

Gatling Exploration Inc.

Condensed Interim Financial Statements

151 Days Ended December 31, 2018

(Unaudited – Expressed in Canadian Dollars)

Gatling Exploration Inc.

151 Days Ended December 31, 2018

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Condensed Interim Financial Statements

Notice of No Auditor Review

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NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

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

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

February 28, 2019

Gatling Exploration Inc.
Condensed Interim Statement of Financial Position
(Unaudited – Expressed in Canadian Dollars)

	December 31, 2018
Assets	
Current	
Cash and cash equivalents	\$ 9,411,752
Receivables	42,899
Prepaid expenses	245,310
	9,699,961
Equipment (note 7)	155,884
	\$ 9,855,845
Liabilities	
Current	
Accounts payable and accrued liabilities	\$ 108,274
Other liabilities (note 9)	513,508
	621,782
Shareholders' Equity	
Share Capital (note 11)	12,378,787
Share-based Payments Reserve (note 11)	819,961
Deficit	(3,964,685)
	9,234,063
	\$ 9,855,845

Going Concern (note 2)

Subsequent Events (note 13)

Approved on behalf of the Board:

<i>"Richard Boulay"</i>	<i>"Nav Dhaliwal"</i>
..... Director Director
Richard Boulay	Nav Dhaliwal

The accompanying notes are an integral part of these condensed interim financial statements.

Gatling Exploration Inc.
Condensed Interim Statement of Comprehensive Loss
(Unaudited – Expressed in Canadian Dollars)

	Three Months Ended December 31, 2018	151 Days Ended December 31, 2018
Expenses		
Consulting fees (note 10)	\$ 106,197	\$ 121,697
Exploration and evaluation costs (note 10)	148,500	2,514,698
Management fees (note 10)	245,000	245,000
Office and general	17,489	17,735
Professional fees (note 10)	93,585	93,630
Rent	9,000	9,000
Share-based payments (notes 10 and 11)	872,438	872,438
Shareholder communications and investor relations	54,407	61,232
Transfer agent and filings fees	16,521	52,785
Travel	7,447	7,447
Loss Before Other Items	(1,570,584)	(3,995,662)
Other Items		
Other income (note 9)	5,987	5,987
Interest income	24,990	24,990
Net Loss and Comprehensive Loss for the Period	\$ (1,539,607)	\$ (3,964,685)
Basic and Diluted Loss Per Share	\$ (0.04)	\$ (0.16)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	36,206,323	25,137,942

The accompanying notes are an integral part of these condensed interim financial statements.

Gatling Exploration Inc.
Condensed Interim Statement of Changes in Equity
(Unaudited – Expressed in Canadian Dollars)

	Share Capital				Deficit	Total
	Number of Shares	Share Capital	Contributed Surplus			
Balance, August 2, 2018	-	\$ -	\$ -	\$ -	\$ -	\$ -
Shares issued as part of the Arrangement (note 1)	33,426,512	9,359,423	-	-	-	9,359,423
Private placements	11,544,328	3,463,298	-	-	-	3,463,298
Share issue costs	500,000	(18,916)	-	-	-	(18,916)
Flow-through liability	-	(519,495)	-	-	-	(519,495)
Stock options granted	-	-	872,438	-	-	872,438
Shares issued on exercise of stock options	200,000	42,000	-	-	-	42,000
Transfer of stock option fair value on exercise	-	52,477	(52,477)	-	-	-
Net loss and comprehensive loss for period	-	-	-	-	(3,964,685)	(3,964,685)
Balance, December 31, 2018	45,670,840	\$ 12,378,787	\$ 819,961	\$ (3,964,685)	\$ 9,234,063	

The accompanying notes are an integral part of these condensed interim financial statements.

Gatling Exploration Inc.
Condensed Interim Statement of Cash Flows
For the 151 Days Ended December 31,
(Unaudited – Expressed in Canadian Dollars)

	2018
Operating Activities	
Net loss for the period	\$ (3,964,685)
Items not involving cash	
Shares issued for exploration and evaluation costs	2,359,423
Share-based payments	872,438
Other income	(5,987)
Changes in non-cash working capital	
Receivables	(42,899)
Prepaid expenses	(245,310)
Accounts payable and accrued liabilities	108,274
Cash Provided by Operating Activities	(918,746)
Investing Activity	
Purchase of equipment	(155,884)
Cash Provided Used in Investing Activity	(155,884)
Financing Activities	
Cash received as a result of Arrangement	7,000,000
Shares issued for cash	3,505,298
Share issuance costs	(18,916)
Cash Provided by Financing Activities	10,486,382
Inflow of Cash and Cash Equivalents	9,411,752
Cash and Cash Equivalents, Beginning of Period	-
Cash and Cash Equivalents, End of Period	\$ 9,411,752
Supplemental Disclosure with Respect to Cash Flows	
Income tax paid	\$ -
Interest received	\$ 24,990
Interest paid	\$ -
Fair value of stock options exercised	\$ 52,477

The accompanying notes are an integral part of these condensed interim financial statements.

