



HORIZON PETROLEUM LTD.
(formerly Horizon Petroleum PLC)

Condensed Interim Financial Statements
(Expressed in Canadian dollars)
(Unaudited)

For the three and nine months ended May 31, 2017

These unaudited condensed interim financial statements of Horizon Petroleum Ltd. for the three and nine months ended May 31, 2017 have been prepared by management and approved by the Board of Directors. These unaudited condensed interim financial statements have not been reviewed by the Company's external auditors.

HORIZON PETROLEUM LTD.
(formerly Horizon Petroleum PLC)

Condensed Interim Statements of Financial Position
(Expressed in Canadian dollars)
Unaudited
As at

	May 31, 2017	August 31, 2016
		(Audited)
Assets		
Current assets:		
Cash and equivalents	\$ 1,002,054	\$ 5,853
Receivables	44,066	23,849
Prepaid expenses	25,568	5,898
	\$ 1,071,688	\$ 35,600

Liabilities and Shareholders' Equity (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities (notes 7 & 10)	\$ 179,728	\$ 327,978
Promissory notes payable (note 11)	-	137,636
	179,728	465,614
Shareholders' equity (deficiency):		
Share capital (note 8)	16,068,203	14,198,204
Reserves (note 9)	667,470	574,311
Warrants (note 9)	33,440	33,440
Deficit	(15,877,153)	(15,235,969)
	891,960	(430,014)
	\$ 1,071,688	\$ 35,600

Corporate information and going concern (note 1)

Significant transaction (note 14)

Subsequent event (note 15)

Approved by the Board:

“Yogeshwar Sharma”
Director – Yogeshwar Sharma

“David Winter”
Director - David Winter

See accompanying notes to the condensed interim financial statements.

HORIZON PETROLEUM LTD.
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Condensed Interim Statements of Operations, Loss and Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

	Three months May 31, 2017	Three months May 31, 2016	Nine months May 31, 2017	Nine months May 31, 2016
Expenses:				
Directors' fees	\$ 14,000	\$ 26,606	\$ 14,000	\$ 40,165
Foreign exchange loss (gain)	2,340	(16,906)	517	(17,134)
Management fees	54,000	20,000	162,000	80,000
Office	4,923	8,416	9,804	15,039
Professional fees	27,170	44,172	94,267	124,515
Property investigation costs (note 6)	114,298	30,000	114,298	172,818
Rent	6,990	11,859	18,990	43,664
Shareholder communication	8,500	7,297	127,283	29,070
Share-based payments (note 9)	9,688	2,426	40,755	27,306
Transfer agent and regulatory fees	19,842	17,409	27,751	34,930
Travel and related costs	4,503	775	26,494	1,911
	(266,254)	(152,054)	(636,159)	(552,284)
Other Items:				
Interest income	2,000	-	2,000	87
Interest expense (notes 10 & 11)	-	(2,250)	(7,025)	(2,705)
	2,000	(2,250)	(5,025)	(2,792)
Loss and comprehensive loss for the period	\$ (264,254)	\$ (154,304)	\$ (641,184)	\$ (555,076)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.00)	\$ (0.04)	\$ (0.01)
Weighted average number of common shares outstanding	25,221,035	44,327,915	14,453,943	44,196,467

See accompanying notes to the condensed interim financial statements.

HORIZON PETROLEUM LTD.
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Condensed Interim Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)
Nine Months ended May 31,

	2017	2016
Cash provided by (used in):		
Operating activities		
Loss for the period	\$ (641,184)	\$ (555,076)
Items not affecting cash:		
Share-based payments	40,755	27,306
	(600,429)	(527,770)
Receivables	(20,217)	(8,944)
Prepaid expenses	(19,670)	2,744
Accounts payable and accrued liabilities	(148,250)	175,957
	(788,566)	(358,013)
Financing activities		
Promissory notes payable	(137,636)	90,000
Loan payable	(25,000)	25,000
Shares issued for cash, net	1,947,403	-
Subscriptions received in advance	-	-
	1,784,767	115,000
Change in cash and equivalents during the period	996,201	(243,013)
Cash and equivalents, beginning of period	5,853	243,273
Cash and equivalents, end of period	\$ 1,002,054	\$ 260

During the nine months ended May 31, 2017, the Company issued 767,640 finders' warrants with a value of \$52,404.

