

**KNOL RESOURCES CORP.**

Condensed Interim Financial Statements (unaudited)

For the three months ended March 31, 2016

## **Management's Comments on the Unaudited Condensed Interim Financial Statements**

The accompanying unaudited condensed interim financial statements of Knol Resources Corp. (the "Corporation") as at and for the three months ended March 31, 2016 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Corporation. The Corporation's external auditors have not reviewed these financial statements.

**KNOL RESOURCES CORP.**  
**Condensed Interim Statements of Financial Position (unaudited)**  
**In Canadian dollars**

|   | <b>March 31</b>     | December 31  |
|---|---------------------|--------------|
|   | <b>2016</b>         | 2015         |
|   | \$                  | \$           |
| <b>Assets</b>   |                     |              |
| <b>Current assets</b>                                     |                     |              |
| Cash and cash equivalents (note 4)                        | <b>4,578,909</b>    | 4,628,415    |
| Accounts receivable                                       | <b>12,414</b>       | 13,726       |
| Prepaid expenses  | <b>3,773</b>        | 3,773        |
| <b>Total current assets</b>                               | <b>4,595,096</b>    | 4,645,914    |
| Restricted cash (note 4)                                  | <b>26,603</b>       | 26,603       |
| <b>Total assets</b>                                       | <b>4,621,699</b>    | 4,672,517    |
| <b>Liabilities</b>  |                     |              |
| <b>Current liabilities</b>                                |                     |              |
| Accounts payable and accrued liabilities (note 9)         | <b>24,273</b>       | 51,972       |
| Liabilities associated with assets held for sale (note 5) | <b>50,000</b>       | 50,000       |
| Asset retirement obligation (note 6)                      | <b>43,850</b>       | 43,850       |
| <b>Total liabilities</b>                                  | <b>118,123</b>      | 145,822      |
| <b>Shareholders' equity</b>                               |                     |              |
| Share capital (note 7a)                                   | <b>75,191,873</b>   | 75,191,873   |
| Equity reserves (note 7b)                                 | <b>22,947,225</b>   | 22,947,225   |
| Deficit   | <b>(93,635,522)</b> | (93,612,403) |
| <b>Total shareholders' equity</b>                         | <b>4,503,576</b>    | 4,526,695    |
| <b>Total liabilities and shareholders' equity</b>         | <b>4,621,699</b>    | 4,672,517    |

**Basis of presentation** (note 3a)

**On behalf of the Board of Directors:**

*"Bryce Rhodes"*
Director
*"Daryl Clark"*
Director

See accompanying notes to the unaudited condensed interim financial statements.

**KNOL RESOURCES CORP.****Condensed Interim Statements of Net Loss and Comprehensive Loss (unaudited)****In Canadian dollars**

|   | <b>Three Months Ended</b> |             |
|---|---------------------------|-------------|
|   | <b>March 31</b>           |             |
|   | <b>2016</b>               | <b>2015</b> |
|   | <b>\$</b>                 | <b>\$</b>   |
| <b>Expenses</b>   |                           |             |
| General and administrative:                             |                           |             |
| Consulting fees (note 9)                                | <b>34,360</b>             | 41,580      |
| Investor relations and exchange listing and filing fees | <b>2,393</b>              | 3,750       |
| Office expenses   | <b>1,985</b>              | 6,264       |
| Legal and audit services                                | -                         | 5,260       |
| Insurance   | -                         | 2,795       |
| <b>Net loss before interest</b>                         | <b>(38,738)</b>           | (59,649)    |
| Interest income   | <b>15,619</b>             | 26,646      |
| <b>Net loss before income taxes</b>                     | <b>(23,119)</b>           | (33,003)    |
| Income taxes  | -                         | -           |
| <b>Net loss and comprehensive loss</b>                  | <b>(23,119)</b>           | (33,003)    |
| <b>Basic and diluted loss per share (note 7c)</b>       | <b>(0.00)</b>             | (0.00)      |

See accompanying notes to the unaudited condensed interim financial statements.

