

KNOL RESOURCES CORP.

Financial Statements

For the years ended December 31, 2016 and 2015

Independent Auditor's Report

To the Shareholders of Knol Resources Corp.:

We have audited the accompanying financial statements of Knol Resources Corp., which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of net loss and comprehensive loss, statements of changes in shareholders' equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

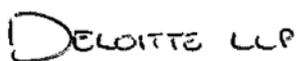
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Knol Resources Corp. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

The logo for Deloitte LLP, featuring the word "DELOITTE" in a stylized, outlined font followed by "LLP" in a simpler font.

Chartered Professional Accountants
April 19, 2017
Calgary, Alberta

KNOL RESOURCES CORP.
Statements of Financial Position
In Canadian dollars

	December 31	December 31
	2016	2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (note 4)	4,278,982	4,628,415
Accounts receivable	3,990	13,726
Prepaid expenses	1,506	3,773
Total current assets	4,284,478	4,645,914
Restricted cash (note 4)	26,603	26,603
Total assets	4,311,081	4,672,517
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (notes 8 and 12)	45,462	51,972
Liabilities associated with assets held for sale (note 5)	50,000	50,000
Asset retirement obligation (note 6)	250,000	43,850
Total liabilities	345,462	145,822
Shareholders' equity		
Share capital (note 7a)	75,191,873	75,191,873
Equity reserves (note 7b)	22,947,225	22,947,225
Deficit	(94,173,479)	(93,612,403)
Total shareholders' equity	3,965,619	4,526,695
Total liabilities and shareholders' equity	4,311,081	4,672,517

Basis of presentation (note 3a)

Event subsequent to the reporting date (note 7b)

On behalf of the Board of Directors:

“Mark Vanry”

Director

“Michael Atkinson”

Director

See accompanying notes to the financial statements.

KNOL RESOURCES CORP.
Statements of Net Loss and Comprehensive Loss
In Canadian dollars

	Years Ended December 31	
	2016	2015
	\$	\$
Expenses		
General and administrative:		
Legal and audit services (note 8)	190,276	40,906
Consulting fees (note 12)	181,760	164,026
Investor relations, exchange listing and filing fees	22,663	22,137
Insurance	14,867	12,995
Office expenses	10,853	20,247
Land leases	5,824	5,825
Total general and administrative expenses	(426,243)	(266,136)
Other (expenses) income:		
Environmental reclamation (note 6)	(203,631)	(60,563)
Interest income	56,644	78,496
Gain on write-off of accounts payable and accrued liabilities (note 9)	12,154	-
Non-refundable sales tax (note 10)	-	(54,498)
Net loss before income taxes	(561,076)	(302,701)
Income taxes	-	-
Net loss and comprehensive loss	(561,076)	(302,701)
Basic and diluted loss per share (note 7c)	(0.01)	(0.01)

See accompanying notes to the financial statements.

KNOL RESOURCES CORP.
Statements of Changes in Shareholders' Equity
In Canadian dollars

	Common Shares	Equity Reserves			Deficit	Total
		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	-	-	-	-	(302,701)	(302,701)
December 31, 2015	75,191,873	22,509,921	437,304	22,947,225	(93,612,403)	4,526,695
Reclassification	-	297,991	(297,991)	-	-	-
Net loss and comprehensive loss	-	-	-	-	(561,076)	(561,076)
December 31, 2016	75,191,873	22,807,912	139,313	22,947,225	(94,173,479)	3,965,619

See accompanying notes to the financial statements.

KNOL RESOURCES CORP.

Statements of Cash Flows

In Canadian dollars

	Years Ended December 31	
	2016	2015
	\$	\$
Cash and cash equivalents (used in) provided by:		
Operating activities		
Net loss for the period	(561,076)	(302,701)
Add back (less) non-cash items:		
Interest income	(56,644)	(78,496)
Add back (less) changes in non-cash working capital:		
Accounts receivable and prepaid expenses	12,003	2,199
Accounts payable and accrued liabilities	(6,510)	8,472
Asset retirement obligation	206,150	(156,150)
Total cash and cash equivalents used in operating activities	(406,077)	(526,676)
Investing activities		
Interest received	56,644	78,496
Refund of deposit held as restricted cash	-	23,364
Total cash and cash equivalents provided by investing activities	56,644	101,860
Decrease in cash and cash equivalents	(349,433)	(424,816)
Cash and cash equivalents beginning of the year	4,628,415	5,053,231
Cash and cash equivalents end of the year	4,278,982	4,628,415

See accompanying notes to the financial statements.