There were no non-cash investing or financing transactions during the nine months ended May 31, 2016.

See accompanying notes to the condensed interim financial statements.

HORIZON PETROLEUM LTD.
(formerly Horizon Petroleum PLC)

Condensed Interim Statements of Changes in Equity (Deficit)
(Expressed in Canadian dollars)
(Unaudited)

	Number of shares (Note 9)	Share capital	Warrants	Reserves	Deficit	Total
Balance, August 31, 2015	7,354,942	\$ 13,927,594	\$ 51,244	\$ 451,619	\$ (14,367,539)	\$ 62,918
Shares-for-debt	506,667	152,000	-	-	(555,076)	(555,076)
Loss for the period	-	-	-	-	(555,076)	(555,076)
Share-based payments	-	-	-	27,306	-	27,306
Balance, May 31, 2016	7,861,609	\$ 14,079,594	\$ 51,244	\$ 478,925	\$ (14,922,615)	\$ (312,852)
Balance, August 31, 2016	8,394,843	\$ 14,198,204	\$ 33,440	\$ 574,311	\$ (15,235,969)	\$ (430,014)
Shares issued for cash, net	16,882,333	1,922,403	-	-	-	1,922,403
Finders' warrants	-	(52,404)	-	52,404	-	-
Loss for the period	-	-	-	-	(641,184)	(641,184)
Share-based payments	-	-	-	40,755	-	40,755
Balance, May 31, 2017	25,277,176	\$ 16,068,203	\$ 33,440	\$ 667,470	\$ (15,877,153)	\$ 891,960

See accompanying notes to the condensed interim financial statements.

1. Corporate information and Going Concern

Horizon Petroleum Ltd. (“Horizon” or the “Company”) was incorporated in British Columbia. During the year ended August 31, 2014, the Company’s domicile was officially changed to Jersey, Channel Islands. During the year ended August 31, 2016, the Company changed its domicile again from Jersey, Channel Islands to Alberta, Canada. Consequently, the Company changed its name from Horizon Petroleum PLC to Horizon Petroleum Ltd. The principal business of the Company is the acquisition, exploration, and development of oil and gas properties.

The head office of the Company is located at 1500, 700 4th Ave. SW, Calgary, Alberta, T2P 3J4. The registered and records office of the Company is located at 15th Floor, 850 – 2nd Street SW, Calgary, Alberta T2P 0R8.

The Company has incurred losses since inception and is currently not generating any revenues aside from interest income. For the nine months ended May 31, 2017, the Company used cash in operating activities of \$788,566 (2016 - \$358,013). As at May 31, 2017, the Company’s cash and equivalents balance was \$1,002,054 (August 31, 2016 - \$5,853) and its working capital position was \$891,960 (August 31, 2016 – deficiency of \$430,014).

These unaudited condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. If this assumption were not appropriate, adjustments to these unaudited condensed interim financial statements may be necessary. When assessing the Company’s ability to continue on a going concern basis, material uncertainties as to the Company’s ability to obtain additional financing to fund future operations may cast significant doubt on the Company’s ability to continue as a going concern. The successful future operations of the Company are dependent on the ability of the Company to secure sufficient funds through financing or other sources, and there are no assurances that such financing will be obtained.

During the nine months ended May 31, 2017, the Company entered into a definitive agreement to acquire a 100% working interest in two hydrocarbon licences in southwest France and received net proceeds of \$1,947,403 in conjunction with the closing of a private placement (See note 14).