**KNOL RESOURCES CORP.****Condensed Interim Statements of Changes in Shareholders' Equity (unaudited)****In Canadian dollars**

|                                 | Equity Reserves   |                              |                                  |                          | Deficit             | Total            |
|---------------------------------|-------------------|------------------------------|----------------------------------|--------------------------|---------------------|------------------|
|                                 | Common Shares     | Expired Options and Warrants | Outstanding Options and Warrants | Equity Reserves Subtotal |                     |                  |
|                                 | \$                | \$                           | \$                               | \$                       | \$                  | \$               |
| January 1, 2015                 | 75,191,873        | 22,509,921                   | 437,304                          | 22,947,225               | (93,309,702)        | 4,829,396        |
| Net loss and comprehensive loss | -                 | -                            | -                                | -                        | (33,003)            | (33,003)         |
| March 31, 2015                  | 75,191,873        | 22,509,921                   | 437,304                          | 22,947,225               | (93,342,705)        | 4,796,393        |
| Net loss and comprehensive loss | -                 | -                            | -                                | -                        | (269,698)           | (269,698)        |
| December 31, 2015               | 75,191,873        | 22,509,921                   | 437,304                          | 22,947,225               | (93,612,403)        | 4,526,695        |
| Net loss and comprehensive loss | -                 | -                            | -                                | -                        | (23,119)            | (23,119)         |
| <b>March 31, 2016</b>           | <b>75,191,873</b> | <b>22,509,921</b>            | <b>437,304</b>                   | <b>22,947,225</b>        | <b>(93,635,522)</b> | <b>4,503,576</b> |

See accompanying notes to the unaudited condensed interim financial statements.

**KNOL RESOURCES CORP.**  
**Condensed Interim Statements of Cash Flows (unaudited)**  
**In Canadian dollars**

|   | <b>Three Months Ended</b> |                  |
|---|---------------------------|------------------|
|   | <b>March 31</b>           |                  |
|   | <b>2016</b>               | <b>2015</b>      |
|   | <b>\$</b>                 | <b>\$</b>        |
| <b>Cash and cash equivalents (used in) provided by:</b>                 |                           |                  |
| <b>Operating activities</b>   |                           |                  |
| Net loss for the period   | (23,119)                  | (33,003)         |
| Less:   |                           |                  |
| Interest income   | (15,619)                  | (26,646)         |
| Add back (less) changes in non-cash working capital:                    |                           |                  |
| Accounts receivable and prepaid expenses                                | 1,312                     | (6,743)          |
| Accounts payable and accrued liabilities                                | (27,699)                  | 228              |
| <b>Total cash and cash equivalents used in operating activities</b>     | <b>(65,125)</b>           | <b>(66,164)</b>  |
| <b>Investing activities</b>   |                           |                  |
| Interest received   | 15,619                    | 26,646           |
| <b>Total cash and cash equivalents provided by investing activities</b> | <b>15,619</b>             | <b>26,646</b>    |
| <b>(Decrease) increase in cash and cash equivalents</b>                 | <b>(49,506)</b>           | <b>(39,518)</b>  |
| <b>Cash and cash equivalents beginning of the period</b>                | <b>4,628,415</b>          | <b>5,053,231</b> |
| <b>Cash and cash equivalents end of the period</b>                      | <b>4,578,909</b>          | <b>5,013,713</b> |

See accompanying notes to the unaudited condensed interim financial statements.

**KNOL RESOURCES CORP.**  
**Notes to the Condensed Interim Financial Statements (unaudited)**  
**For the three months ended March 31, 2016 and 2015**

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**1. NATURE OF OPERATIONS**

Knol Resources Corp. (the “Corporation”) seeks opportunities to acquire or participate in the exploration and development of petroleum and natural gas (“P&NG”) assets in Western Canada. As of the date these consolidated financial statements were authorized by the Corporation’s Board of Directors, the Corporation has no significant operating assets.

The Corporation is incorporated in Alberta, Canada, and its principal place of business is Suite 1703, Three Bentall Centre, 595 Burrard Street, Vancouver, BC, V7X 1J1.

The Corporation’s common shares trade on the NEX board of the TSX-Venture Exchange under the symbol “NOL.H”.

