

**KNOL RESOURCES CORP.**

Condensed Interim Financial Statements (unaudited)

For the three months ended March 31, 2017

## **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, 2017 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>2017</b>	2016
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 4)	<b>4,210,407</b>	4,278,982
Accounts receivable	<b>3,432</b>	3,990
Prepaid expenses	<b>11,256</b>	1,506
<b>Total current assets</b>	<b>4,225,095</b>	4,284,478
Restricted cash (note 4)	<b>26,603</b>	26,603
<b>Total assets</b>	<b>4,251,698</b>	4,311,081
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 9)	<b>28,342</b>	45,462
Liabilities associated with assets held for sale (note 5)	<b>50,000</b>	50,000
Asset retirement obligation (note 6)	<b>250,000</b>	250,000
<b>Total liabilities</b>	<b>328,342</b>	345,462
<b>Shareholders' equity</b>		
Share capital (note 7a)	<b>75,191,873</b>	75,191,873
Equity reserves (note 7b)	<b>23,017,588</b>	22,947,225
Deficit	<b>(94,286,105)</b>	(94,173,479)
<b>Total shareholders' equity</b>	<b>3,923,356</b>	3,965,619
<b>Total liabilities and shareholders' equity</b>	<b>4,251,698</b>	4,311,081

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

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

\_\_\_\_\_  
*"Mark Vanry"* Director      \_\_\_\_\_  
*"Michael Atkinson"* Director

See the 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>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Expenses</b>		
General and administrative:		
Share-based compensation (note 7b)	<b>70,363</b>	-
Consulting fees (note 9)	<b>46,360</b>	34,360
Insurance	<b>3,250</b>	-
Investor relations and exchange listing and filing fees	<b>2,257</b>	2,393
Office expenses	<b>2,235</b>	1,985
<b>Net loss before interest and income taxes</b>	<b>(124,465)</b>	(38,738)
Interest income	<b>11,839</b>	15,619
<b>Net loss before income taxes</b>	<b>(112,626)</b>	(23,119)
Income taxes	-	-
<b>Net loss and comprehensive loss</b>	<b>(112,626)</b>	(23,119)
<b>Basic and diluted loss per share (note 7c)</b>	<b>(0.00)</b>	(0.00)

See the 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					
	Common Shares	Expired Options and Warrants	Outstanding Options and Warrants	Equity Reserves Subtotal	Deficit	Total
	\$	\$	\$	\$	\$	\$
January 1, 2016	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)
March 31, 2016	75,191,873	22,509,921	437,304	22,947,225	(93,635,522)	4,503,576
Expiration of warrants	-	297,991	(297,991)	-	-	-
Net loss and comprehensive loss	-	-	-	-	(537,957)	(537,957)
December 31, 2016	75,191,873	22,807,912	139,313	22,947,225	(94,173,479)	3,965,619
Share-based compensation	-	-	70,363	70,363	-	70,363
Net loss and comprehensive loss	-	-	-	-	(112,626)	(112,526)
<b>March 31, 2017</b>	<b>75,191,873</b>	<b>22,807,912</b>	<b>209,676</b>	<b>23,017,588</b>	<b>(94,286,105)</b>	<b>3,923,456</b>

See the 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>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Cash and cash equivalents (used in) provided by:</b>		
<b>Operating activities</b>		
Net loss for the period	(112,626)	(23,119)
Add back non-cash expenses		
Share-based compensation	70,363	-
Less non-operating items:		
Interest income	(11,839)	(15,619)
(Less) add back changes in non-cash working capital:		
Accounts receivable and prepaid expenses	(9,192)	1,312
Accounts payable and accrued liabilities	(17,120)	(27,699)
<b>Total cash and cash equivalents used in operating activities</b>	<b>(80,414)</b>	<b>(65,125)</b>
<b>Investing activities</b>		
Interest received	11,839	15,619
<b>Total cash and cash equivalents provided by investing activities</b>	<b>11,839</b>	<b>15,619</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(68,575)</b>	<b>(49,506)</b>
<b>Cash and cash equivalents beginning of the period</b>	<b>4,278,982</b>	<b>4,628,415</b>
<b>Cash and cash equivalents end of the period</b>	<b>4,210,407</b>	<b>4,578,909</b>

See the 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, 2017**

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#### **1. NATURE OF OPERATIONS**

Knol Resources Corp. (the "Corporation") seeks a strategic business or asset acquisition that would benefit from the Corporation's status as a publicly-listed entity and its historical tax losses. 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 tier of the TSX-Venture Exchange under the symbol "NOL.H".