During May 2017, the Company’s common shares were consolidated on a basis of one post-consolidated common share for every six pre-consolidated common shares. The numbers of the shares presented in these unaudited condensed interim financial statements have all been adjusted to reflect the impact of this share consolidation.

2. Basis of presentation and statement of compliance

These unaudited condensed interim financial statements were authorized for issue on April 26, 2017 by the directors of the Company.

These unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee.

These unaudited condensed interim financial statements do not include all of the information required of a full annual financial report and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited annual financial statements of the Company for the year ended August 31, 2016.

3. Significant accounting policies

The preparation of these unaudited condensed interim financial statements required management to make estimates and judgments and to form assumptions that affect the reported amounts of assets and liabilities. Management's estimates and judgments are continually evaluated and are based on historical experience and other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates. The significant accounting estimates and judgments applied in the preparation of these unaudited condensed interim financial statements are consistent with those applied and disclosed in notes 3 and 4 to the Company's audited annual financial statements for the year ended August 31, 2016.

4. New accounting standards, amendments and interpretations:

The Company has not early adopted these standards and is currently assessing the impact these standards will have on its financial statements:

- i) IFRS 9: New standard that replaced IAS 39 for classification and measurement of financial assets, effective for annual periods beginning on or after January 1, 2018;
- ii) IFRS 15: On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the standard to have a material impact on the financial statements; and
- iii) As of January 1, 2019, the Company will be required to adopt IFRS 16 Leases, which will replace IFRS 17 Leases. For lessees applying the new standard, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. As of November 30, 2016, the Company is still determining the impact that the adoption of this standard will have on its financial statements.

5. Receivables

The Company's receivables are as follows:

	May 31, 2017	August 31, 2016
GST receivable	\$ 42,066	\$ 23,849

6. Property investigation costs

All property investigation costs were related to the investigation of oil and gas opportunities within Africa and Europe.

HORIZON PETROLEUM LTD.
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Notes to the Condensed Interim Financial Statements
(Expressed in Canadian dollars)
(Unaudited)
For the Three and Nine Months Ended May 31, 2017

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are as follows:

	May 31, 2017	August 31, 2016
Accounts payable	\$ 149,504	\$ 223,003
Due to related parties (Note 12)	20,000	88,975
Accrued liabilities	10,224	16,000
	\$ 179,728	\$ 327,978

8. Share capital

Authorized:

- Unlimited common shares without par value and an unlimited number of preferred shares without par value, all issued shares, consisting only of common shares that are fully paid.

During May 2017, the Company's common shares were consolidated on a basis of one post-consolidated common share for every six pre-consolidated common shares. The numbers of the shares presented in these unaudited condensed interim financial statements have all been adjusted to reflect the impact of this share consolidation.

During the year ended August 31, 2016, the Company:

- Issued 533,333 common share units for gross proceeds totaling \$160,000 pursuant to the completion of a private placement. Each unit consisted of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share at a price of \$0.075 per share for a period of two years. In conjunction with the issuance of the shares, the Company incurred total share issuance costs of \$9,390, which included cash costs comprised of legal and filing fees of \$750 and a finder's fee payment of \$7,200, as well as a non-cash cost of \$1,440 relating to the valuation of the issuance of 24,000 finders' warrants. Each finders' warrant enabled the holder to acquire one additional common share for \$0.45 per share. The fair value of the warrants was determined using the Black-Scholes option-pricing model with the following assumptions: expected life two year; volatility – 84%; dividend rate – nil; risk free interest rate – 0.55%.
- Issued 506,667 common shares to three directors of the Company at a deemed price of \$0.05 per share pursuant to the settlement of debt totaling \$152,000.

