

# enCore Energy Corp.

TSX.V:EU

## **enCore Energy Corp.**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited interim 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 financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**ENCORE ENERGY CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)  
As at

	Notes	June 30, 2018	December 31, 2017
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 1,281,392	\$ 1,563,570
Receivables and prepaid expenses		7,122	45,427
		1,288,514	1,608,997
<b>Deferred acquisition costs</b>		-	114,938
<b>Mineral properties</b>	5	4,691,609	3,934,825
<b>Reclamation deposit</b>		112,827	-
<b>Total assets</b>		<b>\$ 6,092,950</b>	<b>\$ 5,658,760</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	6	\$ 254,232	\$ 29,513
Due to related parties	8	197,942	150,607
<b>Total liabilities</b>		<b>452,174</b>	<b>180,120</b>
<b>Shareholders' Equity</b>			
Share capital	7	23,460,203	23,310,203
Contributed surplus		1,027,220	1,012,750
Accumulated other comprehensive income		717,146	512,279
Deficit		(19,563,793)	(19,356,592)
<b>Total shareholders' equity</b>		<b>5,640,776</b>	<b>5,478,640</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 6,092,950</b>	<b>\$ 5,658,760</b>

**Nature of operations and going concern** (Note 1)  
**Commitment** (Note 13)

**Approved by the Board of Directors:**

\_\_\_\_\_  
"William M. Sheriff"

Director

\_\_\_\_\_  
"William B. Harris"

Director

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

**ENCORE ENERGY CORP.**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Notes	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
<b>Expenses</b>					
Consulting		\$ 46,383	\$ 36,975	\$ 73,164	\$ 53,850
Interest expense		-	-	-	3,467
Office and administration	8	27,415	16,408	60,612	52,228
Professional fees		26,168	2,373	26,741	4,273
Promotion and shareholder communications		912	-	953	-
Staff costs	8	25,898	20,584	44,969	40,767
Stock option expense	7,8	5,965	2,585	14,470	5,344
		(132,741)	(78,925)	(220,909)	(159,929)
Interest income		5,578	3,660	11,504	5,915
Foreign exchange gain (loss)		1,154	(6,555)	2,204	5,025
<b>Loss for the period</b>		<b>(126,009)</b>	<b>(81,820)</b>	<b>(207,201)</b>	<b>(148,989)</b>
<b>Other comprehensive income (loss)</b>					
Exchange differences on translating foreign operations		103,471	(87,727)	204,867	(128,057)
<b>Other comprehensive income (loss) for the period</b>		<b>103,471</b>	<b>(87,727)</b>	<b>204,867</b>	<b>(128,057)</b>
<b>Comprehensive loss for the period</b>		<b>\$ (22,538)</b>	<b>\$ (169,547)</b>	<b>\$ (2,334)</b>	<b>\$ (277,046)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding</b>		<b>114,492,750</b>	<b>111,492,750</b>	<b>113,292,750</b>	<b>101,492,750</b>

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

**ENCORE ENERGY CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the six months ended June 30, 2018 and 2017  
(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (207,201)	\$ (148,989)
Items not affecting cash:		
Stock option expense	14,470	5,344
Changes in non-cash working capital items:		
Receivables and prepaids	38,305	(26,187)
Accounts payable and accrued liabilities	72,016	32,325
Due to related parties	38,316	40,036
<b>Net cash used in operating activities</b>	<b>(44,094)</b>	<b>(97,471)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Mineral properties expenditures	(45,437)	(296,404)
Transaction costs for Metamin	(11,631)	-
Cash acquired upon acquisition of Metamin	2,501	-
<b>Net cash used in investing activities</b>	<b>(54,567)</b>	<b>(296,404)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Shares issued for private placement	-	2,400,000
Share issuance costs	-	(161,563)
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>2,238,437</b>
<b>Effect of exchange rate changes on cash</b>	<b>(183,517)</b>	<b>114</b>
<b>Change in cash during the period</b>	<b>(282,178)</b>	<b>1,844,676</b>
<b>Cash, beginning of period</b>	<b>1,563,570</b>	<b>98,069</b>
<b>Cash, end of period</b>	<b>\$ 1,281,392</b>	<b>\$ 1,942,745</b>