Gatling Exploration Inc.
Notes to the Condensed Interim Financial Statements
For the 151 Days Ended December 31, 2018
(Unaudited – Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Gatling Exploration Inc. (the “Company”) is an exploration stage company incorporated on August 2, 2018, under the laws of the province of British Columbia, Canada. Its principal business activity is the acquisition, exploration and evaluation of mineral properties located in the province of Ontario, Canada. The Company’s common shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol “GTR”. The Company’s head office and principal business address is 1680 – 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6. The Company’s registered and records office is 400 – 725 Granville Street, Vancouver, British Columbia, Canada, V7Y 1G5.

On September 24, 2018, Bonterra Resources Inc. (“Bonterra”) completed a plan of arrangement (the “Arrangement”) whereby Bonterra spun out its Larder Lake Project assets of \$2,359,423 and cash of \$7,000,000 in order to create a new exploration company (the Company), by way of plan of arrangement under the *Business Corporations Act* (British Columbia). Each holder of common shares of Bonterra received one common share of the Company for each seven common shares of Bonterra held.

2. GOING CONCERN

These condensed interim financial statements (the “financial statements”) have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company’s ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation projects when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation projects or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

3. BASIS OF PREPARATION

a) Statement of compliance

The condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

These condensed interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on February 28, 2019.

b) Basis of measurement

These financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the significant accounting policies (note 4). These financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

Gatling Exploration Inc.
Notes to the Condensed Interim Financial Statements
For the 151 Days Ended December 31, 2018
(Unaudited – Expressed in Canadian Dollars)

3. BASIS OF PREPARATION (Continued)

b) Basis of measurement (continued)

Previously reported in the condensed interim financial statements for the six months ended September 30, 2018, the historical accounts of the Company were prepared on a carve-out basis from Bonterra, representing the historical operations of the Larder Lake Project since March 16, 2016 (the date of acquisition of the Larder Lake Project by Bonterra) and were derived from Bonterra's historical accounting records. The historical accounts of the Company reflected the statements of financial position, comprehensive loss, changes in equity and cash flows as if the Larder Lake Project had been an independent operation during the periods reported. The statements of comprehensive loss included an allocation of Bonterra's general and administrative expenses calculated on the basis of the ratio of time spent on the Larder Lake Project as compared to time spent on Bonterra's other exploration and evaluation assets.

For the 151 days ended December 31, 2018, the Company is now reporting the carve-out using a fair value approach where the Arrangement between Bonterra and the Company was deemed to be a purchase of an asset. As such, International Financial Reporting Standard ("IFRS") 2 *Share-Based Payments* was used to determine fair value of the asset acquired (see note 8).

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been applied consistently throughout by the Company for purposes of these financial statements.

a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits with financial institutions, and other short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

b) Exploration and evaluation assets

i) *Exploration and evaluation costs*

Exploration and evaluation costs are expensed in the year in which they are incurred.

ii) *Exploration and evaluation expenditures*

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors, and amortization on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

Mining exploration tax credits for certain exploration expenditures incurred in Quebec and Ontario are treated as a reduction of the exploration and development costs of the respective resource property. The amounts are recorded in the year they are received.

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(Unaudited – Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Exploration and evaluation assets (continued)

ii) Exploration and evaluation expenditures (continued)

Mineral property acquisition costs and exploration and evaluation expenditures are recorded at cost. When shares are issued as part of mineral property acquisition costs, they are valued at the closing share price on the date of issuance. Payments related to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded upon payment.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures that would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction”. Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration and evaluation assets.

Exploration and evaluation assets are classified as intangible.

iii) Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through amortization of the asset and unwinding of the discount on the provision.

Amortization is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset and charged against operating profit or loss. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Impairment of non-financial assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at every reporting period. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable and at least annually. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive income/loss.

d) Financial instruments

All financial assets not classified at amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss (“FVTPL”). On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the condensed interim statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the condensed interim statement of comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

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

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the condensed interim statement of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

f) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options, share purchase warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The Company has adopted a pro rata method with respect to the measurement of shares and warrants issued as private placement units. The pro rata method requires each component to be valued at fair value and an allocation of the total proceeds received based on the pro rata relative values of the components.