During the nine months ended May 31, 2017, the Company:

- Issued 16,882,333 common shares for gross proceeds totaling \$2,025,895 pursuant to the completion of two tranches of a non-brokered private placement. In conjunction with the issuance of the shares, the Company incurred total share issuance costs of \$155,896 which included cash costs comprised of legal and filing fees of \$11,360 and finders' fees payments of \$92,217, as well as a non-cash cost of \$52,404 relating to the valuation of the issuance of 767,640 finders' warrants. Each finder's warrant enabled the holder to acquire one additional common share for \$0.12 per share for a one-year period. The fair value of the warrants was determined using the Black-Scholes option-pricing model with the following assumptions: expected life two year; volatility – 110%; dividend rate – nil; risk free interest rate – 0.71%.

As at May 31, 2017, there are 25,277,176 common shares issued and outstanding.

HORIZON PETROLEUM LTD.
(formerly Horizon Petroleum PLC)
Notes to the Condensed Interim Financial Statements
(Expressed in Canadian dollars)
(Unaudited)
For the Three and Nine Months Ended May 31, 2017

9. Reserves

(a) Stock options:

Option plan:

The Company has a stock option plan covering the grant of options to its directors, officers and employees. A limit of 10% of the issued and outstanding common shares base can be issued in stock options without shareholder approval. The stock option plan provides that the options are for a maximum term of ten years and that the option exercise price shall be for not less than the market price on the grant date.

As at May 31, 2017, the Company had the following outstanding stock options:

	Number of options	Weighted average exercise price
Balance, August 31, 2015	95,333	0.90
Granted	616,663	0.60
Cancelled	(108,332)	0.60
Balance, August 31, 2016 and May 31, 2017	603,664	0.65
Number of options currently exercisable	246,776	\$ 0.64

(a) Stock options:

Option plan:

The weighted average remaining contractual life for the share options outstanding as at May 31, 2017 is 5.45 years (August 31, 2016 – 6.41 years).

As at May 31, 2017, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of options	Exercise price	Expiry date
95,333	\$ 0.90	August 4, 2023
508,331	0.60	December 4, 2022
603,664		

During the year ended August 31, 2016, the Company granted 616,663 stock options to certain directors and officers of the Company with an exercise price of \$0.60 per share, expiring December 4, 2022. These stock options vest as to 1/3 on December 4, 2016, 1/3 on December 4, 2017 and the final 1/3 on December 4, 2018.

HORIZON PETROLEUM LTD.
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Notes to the Condensed Interim Financial Statements
(Expressed in Canadian dollars)
(Unaudited)
For the Three and Nine Months Ended May 31, 2017

9. Reserves (continued)

(b) Share-based payments:

During the year ended August 31, 2016, the Company granted 616,663 (2015 – Nil) stock options. The fair value of the options granted during the period is \$138,414 (2015 - \$Nil), based on the Black-Scholes option pricing model. For the nine months ended May 31, 2017, the share-based payments expense recognized was \$40,755 (2016 - \$27,306).

The following assumptions were used for the Black-Scholes option pricing model:

	2016
Risk-free interest rate	1.14%
Expected life of options	7 years
Annualized volatility	153%
Dividend rate	0.00%
Forfeiture rate	0.00%

(c) Warrants:

Warrant transactions and the number of warrants are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, August 31, 2015	2,222,217	\$ 0.96
Issued	557,333	0.45
Expired	(2,222,217)	0.96
Balance, August 31, 2016	557,333	\$ 0.45
Issued	767,640	0.12
Balance, May 31, 2017	1,324,973	\$ 0.26

As at May 31, 2017, the Company had outstanding warrants enabling the holders to acquire common shares as follows:

Number of warrants	Exercise price	Expiry date
533,333	\$ 0.45	August 2, 2018
24,000	0.45	August 2, 2018 ⁽ⁱ⁾
<u>767,640</u>	0.12	February 20, 2018 ⁽ⁱ⁾
1,324,973		

(i) finder's warrants

HORIZON PETROLEUM LTD.
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Notes to the Condensed Interim Financial Statements
(Expressed in Canadian dollars)
(Unaudited)
For the Three and Nine Months Ended May 31, 2017

10. Related party transactions

The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel:

	May 31, 2017	May 31, 2016
Executive compensation ^{(1) to (5)}	\$ 130,500	\$ 197,000
Non-executive directors' fees ⁽⁶⁾	14,000	40,165
Rent ⁽⁷⁾	-	43,664
Interest ⁽⁸⁾	7,025	2,705
Share-based payments	40,755	27,306
	\$ 192,280	\$ 310,840

(1) Includes \$72,000 (2016 - \$80,000) in management fees paid or accrued to the Company's former interim CEO (resigned November, 2015).