Supplemental cash flow information – Note 12

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

**ENCORE ENERGY CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the six months ended June 30, 2018 and 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	<b>Number of Shares</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Cumulative translation adjustment</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance as at December 31, 2016</b>	<b>71,492,750</b>	<b>\$ 21,239,438</b>	<b>\$ 823,573</b>	<b>\$ 782,040</b>	<b>\$ (19,127,177)</b>	<b>\$ 3,717,874</b>
Shares issued for private placement	40,000,000	2,400,000	-	-	-	2,400,000
Share issuance costs	-	(329,235)	167,672	-	-	(161,563)
Stock option expense	-	-	5,344	-	-	5,344
Loss and comprehensive loss for the period	-	-	-	(128,057)	(148,989)	(277,046)
<b>Balance as at June 30, 2017</b>	<b>111,492,750</b>	<b>\$ 23,310,203</b>	<b>\$ 996,589</b>	<b>\$ 653,983</b>	<b>\$ (19,276,166)</b>	<b>\$ 5,684,609</b>
<b>Balance as at December 31, 2017</b>	<b>111,492,750</b>	<b>\$ 23,310,203</b>	<b>\$ 1,012,750</b>	<b>\$ 512,279</b>	<b>\$ (19,356,592)</b>	<b>\$ 5,478,640</b>
Shares issued for share purchase agreement	3,000,000	150,000	-	-	-	150,000
Stock option expense	-	-	14,470	-	-	14,470
Income (loss) and comprehensive income (loss) for the period	-	-	-	204,867	(207,201)	(2,334)
<b>Balance as at June 30, 2018</b>	<b>114,492,750</b>	<b>\$ 23,460,203</b>	<b>\$ 1,027,220</b>	<b>\$ 717,146</b>	<b>\$ (19,563,793)</b>	<b>\$ 5,640,776</b>

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

**ENCORE ENERGY CORP.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended June 30, 2018 and 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

enCore Energy Corp. was incorporated on October 30, 2009 under the Laws of British Columbia. enCore Energy Corp., together with its subsidiary (collectively referred to as the “Company” or “enCore”), is principally engaged in the acquisition and exploration of resource properties in the United States. The Company’s common shares trade on the TSX Venture Exchange under the symbol “EU.V.”

The Company’s head office is located at #510 – 580 Hornby Street, Vancouver, BC.

The condensed interim consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. For the period ended June 30, 2018, the Company reported a net loss of \$207,201 and as at that date had a net working capital of \$836,340 and an accumulated deficit of \$19,563,793. The Company has no source of operating cash flows and as such the Company’s ability to continue as a going concern is contingent on its ability to monetize assets or obtain additional financing.

While the Company currently has no source of revenue, management believes the cash balance will be sufficient to fund general working capital requirements for the next twelve months.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

These condensed interim consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and effective as of June 30, 2018.

The Company uses the same accounting policies and methods of computation as in the annual audited consolidated financial statements for the year ended December 31, 2017.

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed interim consolidated financial statements were approved for issuance by the board of directors on August 10, 2018.

**ENCORE ENERGY CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended June 30, 2018 and 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)****Basis of Consolidation**

These condensed interim consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when an investor has existing rights that give it the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a Company's share capital. All significant intercompany transactions and balances have been eliminated.

The condensed interim consolidated financial statements include the financial statements of the Company and its significant subsidiaries listed in the following table:

Name of Subsidiary	Country of Incorporation	Ownership Interest	Principal Activity	Functional Currency
Tigris Uranium US Corp.	Nevada, USA	100%	Mineral Exploration	USD
Metamin Enterprises US Inc.	Utah, USA	100%	Mineral Exploration	USD

**New Accounting Standards Issued But Not Yet Effective****IFRS 16 – Leases**

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The IASB issued IFRS 16, Leases, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted, but only in conjunction with IFRS 15.

The Company has not yet completed the process of assessing the impact of IFRS 16 will have on its condensed interim consolidated financial statements, or whether to early adopt this new requirement.

**New Accounting Standards Adopted During The Period****IFRS 9 – Financial Instruments ("IFRS 9")**

In July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The Company adopted IFRS 9 on January 1, 2018 retrospectively and no differences of any significance have been noted in relation to the adoption of the standard.