KNOL RESOURCES CORP.
Notes to the Financial Statements
For the years ended December 31, 2016 and 2015

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 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

These financial statements, including comparative periods, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and were approved by the Corporation's Board of Directors on April 19, 2017.

3. ACCOUNTING POLICIES

a) Basis of presentation

These 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 3b.

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

b) Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value net of transaction costs, if applicable. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit or loss", "loans and receivables", "available-for-sale", "held-to-maturity", or "financial liabilities" as follows:

i. Financial assets

Financial assets comprise cash and cash equivalents, accounts receivable and restricted cash. Cash and cash equivalents comprise deposits held at financial institutions, and are classified as fair value through profit and loss and are measured at fair value. Accounts receivable are classified as loans and receivables and are recorded at amortized cost less any impairment. Restricted cash includes cash on deposit with regulators for future environmental reclamation, and is classified as fair value through profit and loss and measured at fair value.

KNOL RESOURCES CORP.
Notes to the Financial Statements
For the years ended December 31, 2016 and 2015

3. ACCOUNTING POLICIES (continued)

b) Financial instruments (continued)

ii. Financial liabilities

Financial liabilities comprise accounts payable and accrued liabilities, which are classified as financial liabilities measured at amortized cost using effective interest rate method. Under this classification, all cash flows from these instruments are discounted, where material, to their present value. Over time, this present value is accreted to the future value of remaining cash flows, and this accretion is recorded as financing expense.

c) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. This condition is when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Corporation's accounting policies. Thereafter, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Fair value is based on recent purchase offers, market transactions for similar assets, or appropriate valuation models.

Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in the statement of loss and comprehensive loss. Property, plant and equipment and intangible assets are no longer depreciated once classified as held for sale, but interest and other expenses attributable to the liabilities of a disposal group or asset held for sale are recognized.

d) Asset retirement obligation

The Corporation recognizes an asset retirement obligation, in the period a well or related asset is drilled, constructed or acquired, for the expected costs to abandon wells and related facilities, remove equipment from leased acreage and return such land to its original condition. The asset retirement obligation is estimated at the present value of the estimated expected future cash outflows, discounted using a risk-free interest rate. The discounted obligation is initially capitalized as part of the carrying amount of the related property, plant and equipment and a corresponding liability is recognized.

Subsequent to initial recognition, the obligation is reviewed regularly by management, based upon current regulations, costs, technologies and industry standards, as well as to changes in the risk-free rate. The effects of changes resulting from revisions to the timing or the amount of the original estimate of the provision are reflected on a prospective basis, generally by adjustment to the carrying amount of the related property, plant and equipment. The accretion of the obligation is recorded as a financing cost in the statements of net loss and comprehensive loss,

KNOL RESOURCES CORP.
Notes to the Financial Statements
For the years ended December 31, 2016 and 2015

3. ACCOUNTING POLICIES (continued)

d) Asset retirement obligation (continued)

and actual abandonment and reclamation expenditures are charged to the accumulated obligation as incurred and obligations related to properties disposed are removed.

The amount of the capitalized retirement obligation is depleted and depreciated on the same basis as the other capitalized property, plant and equipment.

e) Stock-based compensation

Stock options granted by the Corporation to directors, officers, employees and consultants are measured at their fair values. Fair values of stock options issued are determined on their grant date, using the Black-Scholes option pricing model, and are recognized as an expense over the vesting periods of the options; a corresponding increase is recorded to equity reserves.