**2. STATEMENT OF COMPLIANCE**

These condensed interim financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), including Accounting Standard 34, Interim Financial Reporting (“IAS 34”). These condensed interim financial statements should be read in conjunction with the Corporation’s audited annual consolidated statements as at for the year ended December 31, 2015.

These condensed interim financial statements were approved by the Corporation’s Board of Directors on May 18, 2016.

**3. ACCOUNTING POLICIES**

**a) Basis of presentation**

These condensed interim financial statements have been prepared on a historical cost basis except for the assets and related liabilities classified as held for sale, which are measured at fair value, and financial instruments which are described in Note 3c of its audited consolidated financial statements for the year ended December 31, 2015.

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Corporation and all consolidated subsidiaries.

**b) Significant accounting policies**

Except for changes to accounting policies resulting from new or amended IFRS pronouncements, these condensed interim financial statements have been prepared using the same accounting policies and are subject to the same estimates, judgments and measurement uncertainties as those described in Note 3 of its audited consolidated financial statements for the year ended December 31, 2015. New accounting policies adopted as a result of new or amended IFRS pronouncements did not result in significant changes to the measurement or presentation of comparative information in these condensed interim financial statements compared with their disclosure in prior periods.

## **KNOL RESOURCES CORP.**

### **Notes to the Condensed Interim Financial Statements (unaudited)**

**For the three months ended March 31, 2016 and 2015**

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#### **3. ACCOUNTING POLICIES (continued)**

##### **c) New and amended IFRS adopted by the Corporation**

The Corporation has applied the following new IFRS amendment starting January 1, 2016:

##### **IFRS 5, Non-current Assets Held for Sale and Discontinued Operations**

IFRS 5 has been amended to include specific guidance for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

##### **m) Future changes in accounting standards**

The following are new and revised accounting pronouncements that have been issued, but are not yet effective for the year beginning January 1, 2016:

##### **i. IFRS 9, Financial Instruments**

The IASB intends to replace IAS 39 – “*Financial Instruments: Recognition and Measurement*” in its entirety with IFRS 9 in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. IFRS 9 can currently be adopted voluntarily, but is mandatory for years beginning on or after January 1, 2018.

##### **ii. IFRS 15, Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”) which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, following a one-year extension granted in September 2015, with early adoption permitted.



**KNOL RESOURCES CORP.**  
**Notes to the Condensed Interim Financial Statements (unaudited)**  
**For the three months ended March 31, 2016 and 2015**

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**3. ACCOUNTING POLICIES (continued)**

iii. IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 – Leases (“IFRS 16”) which eliminates the classification of leases as either operating or financing leases for a lessee. Under IFRS 16, unless their durations are for 12 or fewer months or are for low-value assets, all leases will be deemed finance leases, resulting in leased assets and lease liabilities being included on the statement of financial position. Expenses will be recognized through the amortization of leased assets rather than through lease payments. IFRS is effective for annual periods beginning on or after January 1, 2019; early adoption is permitted if IFRS 15 is also applied.

Management has determined that the application of these pronouncements is not expected to have a significant impact on the Corporation’s financial statements.

**4. CASH, CASH EQUIVALENTS AND RESTRICTED CASH**

As at March 31, 2016, the Corporation held cash in an operating account with a Schedule 1 Chartered Canadian bank and cash equivalents in the form of a term deposit with another Canadian financial institution with an R-1(low) credit rating from DBRS. The term deposit can be withdrawn on demand and earns a rate of 1.40% as at March 31, 2015 (December 31, 2015 – 1.40%). A breakdown of the Corporation’s cash and cash equivalents is as follows:

|                  | <b>March 31,<br/>2016</b> | December 31,<br>2015 |
|------------------|---------------------------|----------------------|
|                  | \$                        | \$                   |
| Cash             | <b>58,411</b>             | 123,536              |
| Cash equivalents | <b>4,520,498</b>          | 4,504,879            |
| <b>Total</b>     | <b>4,578,909</b>          | 4,628,415            |

Interest earned on the Corporation’s cash and cash equivalents for the three months ended March 31, 2016 was \$15,616 (2015 - \$26,646).