**ENCORE ENERGY CORP.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended June 30, 2018 and 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)

In May 2014, IASB issued IFRS 15 to replace IAS 18 – Revenue, which establishes a new single five-step control-based revenue recognition model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The amended standard was adopted on January 1, 2018 and did not have an impact on the condensed interim consolidated financial statements.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements in conformity with IFRS requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management’s experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Although management uses historical experience and its best knowledge of the expected amounts, events or actions to form the basis for estimates, actual results may differ from these estimates. Significant accounting estimates and judgments include the following:

Critical accounting estimates:

**The assessment of the recoverable amount of mineral properties as a result of impairment indicators -**

When indicators of impairment are identified, recoverable amount calculations are based either on discounted estimated future cash flows or on comparable recent transactions. The assumptions used are based on management’s best estimates of what an independent market participant would consider appropriate. Changes in these assumptions may alter the results of impairment testing, the amount of the impairment charges recorded in the statement of loss and comprehensive loss and the resulting carrying values of assets.

**Share-based payments -**

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

**Recovery of deferred tax assets -**

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recorded any deferred tax assets.

Critical accounting judgments:

**The assessment of indicators of impairment for mineral properties -**

The Company follows the guidance of IFRS 6 to determine when a mineral property asset is impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the results of exploration and evaluation activities to date and the Company’s future plans to explore and evaluate a mineral property.

**Determination of functional currency -**

In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, management determined that the functional currency of the Company is the Canadian dollar and the functional currency of its subsidiaries is the U.S. dollar.

**ENCORE ENERGY CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended June 30, 2018 and 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**4. PURCHASE OF MINERAL PROPERTIES**

On March 14, 2018 (the “Closing Date”), the Company completed the acquisition of Metamin Enterprises US Inc. (“MEUS”).

The acquisition of MEUS was treated as an asset acquisition. The fair value of the assets acquired and liabilities assumed as at the date of acquisition were as follows:

<b>Consideration</b>	
Cash	\$ 165,185
Value of 3,000,000 common shares issued	150,000
Transaction costs	<u>126,569</u>
<b>Total consideration value:</b>	<b>\$ 441,754</b>

  

<b>Net assets acquired</b>	
Cash	\$ 2,501
Reclamation bond	110,185
Exploration and evaluation assets	336,994
Accounts payable and accrued liabilities	<u>(7,926)</u>
<b>Net assets acquired:</b>	<b>\$ 441,754</b>

**ENCORE ENERGY CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended June 30, 2018 and 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**5. MINERAL PROPERTIES**

	Crownpoint and Hosta Butte	Marquez and Nose Rock, New Mexico	Moonshine Springs, Arizona	Other properties	Metamin	Total
<b>Balance, December 31, 2016</b>	\$ 2,982,990	\$ 562,438	\$ 215,410	\$ 231,488	\$ -	\$ 3,992,326
Exploration costs:						
Maintenance fees	-	163,607	8,549	46,456	-	218,612
Currency translation adjustment	(203,004)	(42,513)	(14,660)	(15,936)	-	(276,113)
<b>Balance, December 31, 2017</b>	\$ 2,779,986	\$ 683,532	\$ 209,299	\$ 262,008	\$ -	\$ 3,934,825
Acquisition costs (Note 4)	-	-	-	-	336,994	336,994
Exploration costs:						
Maintenance fees	-	25,828	6,718	38,685	137,978	209,209
Currency translation adjustment	142,977	35,280	10,766	13,475	8,083	210,581
<b>Balance, June 30, 2018</b>	\$ 2,922,963	\$ 744,640	\$ 226,783	\$ 314,168	\$ 483,055	\$ 4,691,609

***Energy Fuels Agreement***

During the year ended December 31, 2015, the Company entered into a comprehensive asset purchase agreement (“Agreement”) with Energy Fuels Inc. and its subsidiaries (“Energy Fuels”) to acquire a Toll Milling processing right and a 100% interest in the Marquez and Nose Rock projects in New Mexico, the Moonshine Springs project in Arizona, and four projects in the White Canyon District of Utah. Terms of the Agreement include the payment of USD\$179,960 (\$249,748) in cash at closing (paid) to Energy Fuels along with the issuance of 14.25 million of the Company’s common shares (issued at a fair value of \$427,500). A final payment of USD\$150,000, due on June 4, 2016, was extended by an amending agreement dated May 10, 2016. As per the amendment, the outstanding payment accrued interest at a rate of 7% from June 4, 2016 until the date the fee was fully paid. During the year ended December 31, 2017, the Company paid USD\$157,940 (\$206,734) which includes the full balance of the principal outstanding and accrued interest of USD\$7,940 (\$10,393).