When stock options are exercised, the cash proceeds along with the amount previously recorded as equity reserves are recorded as share capital. At the end of each reporting period, the Corporation revises its estimate of the number of options expected to vest.

f) Share purchase warrants

Warrants with the right to acquire common shares in the Corporation are typically issued through the Corporation's equity financing activities. Warrants issued to agents as compensation for financing services are measured at their fair values, determined on their issuance date using the Black-Scholes option pricing model, and are recorded as both equity reserves and as a reduction in the values of related debt or share capital. Warrants issued as part of a share unit are valued at the difference between the purchase price of the share unit and the fair market value of the Corporation's shares on the date the share units are issued, with any value attributed to these warrants being recorded in equity reserves.

When share purchase warrants are exercised, the cash proceeds along with the amount previously recorded as equity reserves are recorded as share capital.

g) Share issue costs

Costs incurred to issue shares, which may include cash or equity-settled payments, are accounted for as a reduction in share capital.

h) Income taxes

Income tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

KNOL RESOURCES CORP.
Notes to the Financial Statements
For the years ended December 31, 2016 and 2015

3. ACCOUNTING POLICIES (continued)

h) Income taxes (continued)

Deferred tax assets or liabilities arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

i) Per share amounts

Basic (loss) earnings per share is calculated by dividing net (loss) income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which include stock options and warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of “in-the-money” stock options are used to purchase common shares of the Corporation at their average market price for the period. In periods that the Corporation reports a net loss, per share amounts are not presented on a diluted basis as the result would be anti-dilutive.

j) Judgments, estimates and measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts and presentation of assets, liabilities, revenues, expenses and disclosures of contingencies and commitments. Although these estimates are based on management’s expectations for the likely outcome, timing and amounts of events or transactions, actual results may differ from these expectations and the corresponding amounts and disclosures reported in these financial statements.

Areas where management is required to make judgments, significant estimations or where measurements are uncertain are as follows:

i. Asset retirement obligation

The asset retirement obligation reported by the Corporation is based on estimates for the amount and timing of future cash flows for property reclamation. Where possible, the Corporation’s management uses quotes from reclamation service providers in establishing the amount of reclamation expenses and estimates for the timing of such expenses is based on

3. ACCOUNTING POLICIES (continued)

j) Judgments, estimates and measurement uncertainty (continued)

i. Asset retirement obligation (continued)

related property productivity and the requirements of environmental regulators. The amount or timing of actual reclamation expenditures could differ from those used to determine the asset retirement obligation provision, and could result in an increase or decrease in related expenses.

ii. Assets and liabilities held for sale

The measurement of assets and liabilities held for sale requires management to use judgment to estimate their fair values. Management bases these fair values on factors such as prices discussed during sale negotiations and estimates for discounted present values of cash flows related to these assets and liabilities.

An inability to successfully negotiate a sale of these assets and liabilities, or changes to the amount or timing of related cash flows could adversely affect their fair values.

iii. Income taxes

Deferred tax assets are recognized to the extent that certain taxable losses or deferred expenditures will be utilized by the Corporation to reduce future taxes payable. The amount of deferred tax assets recognized, if any, is based on objective evidence that the Corporation will generate sufficient future taxable income to utilize these deferred assets, as well as the expected future tax rates that will apply to these assets. Changes to the Corporation's ability to generate sufficient taxable income or changes to enacted tax rates could result in the write-down of deferred tax assets, or the recognition of new deferred tax assets.

iv. Stock-based compensation

The Corporation uses the Black-Scholes option pricing model to determine the fair value of stock options granted. This model requires management to estimate the volatility of the Corporation's future share price, the risk-free interest rate, expected lives of stock options and future dividend yields and the number options granted which will be forfeited before vesting. Consequently, there is significant measurement uncertainty in the stock-based compensation expense reported.

k) 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.

KNOL RESOURCES CORP.
Notes to the Financial Statements
For the years ended December 31, 2016 and 2015

3. ACCOUNTING POLICIES (continued)

l) 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. 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. The amendments are effective for annual periods beginning on or after January 1, 2017.

ii. 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.

iii. 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.

4. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

As at December 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 1.15% as at December 31, 2016 (December 31, 2015 – 1.40%).