#### **2. STATEMENT OF COMPLIANCE**

The condensed interim financial statements for the three months ended March 31, 2017 (the "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 Financial Statements should be read in conjunction with the Corporation's audited annual consolidated statements as at and for the year ended December 31, 2016.

These Financial Statements were approved by the Corporation's Board of Directors on May 17, 2017.

#### **3. ACCOUNTING POLICIES**

##### **a) Basis of presentation**

These Financial Statements have been prepared on a historical cost basis except for assets and related liabilities held for sale, which are measured at fair value, and financial instruments which are described in Note 3b of its audited consolidated financial statements for the year ended December 31, 2016.

The 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 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, 2016. 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, 2017**

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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, 2017:

IAS 7, Statement of Cash Flows

Amendments to IAS 7 require disclosures that enable financial statement users to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

**d) 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, 2017:

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 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 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 16, Leases

In January 2016, the IASB issued IFRS 16 Leases which replaces the previous leases standard, IAS 17 Leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessors continue to classify leases as operating leases or finance leases, and account for those two types of leases differently. IFRS 16 is effective for periods beginning on or after January 1, 2019.

The eventual application of these standards is not expected to have a significant impact on the Company’s existing accounting policies or financial statement presentation.

**KNOL RESOURCES CORP.**  
**Notes to the Condensed Interim Financial Statements (unaudited)**  
**For the three months ended March 31, 2017**

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

As at March 31, 2017, 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 1.15% as at March 31, 2017 (December 31, 2015 – 1.15%). A breakdown of the Corporation’s cash and cash equivalents is as follows:

	<b>March 31, 2017</b>	December 31, 2016
	\$	\$
Cash	<b>799</b>	81,213
Cash equivalents	<b>4,209,608</b>	4,197,769
<b>Total</b>	<b>4,210,407</b>	4,278,982

Interest earned on the Corporation’s cash and cash equivalents for the three months ended March 31, 2017 was \$11,839 (2016 - \$15,619).

As at March 31, 2017, the Corporation held \$26,603 (December 31, 2016 - \$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, 2017 and December 31, 2016 is \$50,000, reflecting management’s estimate for the costs of disposal.

**6. ASSET RETIREMENT OBLIGATION**

The Corporation is the leaseholder of a wellsite for which it is responsible for surface reclamation, and it recognizes an asset retirement obligation for this work.

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

	<b>Carrying Amount</b>
	\$
January 1, 2016	43,850
Change in cost estimates	206,150
<b>December 31, 2016 and March 31, 2017</b>	<b>250,000</b>

Prior to January 1, 2016, the Corporation’s estimated reclamation requirement, based on initial discussions with the landowner, excluded the need to decommission the road leading to the wellsite. However, during the year ended December 31, 2016, the Corporation was informed by the landowner that road decommissioning would be required and, as a result, the Corporation recognized a \$206,150 increase to the asset retirement obligation in 2016.

**KNOL RESOURCES CORP.**  
**Notes to the Condensed Interim Financial Statements (unaudited)**  
**For the three months ended March 31, 2017**

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**6. ASSET RETIREMENT OBLIGATION (continued)**

The Corporation's asset retirement obligation reflects estimates for the scope of work required and costs thereof, based on discussions with potential third-party service providers and the landowner. Actual costs to be incurred are contingent on many factors including the eventual reclamation requirements of the landowner, 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, 2017 and December 31, 2016 comprises the following

<b>Class</b>	<b>Number of Common Shares Issued and Outstanding</b>	<b>Assigned 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, 2017 or the year ended December 31, 2016.