As a March 31, 2016, the Corporation held \$26,603 (December 31, 2015 - \$26,603) in cash restricted by a government authority that will be returned after certain environmental reclamation has been conducted and approved.

**5. LIABILITIES CLASSIFIED AS HELD FOR SALE**

The Corporation has two oil and gas interests, which it is actively seeking to sell. The carrying value of these assets has been written-off to \$nil for all periods presented, and the carrying value of related liabilities as at March 31, 2016 and December 31, 2015 is \$50,000, reflecting management’s estimate for the costs of disposal.

**KNOL RESOURCES CORP.**  
**Notes to the Condensed Interim Financial Statements (unaudited)**  
**For the three months ended March 31, 2016 and 2015**

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**6. ASSET RETIREMENT OBLIGATION**

The Corporation is operator of one gas well which was abandoned in the year ended December 31, 2015. In addition to the well abandonment, the Corporation is also responsible for surface reclamation and recognizes an asset retirement obligation for this work.

Changes to the Corporation's asset retirement obligation are as follows:

|   | <b>Carrying<br/>Amount</b> |
|---|----------------------------|
|   | <b>\$</b>                  |
| January 1, 2015                               | 200,000                    |
| Change in cost estimates                      | 60,563                     |
| Costs incurred for reclamation work performed | (216,713)                  |
| <b>December 31, 2015 and March 31, 2016</b>   | <b>43,850</b>              |

During the year ended December 31, 2015, the Corporation engaged contractors to abandon the well and to conduct preliminary ("Phase 1") assessments at the well site. As a result of this work, the Corporation recognized \$60,563 in additional reclamation expenses for changes in the estimated scope of work required, and total billings to the Corporation was \$216,713.

Costs for the Corporation's remaining liability are expected to be incurred in 2016. Their accrual reflects the Corporation's best estimates for the scope of work required and costs thereof, based on discussions with potential third-party service providers. Actual costs to be incurred are contingent on many factors including the success rates for vegetation growth, approval of completed work by regulators and specific-site conditions. Should the expected scope of work change or should actual costs differ from those estimated, additional reclamation expenses may be incurred or a reversal of current expenses may be reported in future periods. Owing to the short timeline for the expected cash outflows, there is no inflationary adjustment to or discounting of expected reclamation expenditures.

**7. SHAREHOLDERS' EQUITY**

**a) Share capital – common and preferred shares**

The Corporation's share capital as at March 31, 2016 and December 31, 2015 comprises the following

| <b>Class</b>  | <b>Number of<br/>Common<br/>Shares<br/>Issued and<br/>Outstanding</b> | <b>Assigned<br/>Value</b> |
|---|---|---------------------------|
|   |   | <b>\$</b>                 |
| Common shares, no par value (unlimited authorized)    | 55,696,470  | 75,191,873                |
| Preferred shares, no par value (unlimited authorized) | -   | -                         |

There have been no changes to the Corporation's share capital in the three months ended March 31, 2016 or the year ended December 31, 2015.

**KNOL RESOURCES CORP.**

Notes to the Condensed Interim Financial Statements (unaudited)

For the three months ended March 31, 2016 and 2015

**7. SHAREHOLDERS' EQUITY (continued)****b) Equity reserves - stock options and warrants***i. Stock options*

Pursuant to the Corporation's stock option plan, the aggregate number of shares that may be reserved for issuance under the plan shall not exceed 10% of the Corporation's issued and outstanding common shares. The number of options granted, as well as their vesting terms, contractual lives and exercise prices are at the discretion of the Board of Directors, provided that the exercise price is not less than the market price of the common shares on the grant date.