KNOL RESOURCES CORP.
Notes to the Financial Statements
For the years ended December 31, 2016 and 2015

4. CASH, CASH EQUIVALENTS AND RESTRICTED CASH (continued)

A breakdown of the Corporation's cash and cash equivalents is as follows:

	December 31, 2016	December 31, 2015
	\$	\$
Cash	81,213	123,536
Cash equivalents	4,197,769	4,504,879
Total	4,278,982	4,628,415

Interest earned on the Corporation's cash and cash equivalents for the year ended December 31, 2016 was \$56,644 (2015 - \$78,496).

As at December 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 December 31, 2016 and December 31, 2015 is \$50,000, reflecting management's estimate for the costs of disposal.

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:

	Carrying Amount
	\$
January 1, 2015	200,000
Change in cost estimates	60,563
Costs incurred for reclamation work performed	(216,713)
December 31, 2015	43,850
Change in cost estimates	206,150
December 31, 2016	250,000

During the year ended December 31, 2015, the Corporation engaged contractors to abandon the well and to conduct a preliminary ("Phase 1") assessment 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 paid \$216,713 for related work.

KNOL RESOURCES CORP.
Notes to the Financial Statements
For the years ended December 31, 2016 and 2015

6. ASSET RETIREMENT OBLIGATION (continued)

Following the well abandonment and Phase 1 assessment, the Corporation's remaining asset retirement obligation relates to surface reclamation of the well site and an access road to the well site. Based on informal discussions with the landowner regarding the scope of reclamation required, the Corporation's asset retirement obligation included surface reclamation of the immediate wellsite, but not of the access road. During the year ended December 31, 2016, it became uncertain as to whether or not road decommissioning would also be required and, as a result, the Corporation accrued an additional \$206,150 for the period, to include the potential scope change. The corresponding environmental reclamation expense was partially offset by a \$2,519 recovery of costs incurred in 2015 from a well interest holder.

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 December 31, 2016 and 2015 comprises the following:

Class	Number of Common Shares Issued and Outstanding	Assigned Value
		\$
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 years ended December 31, 2016 or 2015.

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.

KNOL RESOURCES CORP.
Notes to the Financial Statements
For the years ended December 31, 2016 and 2015

7. SHAREHOLDERS' EQUITY (continued)

b) Equity reserves - stock options and warrants (continued)

i. Stock options (continued)

Changes to stock options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price
		\$
Outstanding, January 1, 2015	1,575,000	0.10
Options cancelled	(75,000)	0.10
Outstanding, December 31, 2016 and 2015	1,500,000	0.10

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

Exercise price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Number of Exercisable Options
\$		Years	
0.10	1,500,000	2.4	1,500,000

Subsequent to December 31, 2016, the Corporation issued an additional 1,025,000 stock options to its directors and to employees of a management services company. The options have an exercise price of \$0.08, expire on March 22, 2022 and are not subject to vesting conditions.

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.

Changes to warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
		\$
Outstanding, January 1, 2015 and December 31, 2015	52,570,600	0.20
Warrants expired	(2,570,600)	0.10
Outstanding, December 31, 2016	50,000,000	0.20

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Notes to the Financial Statements
For the years ended December 31, 2016 and 2015

7. SHAREHOLDERS' EQUITY (continued)

b) Equity reserves - stock options and warrants (continued)

i. Warrants (continued)

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

Exercise price	Number of Warrants Outstanding	Weighted Average Remaining Contractual Life Years
\$		
0.20	50,000,000	2.3 ¹

¹ 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 losses per share are calculated as follows:

\$ - unless otherwise stated	Years Ended December 31	
	2016	2015
Numerator		
Net loss and comprehensive loss	(561,076)	(302,701)
Denominator		
Basic and diluted weighted average number of shares outstanding	55,696,470	55,696,470
Basic and diluted loss per share	(0.01)	(0.01)

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.

8. PROPOSED REVERSE TAKEOVER

On June 20, 2016, the Corporation entered into a non-binding letter of intent (the "LOI") with KEWA Financial Inc. ("KEWA") pursuant to which, the Corporation was to acquire 100% of the issued and outstanding shares in KEWA by way of a share-for-share exchange that would result in KEWA shareholders owning the majority of the then outstanding common shares in the Corporation. The LOI was terminated by KEWA, effective October 17, 2016.