(2) Includes \$3,000 (2016 - \$27,000) in professional fees paid or accrued to the Company's former CFO.

(3) Includes \$24,000 (2016 - \$Nil) in professional fees paid or accrued to the Company's current CFO.

(4) Includes \$Nil (2016 - \$90,000) in property investigation costs and \$90,000 (2016 - \$Nil) in management fees paid or accrued to the current CEO of the Company.

(5) Includes \$31,500 (2016 - \$31,500) in professional fees paid or accrued to a company controlled by the corporate secretary of the Company.

(6) Includes \$14,000 (2016 - \$40,165) in directors' fees paid or accrued to non-executive directors and former non-executive directors of the Company.

(7) Includes \$Nil (2016 - \$43,664) in rent paid or accrued to a company with three directors of the Company in common.

(8) Includes \$7,025 (2016 - \$2,705) in interest expense paid or accrued to directors of the Company (Note 11).

Included in accounts payable and accrued liabilities at May 31, 2017 is \$20,000 (August 31, 2016 - \$148,836) owing to related parties, all in respect of the above transactions. All related party transactions were conducted on arm's length terms.

11. Loans payable

Promissory notes payable

During the year ended August 31, 2016, the Company received \$137,636 from the issuance of additional promissory notes to three related parties. During the six months ended February 28, 2017, a further \$20,000 was received by the Company from the issuance of an additional promissory note issued to a related party with the same terms as the promissory notes disclosed above. The promissory notes bore interest at 10% per annum with maturity dates between July 28, 2016 and October 2, 2016. During the six months ended February 28, 2017, the Company repaid, in full, all of the promissory notes along with related accrued interest of \$13,065.

12. Financial instruments and risk management

IFRS 7, Financial Instruments: Disclosures ("IFRS 7") establishes a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantively the full term of the asset or liability; and
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company does not have any financial instruments recognized at fair value. The carrying values of cash and equivalents, receivables, and accounts payable and accrued liabilities approximate their fair values because of their short terms to maturity.

(a) Financial instrument risk exposure and risk management:

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided below:

Credit risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and equivalents, and accounts receivable. The Company limits the exposure to credit risk by only investing its cash and equivalents with high credit quality financial institutions in business and saving accounts, and guaranteed investment certificates, which are available on demand by the Company. The carrying amount of cash and equivalents and receivables represents the Company's maximum exposure to credit risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest bearing financial assets are comprised of cash, which bear interest at fixed or variable rates. The Company is not exposed to material interest rate risk.

HORIZON PETROLEUM LTD.
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Notes to the Condensed Interim Financial Statements
(Expressed in Canadian dollars)
(Unaudited)
For the Three and Nine Months Ended May 31, 2017

12. Financial instruments and risk management (continued)

Foreign currency

The Company is exposed to foreign currency risk as some of its accounts payable and accrued liabilities are held in US Dollars (USD) and Great British Pounds (GBP). The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

The exposure of the Company's cash and cash equivalents does not have significant exposure to changes in exchange rates.