***Toll Milling Agreement***

The Toll Milling provision of the Agreement allows the Company to process conventional uranium ore from the acquired projects at Energy Fuels’ White Mesa mill in Blanding County, Utah. The agreement is for an initial period of two years with renewal provisions and contains industry-standard provisions. The agreement has expired in January 2018.

***Marquez, New Mexico***

The Marquez project consists of private mineral leases located in McKinley and Sandoval counties of New Mexico.

**ENCORE ENERGY CORP.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended June 30, 2018 and 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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**5. MINERAL PROPERTIES (cont'd)**

*Nose Rock, New Mexico*

The Nose Rock Project is located in McKinley County, New Mexico, on the northern edge of the Grants Uranium District. The Nose Rock property consists of 42 owned unpatented lode mining claims.

*Moonshine Springs, Arizona*

The Moonshine Springs project is located in Mohave County, Arizona. The project comprises 23 owned unpatented lode mining claims along with 7 unpatented lode mining claims under lease.

*Other Properties*

The White Canyon District, Utah property package includes the Geitus, Blue Jay, Marcy Look, and Cedar Mountain projects, which are located 40-65 miles to the northwest of the White Mesa Mill at Blanding County, Utah.

*Crownpoint and Hosta Butte Properties*

The Company owns a 100% interest in the approximately 113,000 acre McKinley properties and a 60% - 100% interest in the adjacent Crownpoint and Hosta Butte properties, all of which are located in McKinley County, New Mexico. The Company holds a 60% interest in a portion of a certain section at Crownpoint. The Company owns a 100% interest in the rest of the Crownpoint and Hosta Butte project area, subject to a 3% gross profit royalty on uranium produced.

*Metamin*

During the period ended June 30, 2018, the Company entered into an agreement with Metamin Enterprises Inc. ("Metamin"), a private British Columbia company, to acquire Metamin's wholly owned subsidiary, Metamin US Inc. ("MEUS"), which includes 13,605 acres of prospective uranium mining properties located in the States of Arizona, Utah and Wyoming, USA, along with drill core, geophysical data, drilling data and equipment related to the properties. Pursuant to the agreement, the Company paid Metamin \$55,000 in cash, replaced a \$110,185 (\$85,500 USD) cash bond and issued 3,000,000 common shares at a fair value of \$150,000 as consideration for the acquisition.

MEUS owns or controls three Arizona State mineral leases and 467 unpatented federal lode mining claims covering more than 10,000 acres in the northern Arizona strip district. Although much of the MEUS acreage was withdrawn from development in 2012 by executive order, which is currently under review by the current U.S. administration, MEUS maintains and asserts its claim to the mineral rights under valid claim. In Utah and Wyoming, MEUS owns unpatented claims, state leases and private leases covering 4.4 square miles including several former producing mines with historic resources remaining.

**ENCORE ENERGY CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended June 30, 2018 and 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**6. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities for the Company are as follows:

	June 30, 2018	December 31, 2017
Trade payables	\$ 254,232	\$ 29,513
Total	\$ 254,232	\$ 29,513

During the year ended December 31, 2017, the Company settled certain accounts payable with its suppliers and accordingly recorded a gain on settlement of accounts payable of \$56,448.

**7. SHARE CAPITAL AND RESERVES****Authorized share capital**

Unlimited common and preferred shares without par value.

During the period ended June 30, 2018, the Company issued 3,000,000 common shares valued at \$150,000 in relation to a share purchase agreement (Note 4).

During the year ended December 31, 2017, the Company closed a private placement for an aggregate of \$2,400,000 comprised of 40,000,000 units at a price of \$0.06 per unit. Each unit consists of one common share (the “Shares”) and one-half share purchase warrant. Each whole warrant will entitle the holder to purchase one additional share at a price of \$0.10 for a period of three years from the date of issue of the warrants. The warrants may be accelerated under certain terms if the stock price closes for 20 business days at \$0.80 or more. In connection with the financing, the Company paid \$161,563 of cash share issuance costs and granted 1,516,667 finders’ warrants (“Finder’s Warrant”) fair valued at \$167,672. Each Finder’s Warrant is exercisable for the purchase of one unit (a “Finder Unit”) of the Company for a period of three years at an exercise price of \$0.06 per Finder Unit. Each Finder Unit is comprised of one common share of the Company and one-half of one common share purchase warrant (each whole such warrant, a “Finder’s Unit Warrant”), with each Finder’s Unit Warrant being exercisable into one common share of the Company for a period of three years from the original date of issuance of the Finder’s Warrant, at a price of \$0.10 per share.