The fair value of the common shares is based on the closing quoted bid price on the announcement date and the fair value of the common share purchase warrants is determined at the announcement date using the Black-Scholes option pricing model. The fair value attributed to the warrants is recorded in equity reserves.

Gatling Exploration Inc.
Notes to the Condensed Interim Financial Statements
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(Unaudited – Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Earnings (loss) per share

The Company presents basic earnings (loss) per share data for its common shares, calculated by dividing the income (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

h) Share-based payments

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as mineral property interests with a corresponding increase in share-based payments reserve. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in share-based payments reserve is transferred to share capital.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. The amounts recorded in reserves for unexercised share options remain in share-based payments reserve upon their expiry or cancellation.

i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The residual value, useful life and depreciation method are evaluated every reporting period and changes to the residual value, estimated useful life or depreciation method resulting from such review are accounted for prospectively. Depreciation is provided for at the following rate per annum:

Equipment	20% declining-balance
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Gatling Exploration Inc.
Notes to the Condensed Interim Financial Statements
For the 151 Days Ended December 31, 2018
(Unaudited – Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- j) New accounting standard issued but not yet effective

The Company is currently evaluating the impact that this new accounting standard is expected to have on its financial statements.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income/loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Critical judgments in applying accounting policies

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next fiscal year are discussed below.

- a) Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

- b) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

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5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

b) Income taxes (continued)

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity that are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

c) Going concern risk assessment

The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation projects when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

Key source of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the financial statements.

a) Decommissioning liabilities

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made that management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs, which will reflect the market condition at the time the rehabilitation costs are actually incurred.

The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for. As at December 31, 2018, the Company has no known rehabilitation requirements, and accordingly, no provision has been made.

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6. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash and cash equivalents are classified as FVTPL; receivables, as amortized cost; and accounts payable and accrued liabilities, as amortized cost. The carrying values of these instruments approximate their fair values due to their short term to maturity.

The following table sets forth the Company's financial assets measured at fair value by levels within the fair value hierarchy:

December 31, 2018	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 9,411,752	\$ -	\$ -	\$ 9,411,752

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash and cash equivalents, by placing it at major Canadian financial institutions. The Company has minimal credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of December 31, 2018 equal \$108,274. All of the liabilities presented as accounts payable are due within 30 days of the reporting date.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

- i) *Currency risk* – The Company has no funds held in a foreign currency, and as a result, is not exposed to significant currency risk on its financial instruments at period-end.
- ii) *Interest rate risk* – Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash and cash equivalents is at nominal interest rates, and therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.

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6. FINANCIAL INSTRUMENTS (Continued)

c) Market risk (continued)

iii) Other price risk – Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is exposed to other price risk on its marketable securities.

d) Capital management

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the 151 days ended December 31, 2018. The Company is not subject to externally imposed capital requirements.

7. EQUIPMENT

	Equipment
Cost	
Balance, August 2, 2018	\$ -
Additions	155,884
Balance, December 31, 2018	\$ 155,884
Depreciation	
Balance, August 2, 2018	\$ -
Depreciation	-
Balance, December 31, 2018	\$ -
Net book value, August 2, 2018	\$ -
Net book value, December 31, 2018	\$ 155,884

As at December 31, 2018, \$155,884 of equipment was not in use and no amortization was recognized.

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8. EXPLORATION AND EVALUATION EXPENDITURES

Larder Lake Project

On September 24, 2018, as part of the Arrangement, the Company received a 100% interest in the Larder Lake Project, located in Ontario. One claim includes a 1.5% net smelter return royalty, of which 1% may be repurchased by the Company for \$750,000. The Arrangement was deemed to be a purchase of an asset. As such, IFRS 2 *Share-Based Payments* was used to determine fair value of the asset acquired. As the fair value of the assets given up to acquire the asset was more readily available, the Company valued the acquisition using the fair value of shares issued of \$0.28 per share. On September 24, 2018, the fair value of the assets acquired and liabilities assumed from Bonterra were as follows:

	Amount
Consideration provided (fair value of 33,426,512 common shares at \$0.28 per share)	\$ 9,359,423
Allocated to net assets acquired:	
Cash transferred from Bonterra	(7,000,000)
Fair value of Larder Lake Property acquired	\$ 2,359,423

Fair value of \$2,359,423 was allocated to the project and expensed for the period as exploration and evaluation costs.