Changes to stock options outstanding are as follows:

|  | Number of<br>Options | Weighted<br>Average<br>Exercise<br>Price |
|--|----------------------|--|
|  |                      | \$                                       |
| Outstanding, January 1, 2015                             | 1,575,000            | 0.10                                     |
| Options cancelled  | (75,000)             | 0.10                                     |
| <b>Outstanding, December 31, 2015 and March 31, 2016</b> | <b>1,500,000</b>     | <b>0.10</b>                              |

Stock options outstanding and exercisable as at March 31, 2016 are summarized as follows:

| Exercise price | Number of<br>Options<br>Outstanding | Weighted<br>Average<br>Remaining<br>Contractual Life<br>Years | Number of<br>Exercisable<br>Options |
|----------------|-------------------------------------|---|-------------------------------------|
| \$             |                                     |   |                                     |
| <b>0.10</b>    | <b>1,500,000</b>                    | <b>3.1</b>  | <b>1,500,000</b>                    |

**KNOL RESOURCES CORP.**  
**Notes to the Condensed Interim Financial Statements (unaudited)**  
**For the three months ended March 31, 2016 and 2015**

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**7. SHAREHOLDERS' EQUITY (continued)**

*ii. Warrants*

The Corporation may issue warrants as a premium to participants in placements of its common shares or as compensation to those who facilitate such placements or who provide services to the Corporation.

Warrants outstanding and exercisable as at March 31, 2016 are summarized as follows:

| Exercise price | Number of<br>Warrants<br>Outstanding | Weighted<br>Average<br>Remaining<br>Contractual Life<br>Years |
|----------------|--------------------------------------|---|
| \$             |                                      |   |
| 0.10           | 2,570,600                            | 0.1 <sup>1</sup>  |
| 0.20           | 50,000,000                           | 3.0 <sup>2</sup>  |
|                | <b>52,570,600</b>                    | <b>2.9</b>  |

<sup>1</sup> Subsequent to March 31, 2016, these warrants expired, unexercised.

<sup>2</sup> If the market closing price and the volume-weighted average price of the Corporation's shares are both greater than \$0.40 for a period of 10 consecutive trading days, the Corporation may, at its sole discretion, issue notice of an accelerated expiration of these warrants upon which they will expire 30 days following the issuance of such notice.

There have been no changes to warrants outstanding in the three months ended March 31, 2016 or the year ended December 31, 2015.

**c) Per share amounts**

Basic and diluted loss per share are calculated as follows:

| \$ - unless otherwise stated                                       | Three Months Ended March 31 |               |
|--|-----------------------------|---------------|
|  | 2016                        | 2015          |
| <b>Numerator</b>   |                             |               |
| Net loss and comprehensive loss                                    | (23,119)                    | (33,003)      |
| <b>Denominator</b>   |                             |               |
| Basic and diluted weighted average number of<br>shares outstanding | 55,696,470                  | 55,696,470    |
| <b>Basic and diluted loss per share</b>                            | <b>(0.00)</b>               | <b>(0.00)</b> |

The calculation of diluted loss per share excludes the impact from the potential exercise of stock options and warrants as their inclusion is anti-dilutive in periods in which a net loss is incurred.

**KNOL RESOURCES CORP.**  
**Notes to the Condensed Interim Financial Statements (unaudited)**  
**For the three months ended March 31, 2016 and 2015**

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**8. COMMITMENTS & CONTINGENCIES**

Under the terms of certain agreements and the by-laws of the Corporation, the Corporation indemnifies individuals who have acted at the request of the Corporation to be a director and/or officer to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service. As at or subsequent to the end of the reporting period, the Corporation is unaware of any claims or actions that would materially affect its reported financial position or results from operations.

**9. RELATED PARTY TRANSACTIONS**

Consulting fees for the three months ended March 31, 2016 the Corporation includes \$7,500 (2015 - \$7,500) for consulting services provided by Michael Atkinson, the Corporation's President and Chief Executive Officer. The fees were incurred for management and business development services provided in the normal course of business, and have been measured at an exchange amount.

Consulting fees for the three months ended March 31, 2016, includes \$18,000 (2015 - \$18,000) for consulting services performed by Earlston Management Corp. ("Earlston"), an entity related by virtue of providing key management services to the Corporation. As at March 31, 2016, \$6,000 (December 31, 2015 - \$6,000) is included in accounts payable and accrued liabilities.