**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.

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**For the three months ended March 31, 2017**

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

Changes to stock options outstanding are as follows:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b> \$
Outstanding, January 1, 2016 and December 31, 2016	1,500,000	0.10
Options granted	1,025,000	0.08
<b>Outstanding, March 31, 2017</b>	<b>2,525,000</b>	<b>0.09</b>

During the three months ended March 31, 2017, the Corporation granted 1,025,000 stock options to directors, officers and employees of a firm providing consulting services to the Corporation. The stock options, all of which vested on granting, have an exercise price of \$0.08 and expire March 22, 2022. The fair value for these options is \$70,363, which has been recorded as a share-based compensation expense. The fair value was determined using the Black-Scholes option-pricing model using the following inputs:

<b>Input</b>	<b>Value</b>
Exercise price	\$0.08
Market price of common shares on grant date	\$0.08
Volatility	130%
Risk-free rate	1.16%
Expected life	5 years
Dividend yield	0.00%

Stock options outstanding and exercisable as at March 31, 2017 are summarized as follows:

<b>Exercise price</b>	<b>Number of Options Outstanding</b>	<b>Expiration Date</b>	<b>Number of Exercisable Options</b>
\$0.10	800,000	September 22, 2017 <sup>1</sup>	800,000
\$0.10	700,000	May 21, 2019	700,000
\$0.08	1,025,000	March 22, 2022	1,025,000
	<b>2,525,000</b>		<b>2,525,000</b>

<sup>1</sup> The expiration date of 800,000 was revised from May 21, 2019 to September 22, 2017 following the resignation of two directors of the Corporation on March 22, 2017.

*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.

**KNOL RESOURCES CORP.**  
**Notes to the Condensed Interim Financial Statements (unaudited)**  
**For the three months ended March 31, 2017**

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

Changes to warrants outstanding are as follows:

	Number of Options	Weighted Average Exercise Price \$
Outstanding, January 1, 2016	52,570,600	0.20
Warrants expired	(2,570,600)	0.10
<b>Outstanding, December 31, 2016 and March 31, 2017</b>	<b>50,000,000</b>	<b>0.20</b>

Warrants outstanding and exercisable as at March 31, 2017 are summarized as follows:

Exercise price \$	Number of Warrants Outstanding	Weighted Average Remaining Contractual Life Years
0.20	50,000,000	2.0 <sup>1</sup>

<sup>1</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.

**c) Per share amounts**

Basic and diluted loss per share are calculated as follows:

	Three Months Ended March 31,	
\$ - unless otherwise stated	2017	2016
<b>Numerator</b>		
Net loss and comprehensive loss	(112,626)	(23,119)
<b>Denominator</b>		
Basic and diluted weighted average number of 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, 2017**

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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, 2017 includes \$7,500 (2016 - \$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, 2017 includes \$24,000 (2016 - \$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, 2017, \$6,000 (December 31, 2016 - \$6,000) is included in accounts payable and accrued liabilities for amounts owing to Earlston.

**10. FINANCIAL INSTRUMENTS**

**a) Fair value of financial instruments**

The Corporation's financial instruments as at March 31, 2017 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.

**KNOL RESOURCES CORP.**  
**Notes to the Condensed Interim Financial Statements (unaudited)**  
**For the three months ended March 31, 2017**

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**10. FINANCIAL INSTRUMENTS (continued)**

As at March 31, 2017, cash and cash equivalents and restricted cash held by the Corporation were considered to be Level 1 financial instruments.

**b) 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, 2017.

**c) 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.

i. Market risks

Market risks include unfavorable movements in commodity prices, interest rates, and foreign exchange rates. As at March 31, 2017, the Corporation held no producing assets, held the majority of its net assets in cash and cash equivalents, did not have any interest-bearing liabilities and has no commercial operations. Consequently, the Corporation has no significant exposure to market risks.

ii. Credit risk

Credit risk is the risk of default on payment of the financial assets held by the Corporation by counterparties to these assets. The Corporation is exposed to credit risk with respect its balance of cash and cash equivalents, \$4,209,608 of which was held by one financial institution as at March 31, 2017. Although the Corporation ensures the credit ratings of the financial institutions it deals with are high, and that its cash and cash equivalents are held with Schedule 1 Canadian banks or with institutions that are guaranteed by a Canadian provincial government, the Corporation is exposed to the risk of default by one or more of these institutions.

The Corporation currently has no oil and gas income and its accounts receivable comprises nominal levels of sales taxes refundable by the Canada Revenue Agency. As a result, it has no significant exposure to credit risk with respect to its accounts receivable.

**KNOL RESOURCES CORP.**  
**Notes to the Condensed Interim Financial Statements (unaudited)**  
**For the three months ended March 31, 2017**

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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, 2017, 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, 2017.

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