**Stock options**

The Company has adopted a stock option plan under which it is authorized to grant options to officers, directors, employees and consultants enabling them to acquire common shares of the Company. The number of shares reserved for issuance under the plan shall not exceed 10% of the outstanding common shares at the time of the grant. The options can be granted for a maximum of five years and vest as determined by the Board of Directors.

**ENCORE ENERGY CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended June 30, 2018 and 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**7. SHARE CAPITAL AND RESERVES (cont'd)****Stock options (cont'd)**

The Company's stock options outstanding as at June 30, 2018 and December 31, 2017, and the changes for the periods then ended, are as follows:

	<b>Outstanding Options</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Life (years)</b>
Balance, December 31, 2016	4,245,000	\$ 0.05	3.19
Granted	505,000	0.10	
Forfeited/expired	(25,000)	0.45	
Balance, December 31, 2017	4,725,000	\$ 0.06	2.19
Granted	815,000	0.06	
Balance, June 30, 2018	5,540,000	\$ 0.06	2.37
Exercisable, June 30, 2018	4,346,250	\$ 0.06	

As at June 30, 2018, incentive stock options were outstanding as follows:

<b>Outstanding Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
2,795,000	\$ 0.05	December 19, 2019
475,000	\$ 0.05	December 31, 2019
950,000	\$ 0.05	January 6, 2021
505,000	\$ 0.10	May 11, 2022
815,000	\$ 0.06	May 15, 2023
5,540,000		

During the period ended June 30, 2018, the Company granted 815,000 options with an exercise price of \$0.06. The options vest 25% every six months commencing six months after the grant date. During the year ended December 31, 2017, the Company granted 505,000 options with an exercise price of \$0.10. The options vest 25% every six months commencing six months after the grant date.

During the period ended June 30, 2018, the Company recognized stock option expense of \$14,470 (2017 - \$5,344) for the vested portion of the stock options.

The fair value of all compensatory options granted is estimated on the grant date using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair values for the period ended June 30, 2018 and the year ended December 31, 2017 are as follows:

	Six months ended June 30, 2018	Year ended December 31, 2017
Risk-free interest rate	2.31%	1.03%
Expected life of option	5.00 years	5.00 years
Expected dividend yield	0%	0%
Expected stock price volatility	189.46%	159.74%
Fair value per option	\$0.06	\$0.07

**ENCORE ENERGY CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended June 30, 2018 and 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**7. SHARE CAPITAL AND RESERVES (cont'd)****Share purchase warrants**

The Company's share purchase warrants outstanding as at June 30, 2018 and December 31, 2017, and the changes for the periods then ended, are as follows:

	<b>Outstanding Warrants</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Life (years)</b>
Balance, December 31, 2016	-	\$ -	-
Granted	21,516,669	0.10	
Balance, December 31, 2017 and June 30, 2018	21,516,669	\$ 0.10	1.63

As at June 30, 2018, share purchase warrants were outstanding as follows:

<b>Outstanding Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
20,000,002	\$ 0.10	February 15, 2020
1,516,667	0.06	February 15, 2020*
21,516,669		

\* These finders' warrants are exercisable into units comprising of a common share and one-half of one share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one additional common share at the price of \$0.10 per share until February 15, 2020.

During the year ended December 31, 2017, the Company granted 1,516,667 finders' warrants with an initial fair market value of \$167,672 or \$0.11 per warrant which was recorded as share issue costs. The following weighted average assumptions were used for the Black-Scholes valuation of the finders' warrants for the period ended June 30, 2018 and the year ended December 31, 2017:

	Six months ended June 30, 2018	Year ended December 31, 2017
Risk-free interest rate	-	0.97%
Expected life of warrant	-	3.00 years
Expected dividend yield	-	0%
Expected stock price volatility	-	182.01%
Fair value per warrant	-	\$0.11

**ENCORE ENERGY CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**8. RELATED PARTY TRANSACTIONS**

During the period ended June 30, 2018, the Company incurred \$38,141 (2017 - \$40,082) in staff costs for the Chief Executive Officer and \$17,000 (2017 - \$15,000) in general and administrative fees for the Chief Financial Officer. As at June 30, 2018, the Company owed the Chief Executive Officer \$197,942 (December 31, 2017 - \$150,607). As at June 30, 2018, the Company owed the Chief Financial Officer \$Nil (December 31, 2017 - \$Nil).

