>	<b>6,594,743</b>	<b>\$ 0.21</b>	<b>\$ 924,148</b>
Warrant life extension (note 8(d))	-	-	101,906
Expired	(1,473,833)	0.25	(46,403)
Exercised	(550,965)	0.20	(105,416)
<b>Balance, April 30, 2018</b>	<b>4,569,945</b>	<b>\$ 0.20</b>	<b>\$ 874,235</b>
Expired	(3,943,945)	0.20	(754,481)
Exercised	(626,000)	0.20	(119,754)
<b>Balance, July 31, 2018</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>

(d) Warrant life extension

During the year ended April 30, 2018, the expiry date of 5,120,910 warrants were extended with the new expiry date being June 30, 2018. The fair value of these warrants extensions, using the Black-Scholes option-pricing model, assuming 90% volatility, 1.15% interest rate, less the remaining fair value of the warrants at the time of extensions totalled \$101,906 and was added to the warrants and included in stock-based compensation expense.

**9. Stock-based compensation**

(a) Stock option plan

The Corporation has established a stock option plan that covers all officers, directors, employees and consultants of the Corporation (the "Plan"). The Plan is administered by the Board of Directors who determines to whom options should be granted, including the terms and the vesting periods of the options. The aggregated number of common shares issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the issued and outstanding common shares of the Corporation at any given time. No one person can receive options within a one-year period entitling the person more than 5% of issued common shares. Under the Plan, stock options have a maximum ten-year term and normally vest over a two-year period and have an exercise price based on the then market price of the Corporation's shares.

The following options have been awarded under the stock option plan:

	Period ended July 31, 2018		Year ended April 30, 2018	
	Number	Exercise Price	Number	Exercise Price
Outstanding, beginning of period	1,245,000	\$ 0.10	1,245,000	\$ 0.10
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding	1,245,000	\$ 0.10	1,245,000	\$ 0.10
Exercisable	1,245,000	\$ 0.10	1,245,000	\$ 0.10

The following table summarizes the expiry terms and exercise prices of the Corporation's outstanding stock options as at July 31, 2018:

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<b>Date of grant</b>	<b>Date of Expiry</b>	<b>Outstanding Options</b>	<b>Weighted Average Remaining Contractual life (years)</b>	<b>Number of Stock Options Exercisable</b>
August 24, 2012	August 24, 2022	1,245,000	4.1	1,245,000
		1,245,000	4.1	1,245,500

(b) Stock-based compensation expense

Compensation costs of \$Nil for the period ended July 31, 2018 (2017 - \$19,458) have been expensed. \$Nil (2017 - \$19,458) of this relates to the extension to the expiry date of warrants and resulted in a corresponding increase in warrants as at July 31, 2018 (note 8(d)). \$Nil (2017 - \$Nil) of this relates to stock options.

**10. General & Administrative (“G&A”) expenses**

	<b>Three months ended July 31,</b>	
	<b>2018</b>	<b>2017</b>
Management consulting services	\$ 8,000	\$ 5,000
Professional fees	7,193	11,513
Shareholders services	972	933
Insurance	4,233	2,265
<b>Total</b>	<b>\$ 20,398</b>	<b>\$ 19,711</b>

**11. Finance expense**

	<b>Three months ended July 31,</b>	
	<b>2018</b>	<b>2017</b>
Interest on convertible debentures	\$ 41,607	\$ 30,697
Accretion on convertible debentures	38,207	38,207
Accretion of decommissioning provisions	1,974	3,600
<b>Total</b>	<b>\$ 81,788</b>	<b>\$ 72,504</b>

**12. Loss per share**

The following table summarizes the common shares used in calculating earnings (loss) per share:

	<b>Three months ended July 31,</b>	
<b>Weighted Average Common Shares Outstanding</b>	<b>2018</b>	<b>2017</b>
Basic	35,898,490	36,108,451
Diluted	35,898,490	36,108,451

No stock options, convertible debentures, share purchase warrants or broker warrants have been included in the calculation of diluted shares outstanding as their inclusion would be anti-dilutive.

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*(Unaudited)*

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**13. Related party transactions**

During the three months ended July 31, 2018, the Corporation incurred a total of \$8,000 (2017 - \$5,000) related to management services, to a private corporation of which an officer of the Corporation is an owner. These costs were recorded to general and administrative expenses. As at July 31, 2018, \$8,000 (April 30, 2018 - \$8,000) owing to this private corporation was included in accounts payable.

During the three months ended July 31, 2018, the Corporation incurred a total of \$7,000 (2017 - \$11,513) related to legal services to a law firm in which a director of the Corporation is a partner. These costs were recorded to general and administrative expenses. As at July 31, 2018, \$7,000 (April 30, 2018 - \$17,056) owing to this law firm was included in accounts payable.

During the three months ended July 31, 2018, the Corporation earned \$4,994 (2017 - \$NIL) of interest income on loans receivable from directors totalling \$235,000 (note 4) of which \$4,994 (2017 - \$NIL) was in accounts receivable at July 31, 2018.

During the three months ended July 31, 2018, the Corporation incurred \$4,994 (2017 - \$NIL) of cash interest expense and \$5,049 (2017 - \$NIL) of non-cash accretion expense on convertible debentures held by directors (note 6) of which \$5,049 (2017 - \$NIL) remained in accounts payable and accrued liabilities at July 31, 2018.