**10. FINANCIAL INSTRUMENTS**

**Fair value of financial instruments**

The Corporation's financial instruments as at March 31, 2016 consist of cash, accounts receivable, restricted cash, and accounts payable and accrued liabilities. Due to the short term nature of these instruments, their carrying values approximate their fair values. The fair values of financial instruments are allocated between three levels of a fair value hierarchy, based on the degree of certainty around the fair values. The levels and the valuation techniques used to value financial instruments are as follows:

*Level 1 - Quoted prices in active markets for identical assets*

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

*Level 2 - Significant other observable inputs*

Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

*Level 3 - Significant unobservable inputs*

Significant reliance is placed on unobservable prices, supported by little or no market activity.

As at March 31, 2016, cash and cash equivalents and restricted cash held by the Corporation were considered to be Level 1 financial instruments.

## **KNOL RESOURCES CORP.**

### **Notes to the Condensed Interim Financial Statements (unaudited)**

**For the three months ended March 31, 2016 and 2015**

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#### **Classification of financial instruments**

All financial assets (except for cash and cash equivalents and restricted cash which are classified as fair value through profit and loss) are classified as loans and receivables and are accounted for on an amortized cost basis. All financial liabilities are classified as other liabilities. There are no financial assets on the consolidated statement of financial position that have been designated as available-for-sale. There have been no changes to the aforementioned classifications during the three months ended March 31, 2016.

#### **Financial instrument risk management**

The nature of the Corporation's financial instruments and its operations expose the Corporation to market risks and credit risks. The Corporation manages its exposure to these risks by operating in a manner that minimizes this exposure. While management monitors and administers these risks, the Board of Directors of the Corporation has the overall responsibility for the establishment and oversight of the Corporation's risk management framework.

##### **a) Market risks**

Market risks include unfavorable movements in commodity prices, interest rates, and foreign exchange rates. As at March 31, 2016, the Corporation held no producing assets, held the majority of its net assets in cash, did not have any interest-bearing liabilities and has no commercial operations. Consequently, the Corporation has no significant exposure to market risks.

##### **b) Credit risk**

Credit risk is the risk of default on payment by counterparties to financial assets held by the Corporation. Virtually all of the Corporation's accounts receivables are concentrated with a limited number of customers and joint venture partners in the oil and gas industry. Management considers this concentration of credit risk to be acceptable, as customers are major industry participants, and receivables from partners are protected by effective industry standard legal remedies. The Corporation requires cash calls from its partners on major field projects in advance of commencement.

Accounts receivable as at March 31, 2016 was \$12,414. The maximum exposure to credit risk is therefore represented by the carrying amount of accounts receivable on the consolidated statement of financial position. In the immediate future, it is not expected that the Corporation's exposure to credit risk will be significant.

##### **c) Concentration risk**

Concentration risk is the risk that a significant proportion of the Corporation's cash is held with one financial institution, exposing the Corporation to the risk that this institution may not have the liquidity to honour withdrawals or redemptions of the Corporation's funds. As at March 31, 2016, the largest balance of cash and cash equivalents held with any single institution was \$4,520,498. Although the Corporation ensures the credit ratings of the financial institutions it deals with are high, the Corporation may seek to diversify holdings in the future.

**KNOL RESOURCES CORP.****Notes to the Condensed Interim Financial Statements (unaudited)****For the three months ended March 31, 2016 and 2015**

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**11. CAPITAL MANAGEMENT**

The Corporation's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Corporation defines capital as shareholders' equity and working capital. The Board of Directors does not establish quantitative return on capital criteria for management.

As at March 31, 2016, the Corporation's focus is to preserve the base of its cash available for redeployment in producing assets. There have been no changes in the Corporation's capital management strategies and processes during the three months ended March 31, 2016.

The Corporation has no externally imposed capital requirements and there are no external financial covenants to which the Corporation must adhere.

**KNOL RESOURCES CORP.  
INTERIM MANAGEMENT DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2016**

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**Background**

This Management Discussion and Analysis – Quarterly Highlights (“Quarterly Highlights”) of financial position and results of operation for Knol Resources Corp. (the “Corporation” or “Knol”) is prepared as at May 18, 2016. This MD&A should be read in conjunction with the Corporation’s unaudited condensed interim financial statements as at and for the three months ended March 31, 2016 and with the Corporation’s audited financial statements as at and for the year ended December 31, 2015.