9. OTHER LIABILITIES

Other liabilities consisted of the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through share issuances.

	Issued During 151 Days Ended December 31, 2018
Balance, August 2, 2018	\$ -
Liability incurred on flow-through shares issued November 2018	519,495
Settlement of flow-through share liability by incurring expenditures	(5,987)
Balance, December 31, 2018	\$ 513,508

In November 2018, the Company issued 11,544,328 flow-through shares at a price of \$0.30 per share. The premium paid by investors was calculated as \$0.045 per share. Accordingly, \$519,495 was recorded as other liabilities.

At December 31, 2018, the Company had a remaining commitment to incur exploration expenditures in relation to its November 2018 flow-through financing of \$3,423,384.

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Notes to the Condensed Interim Financial Statements
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10. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the condensed interim statement of comprehensive loss:

	151 Days Ended December 31, 2018
Short-term compensation (consulting fees, exploration and evaluation costs, management fees and professional fees)	\$ 385,000
Share-based compensation	629,730
	\$ 1,014,730

During the 151 days ended December 31, 2018, short-term compensation to related parties consisted of \$47,500 in consulting fees, \$45,000 in exploration and evaluation costs, \$245,000 in management fees and \$47,500 in professional fees.

Transactions with related parties are included in the amounts shown on the condensed interim statement of comprehensive loss as follows:

	151 Days Ended December 31, 2018
Related company controlled by officer and director (consulting fees and office and general)	\$ 30,000
Related company with common officers (rent)	9,000
	\$ 39,000

As at December 31, 2018, the Company had payables of \$31,500 related to shared office and administrative expenses with a company controlled by an officer and director.

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11. SHARE CAPITAL

a) Authorized

Unlimited number of common voting shares without par value

b) Issued and outstanding

During the 151 days ended December 31, 2018

On September 21, 2018, the Company issued 33,426,512 common shares valued at \$9,359,423 as part of the Arrangement (note 1).

On November 26, and 30, 2018, the Company closed private placements for gross proceeds of \$3,463,298 in two tranches. The Company issued 11,544,328 flow-through common shares of the Company at a price of \$0.30.

The premium paid by investors on the flow-through shares was calculated as \$0.045 per share. Accordingly, \$519,495 was recorded as other liabilities. The underwriters received 500,000 common shares valued at \$185,000. Additional share issue costs of \$18,916 were incurred.

During the 151 days ended December 31, 2018, the Company issued 200,000 common shares for proceeds of \$42,000 on the exercise of 200,000 stock options. The value of the stock options of \$52,477 was transferred to share capital from share-based payments reserve upon exercise.

c) Stock options

The Company has a stock option plan to grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of common shares that may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date, including options granted prior to the adoption of the plan. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the optionee. All options vest when granted unless they are otherwise specified by the Board of Directors or if they are granted for investor relations activities. Options granted for investor relations activities vest over a twelve-month period with no more than 25% of the options vesting in any three-month period.

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11. SHARE CAPITAL (Continued)

c) Stock options (continued)

Stock option transactions and the number of stock options outstanding are summarized as follows:

	151 Days Ended December 31, 2018	
	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	-	-
Granted	3,325,000	\$ 0.21
Exercised	(200,000)	\$ 0.21
Outstanding, end of period	3,125,000	\$ 0.21

The following stock options were outstanding and exercisable at December 31, 2018:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
October 15, 2021	2.79	\$ 0.21	3,125,000	3,125,000

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. Accordingly, share-based payments of \$872,438 were recognized during the 151 days ended December 31, 2018.

The fair value of each stock option granted was calculated using the following weighted average assumptions:

	151 Days Ended December 31, 2018
Expected life (years)	3.00
Risk-free interest rate	2.31%
Annualized volatility	164%
Dividend yield	N/A
Stock price at grant date	\$ 0.30
Exercise price	\$ 0.21
Weighted average grant date fair value	\$ 0.26

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

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11. SHARE CAPITAL (Continued)

c) Stock options (continued)

During the 151 days ended December 31, 2018, the Company transferred \$52,477 from the share-based payments reserve to deficit upon exercise of 200,000 stock options.

12. SEGMENTED DISCLOSURE

The Company has one operating segment, being mineral exploration and development. All of the Company's assets are located in Canada.

13. SUBSEQUENT EVENTS

Subsequent to December 31, 2018, the Company granted 1,000,000 stock options to consultants at an exercise price of \$0.33 and with a term to expiry of three years, and 400,000 stock options to officers and directors at an exercise price of \$0.31 and with a term to expiry of three years.