These services were incurred in the normal course of operations for general corporate matters, attendance at committee and board meetings, as well as evaluating business opportunities.

Key management includes Directors and Officers of the Company. The compensation paid or payable to key management for services during the periods ended June 30, 2018 and 2017 is as follows:

	2018	2017
Staff costs	\$ 38,141	\$ 40,082
Stock option expense	11,305	3,094
Office and administration fees	17,000	15,000
<b>Total key management compensation</b>	<b>\$ 66,446</b>	<b>\$ 58,176</b>

**9. MANAGEMENT OF CAPITAL**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, in order to support the exploration and evaluation of its mineral properties and to maintain a flexible capital structure that optimizes the cost of capital within a framework of acceptable risk.

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 its capital structure, the Company may issue new shares, issue debt, and acquire or dispose of assets.

The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets, the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. There were no changes in the Company's approach to capital management during the period ended June 30, 2018. The Company is not subject to any capital requirements imposed by a regulator.

**ENCORE ENERGY CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended June 30, 2018 and 2017

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**10. FINANCIAL INSTRUMENTS**

Financial assets and liabilities measured at fair value are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

Level 1 - Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2 - Values based on 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 3 - Values based on prices or valuation techniques that are not based on observable market data.

Cash is measured at Level 1 of the fair value hierarchy. The fair value of receivables, accounts payable and accrued liabilities, and amounts due to related parties approximates fair value due to the short term nature of the financial instruments. The Company classified its receivables as amortized cost. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities, which are measured at amortized cost.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature.

Discussions of risks associated with financial assets and liabilities are detailed below:

**Foreign Exchange Risk**

A portion of the Company's financial assets and liabilities are denominated in US dollars. The Company monitors this exposure, but has no hedge positions.

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts payable and accrued liabilities, and due to related parties that are denominated in US dollars. At June 30, 2018, a 10% change in the value to the US dollar as compared to the Canadian dollar would affect net loss and shareholders' equity by approximately \$36,000.

**Credit Risk**

Credit risk arises from cash held with banks and financial institutions and receivables. The maximum exposure to credit risk is equal to the carrying value of these financial assets. The Company's cash is primarily held with a major Canadian bank.

**Market Risk**

The Company is in the exploration stage and commodity prices are not reflected in operating financial results. However, fluctuations in commodity prices may influence financial markets and may indirectly affect the Company's ability to raise capital to fund exploration.

**Interest Rate Risk**

Interest rate risk mainly arises from the Company's cash, which receives interest based on market interest rates. Fluctuations in interest cash flows due to changes in market interest rates are negligible.

**ENCORE ENERGY CORP.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended June 30, 2018 and 2017

(Unaudited – Prepared by Management)

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**10. FINANCIAL INSTRUMENTS (cont'd)**

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its current obligations as they become due. The majority of the Company's accounts payable and accrued liabilities are payable in less than 90 days. The Company prepares annual exploration and administrative budgets and monitors expenditures to manage short-term liquidity. Due to the nature of the Company's activities, funding for long-term liquidity needs is dependent on the Company's ability to obtain additional financing through various means, including equity financing.

**11. SEGMENTED INFORMATION**

The Company operates in a single segment: the acquisition and exploration of mineral properties in the United States. The Company's mineral properties and equipment are located in the United States.

**12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Significant non-cash transactions for the period ended June 30, 2018 include the following:

- a) Included in mineral properties is \$188,772 which relates to accounts payable and accrued liabilities.

Significant non-cash transactions for the period ended June 30, 2017 include the following:

- a) Issued 1,516,667 finders' warrants valued at \$167,672 related to the private placement.

**13. COMMITMENT**

The Company has entered into a lease agreement for its premises in Utah, USA. The annual lease commitments are USD\$2,000 for 2018 and USD\$1,000 for 2019 respectively.