Except as otherwise disclosed, all dollar figures included in the audited consolidated financial statements and in the following MD&A are quoted in Canadian dollars, and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. Additional information relevant to the Corporation’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**Forward-Looking Statements**

Certain statements contained in the following Quarterly Highlights constitute forward-looking statements. Such forward-looking statements may include, but are not limited to Corporation’s expected future financial position, financial and operational results, the execution of the Company’s business strategy, access to capital, and the outcomes of uncertain events. When used in these Quarterly Highlights, words such as “believe,” “anticipate,” “project,” “intend,” “expect,” “may,” “will,” “plan,” “attempts,” “seeks,” and similar expressions are intended to identify these forward-looking statements.

Significant forward-looking statements made in these Quarterly Highlights include, but are not limited to expectations for the timing, nature and structure of new operating activities; expected payments required for environmental reclamation; and expected payments paid or received on the disposition of assets and liabilities held for sale.

The Corporation’s actual results are dependent on factors such as the availability of oil and gas assets or investment opportunities on terms acceptable to the Corporation and general financing market conditions. As such, actual performance or achievements could differ materially from those expressed in, or implied by these forward-looking statements, and accordingly, no assurance can be given that any events, situations or outcomes indicated in these forward-looking statements will transpire or what benefits or liabilities to the Corporation will arise from these outcomes. Accordingly, readers of these Quarterly Highlights are cautioned against placing undue reliance on forward-looking statements.

**Analysis of the Corporation’s Financial Performance and Condition**

During the three months ended March 31, 2016, the Corporation continued to operate with a minimum level of overhead, incurring costs primarily for management and administration, maintaining its stock exchange listing and land consultants required for its remaining well interests. The Corporation paid certain invoices that were outstanding as at December 31, 2015, related to well abandonment and reclamation work conducted in the second half of 2015, but no further work was conducted in the three months ended March 31, 2016. As a result, cash outflows for this period were greater than the Corporation’s net loss.

The Corporation reported a net loss of \$23,119 (\$0.00 per share) for the three months ended March 31, 2016 compared to a net loss of \$33,003 (\$0.00 per share) for the same period in 2015. This decrease was largely the result of legal fees incurred in the three months ended March 31, 2015 related to a lawsuit initiated by the Corporation, which was settled later in 2015 and, as a result, no such fees were incurred in the three months ended March 31, 2016. Additionally, the Corporation had lower consulting fees in the three months ended March 31, 2016 resulting from a reversal of an over accrual of such fees in



a prior period, and lower office expenses resulting from the cancellation of certain computer services in the second half of 2015.

Partially offsetting these cost decreases, interest income for the three months ended March 31, 2016 was \$11,027 lower than for the same period in 2015. This decrease is largely a result of decreases in market rates of interest, which are reflected in the rate of return for term deposits held by the Company.

Other expenses for the three months ended March 31, 2016 were generally consistent with those incurred for the same period in 2015.

As at March 31, 2016, the Corporation had cash and cash equivalents of \$4,578,909, a decrease of \$49,506 from December 31, 2015. The decrease is partially related to expenditures for on-going operations during the period, but also relates to the payment for environmental reclamation services that were accrued as at December 31, 2015. Following this payment, the Corporation's accounts payable and accrued liabilities as at March 31, 2016 were \$24,273 (December 31, 2015 - \$51,972), which primarily relates to an accrual for the Corporation's year-end audit.

### **Related Party Transactions**

Consulting fees for the three months ended March 31, 2016 the Corporation includes \$7,500 (2015 - \$7,500) for consulting services provided by Michael Atkinson, the Corporation's President and Chief Executive Officer. The fees were incurred for management and business development services provided in the normal course of business, and have been measured at an exchange amount.

Consulting fees for the three months ended March 31, 2016, includes \$18,000 (2015 - \$18,000) for consulting services performed by Earlston Management Corp. ("Earlston"), an entity related by virtue of providing key management services to the Corporation. As at March 31, 2016, \$6,000 (December 31, 2015 - \$6,000) is included in accounts payable and accrued liabilities.