The expense for legal and audit services for the year ended December 31, 2016 includes \$157,000 in costs incurred in connection with the LOI, of which \$19,700 is included in accounts payable and accrued liabilities as at December 31, 2016.

KNOL RESOURCES CORP.
Notes to the Financial Statements
For the years ended December 31, 2016 and 2015

9. GAIN ON WRITE-OFF OF ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

During the year ended December 31, 2016, the Corporation recorded a \$12,154 gain on the reversal of certain accounts payable which had been accrued in prior periods, but for which no payment was ultimately required.

10. NON-REFUNDABLE SALES TAX

During the year ended December 31, 2015, the Corporation recorded a \$54,498 expense related to federal sales taxes paid by the Corporation in connection with a 2012 Plan of Arrangement that were initially refunded to the Corporation, but which were later deemed non-refundable by the Canada Revenue Agency and were ultimately repaid by the Corporation.

11. 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.

12. RELATED PARTY TRANSACTIONS

Consulting fees for the year ended December 31, 2016 the Corporation includes \$30,000 (2015 - \$30,000) 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 year ended December 31, 2016 includes \$92,000 (2015 - \$72,000) for consulting services performed by Earlston Management Corp. ("Earlston"), an entity related by virtue of providing key management services to the Corporation, of which \$20,000 (2015 - \$nil) relates to the LOI discussed in note 8. As at December 31, 2016, \$6,000 (December 31, 2015 - \$6,000) is included in accounts payable and accrued liabilities for amounts owing to Earlston.

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Notes to the Financial Statements
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13. INCOME TAXES

The Corporation's income tax recovery (expense) reflects an effective tax rate that differs from the statutory tax rate. A reconciliation of this difference is as follows:

	2016	2015
	\$	\$
Expected income tax recovery from net loss at statutory tax rates (2016: 27%; 2015: 25%)	151,491	75,675
Less accounting expenses not deductible for income tax purposes	-	(13,625)
Adjustments to enacted tax rates and prior year adjustments	(47,860)	1,095,917
Change in unrecognized deductible temporary differences and other	(103,631)	(1,157,967)
Income tax recovery	-	-

Deferred tax assets as at December 31, 2016 and 2015 have been calculated using a substantively enacted tax rate of 27% and comprise the following:

	December 31	December 31
	2016	2015
	\$	\$
Deferred tax assets:		
Non-capital loss carry-forwards	9,297,520	9,119,625
Capital loss carry-forwards	2,698,546	2,698,546
Temporary differences in property, plant and equipment	2,492,256	2,600,598
Share issuance costs	43,165	64,747
Asset retirement obligations and liabilities held for sale	81,000	25,340
Total deferred tax asset	14,612,487	14,508,856
Unrecognized deferred tax asset	(14,612,487)	(14,508,856)
Deferred tax asset	-	-

There is no objective evidence that the benefit from the Corporation's deferred tax assets will be realized, therefore the Corporation has not recognized any deferred tax asset at December 31, 2016. Should the Corporation demonstrate future profitability, these assets may be fully or partially recognized.

As at December 31, 2016, the Company has non-capital loss carry-forwards available to carry forward to future years totaling approximately \$34.4 million (December 31, 2015 - \$33.8 million).

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13. INCOME TAXES (continued)

The current balance expires as follows:

Year	Amount (\$ millions)
2017	-
2018	-
2019	-
2020	-
2021	-
2022 and beyond	34.4
Total	34.4

14. FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

The Corporation's financial instruments as at December 31, 2016 consist of cash and cash equivalents, 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 December 31, 2016, 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 statements of financial position that have been designated as available-for-sale. There have been no changes to the aforementioned classifications during the year ended December 31, 2016.

14. FINANCIAL INSTRUMENTS (continued)

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. 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 December 31, 2016, 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 to its balance of cash and cash equivalents, \$4,197,769 of which was held by one financial institution. 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.

15. 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 December 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 year ended December 31, 2016.

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