The exposure of the Company's accounts payable and accrued liabilities is as follows:

	<u>May 31, 2017</u>		<u>August 31, 2016</u>	
	Amount in foreign currency	Amount in CAD dollars	Amount in foreign currency	Amount in CAD dollars
United States dollars:				
Accounts payable and accrued liabilities	23,333	\$ 29,533	3,500	\$ 4,615
Great British Pounds:				
Accounts payable and accrued liabilities	28,584	49,430	30,043	51,607
Total financial liabilities		\$ 78,963		\$ 56,222

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, it will have sufficient capital in order to meet short term business requirements, after taking into account cash flows used in operations and the Company's holdings of cash and equivalents. The Company's cash and equivalents is currently invested in business accounts which are available on demand by the Company for its programs. As at May 31, 2017, the Company had cash and equivalents of \$1,002,054 to settle current liabilities of \$179,728. Based on current period expenditures, the Company will have sufficient cash balances to cover its expected cash requirements for the next twelve months. (See note 14).

13. Capital management

The Company's objectives when managing capital are:

To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds to acquire, explore, and develop other mineral properties.

To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk of loss of principal.

To obtain the necessary financing to complete future property acquisitions, if and when it is required.

In the management of capital, the Company includes shareholders' equity in the definition of capital. The Company is not exposed to externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it, based on the level of funds required to manage its operations in light of changes in economic conditions and the risk characteristics of its underlying assets.

In order to maximize ongoing future exploration and development efforts, the Company does not pay dividends. Notwithstanding the risks described in note 1 of these unaudited condensed interim financial statements, the Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

14. Significant transaction

During December 2016, the Company and Pentanova Energy Corp. ("PEC") (formerly PMI Resources Ltd. ("PMI")), a company listed on the TSX Venture Exchange in Canada, entered into a non-binding letter of intent ("LOI"), followed in February 2017 by a definitive agreement (share purchase agreement ("SPA")), under which PEC will assign to the Company its two Luxembourg subsidiaries, which hold a 100% working interest in two hydrocarbon licences in southwest France known as Ledeux and Ger, and consisting of approximately 171,520 acres.

Furthermore, under the SPA, PEC has agreed to invest \$1.5-million into the Company by way of a third tranche of a non-brokered private placement of shares in the capital of the Company at \$0.12 per share. Officers and directors also invested into the Company, along with certain key shareholders and others, for a further \$2,025,895, of which the first tranche of \$1,819,280 closed during February 2017 with a second tranche of \$206,600 closing during March 2017. Issuance costs included finders' fees of cash payments of \$92,217 along with the issuance of 767,640 finders' warrants, as well as other cash issuance costs totaling \$11,275. PEC's investment will constitute the third tranche of this private placement.

Upon completion of the third tranche of this private placement, the Company will have approximately 37,777,176 shares outstanding. PEC will hold 12.5 million shares of the Company, which will represent approximately 33% of the shares of the Company. Since this will create a control block, according to the regulations of the TSX Venture Exchange ("TSX-V"), the Company sought (and received on March 14, 2017) shareholder consents for the issuance of the 12.5 million private placement shares to PEC as required by Section 1.12 of Policy 4.1 of the TSX-V corporate governance policies. The Company required the purchasers of such new shares and such shareholders providing consent to the private placement, to covenant to vote for an intended consolidation of the shares at the annual general meeting of the shareholders of the Company. This consent was received on March 14, 2017 and a share consolidation ratio of up to 1-for-6 was approved by shareholders and the consolidation took effect on May 9, 2017.

Concurrent with the investment by PEC into the Company, PEC will have the right to appoint one member to the board of directors of the Company.

The private placement, the appointment and completion of the assignment are subject to regulatory approval, including TSX Venture Exchange review and approval in accordance with its policies.

14. Subsequent event

During June 2017, the Company entered into a memorandum of understanding ("MOU") regarding the acquisition of a 100% interest in up to five conventional oil and gas concessions in onshore Europe.

Under the terms of the MOU, the Company has advanced US\$200,000 to the counterparty to cover certain obligations relating to the concessions going forward where such obligations would be assumed by the Company upon the completion of the transaction. US\$100,000 of the option payment is non-refundable if the transaction is not completed due to any action or inaction on the part of the Company.