

KNOL RESOURCES CORP.

Condensed Interim Financial Statements (unaudited)

For the nine months ended September 30, 2018

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 nine months ended September 30, 2018 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

	September 30	December 31
	2018	2017
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (note 4)	3,497,802	3,680,955
Current portion of restricted cash (note 5)	355,253	335,349
Accounts receivable	798	2,813
Prepaid expenses	-	1,506
Total current assets	3,853,853	4,020,623
Long-term portion of restricted cash (note 5)	-	26,603
Total assets	3,853,853	4,047,226
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	8,018	31,640
Liabilities associated with assets held for sale (notes 5 and 8)	395,050	350,000
Asset retirement obligation (note 5)	-	50,000
Total liabilities	403,068	431,640
Shareholders' equity		
Share capital (note 6a)	75,191,873	75,191,873
Equity reserves (note 6b)	23,032,693	23,032,693
Deficit	(94,773,781)	(94,608,980)
Total shareholders' equity	3,450,785	3,615,586
Total liabilities and shareholders' equity	3,853,853	4,047,226

Basis of presentation (note 3a)

Events subsequent to the reporting date (notes 5 and 12)

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**

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
	\$	\$	\$	
General and administrative Expenses				
Consulting fees (note 8)	54,972	46,020	159,838	143,740
Investor relations, exchange listing and filing fees	9,326	7,286	19,607	18,393
Office expenses	3,590	1,452	9,072	6,541
Legal and audit services	4,185	7,074	6,097	19,774
Insurance	-	3,250	4,120	9,750
Share-based compensation (note 6b)	-	15,105	-	85,468
Land leases	-	5,853	-	5,853
Total general and administrative expenses	(72,073)	(86,040)	(198,734)	(289,519)
Other income (expenses)				
Interest income	13,712	12,947	41,547	35,641
Revaluation of liabilities associated to assets held for sale (notes 5 and 8)	(7,614)	-	(7,614)	-
Environmental reclamation (note 5)	-	-	-	(100,000)
Net loss before income taxes	(65,975)	(73,093)	(164,801)	(353,878)
Income taxes	-	-	-	-
Net loss and comprehensive loss	(65,975)	(73,093)	(164,801)	(353,878)
Basic and diluted loss per share (note 6c)	(0.00)	(0.00)	(0.00)	(0.01)

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					Deficit	Total
	Common Shares	Expired Options and Warrants	Outstanding Options and Warrants	Equity Reserves Subtotal			
	\$	\$	\$	\$	\$	\$	\$
January 1, 2017	75,191,873	22,807,912	139,313	22,947,225	(94,173,479)	3,965,619	
Share-based compensation	-	-	85,468	85,468	-	85,468	
Expiration of options	-	74,301	(74,301)	-	-	-	
Net loss and comprehensive loss	-	-	-	-	(353,878)	(353,878)	
September 30, 2017	75,191,873	22,882,213	150,480	23,032,693	(94,527,357)	3,697,209	
Net loss and comprehensive loss	-	-	-	-	(81,623)	(81,623)	
December 31, 2017	75,191,873	22,882,213	150,480	23,032,693	(94,608,980)	3,615,586	
Net loss and comprehensive loss	-	-	-	-	(164,801)	(164,801)	
September 30, 2018	75,191,873	22,882,213	150,480	23,032,693	(94,773,781)	3,450,785	

See the accompanying notes to the unaudited condensed interim financial statements.

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

	Nine Months Ended September 30	
	2018	2017
	\$	\$
Cash and cash equivalents (used in) provided by:		
Operating activities		
Net loss for the period	(164,801)	(353,878)
Add back non-cash expenses		
Share-based compensation	-	85,468
Less non-operating items:		
Interest income	(41,547)	(35,641)
(Less) add back changes in non-cash working capital:		
Current and long-term portions of restricted cash	6,699	-
Accounts receivable and prepaid expenses	3,521	(851)
Accounts payable and accrued liabilities	(23,622)	(29,063)
Liabilities associated with assets held for sale and asset retirement obligation	(4,950)	100,000
Total cash and cash equivalents used in operating activities	(224,700)	(233,965)
Investing activities		
Interest received	41,547	35,641
Total cash and cash equivalents provided by investing activities	41,547	35,641
(Decrease) increase in cash and cash equivalents	(183,153)	(198,324)
Cash and cash equivalents beginning of the period	3,680,955	4,278,982
Cash and cash equivalents end of the period	3,497,802	4,080,658

See the accompanying notes to the unaudited condensed interim financial statements.

KNOL RESOURCES CORP.
Notes to the Condensed Interim Financial Statements (unaudited)
For the nine months ended September 30, 2018

1. NATURE OF OPERATIONS

Knol Resources Corp. (the “Corporation”) currently has no significant business activities or operating assets and is seeking a strategic business or asset acquisition that would benefit from the Corporation’s balance of cash and cash equivalents, its status as a publicly-listed entity and its historical tax losses.

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 as at and for the nine months ended September 30, 2018 (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, 2017.

These Financial Statements were approved by the Corporation’s Board of Directors on November 26, 2018.

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, 2017.

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, 2017. 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.

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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, 2018:

IFRS 9, Financial Instruments

IFRS 9 is the new standard for the financial reporting of financial instruments and replaces IAS 39. IFRS 9 requires that all financial assets be measured at amortized cost or at fair value based on the Corporation'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. Adoption of IFRS 9 did not have any impact on the Corporation's Financial Statements.

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, 2018:

i. 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 Corporation's existing accounting policies or financial statement presentation.

4. CASH AND CASH EQUIVALENTS

As at September 30, 2018, 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 1.71% as at September 30, 2018 (December 31, 2017 - 1.30%). A breakdown of the Corporation's cash and cash equivalents is as follows:

	September 30, 2018	December 31, 2017
	\$	\$
Cash	92,864	60,683
Cash equivalents	3,404,938	3,620,272
Total	3,497,802	3,680,955

Interest earned on the Corporation's cash and cash equivalents for the nine months ended September 30, 2018 was \$41,547 (2017 - \$35,641).

KNOL RESOURCES CORP.
Notes to the Condensed Interim Financial Statements (unaudited)
For the nine months ended September 30, 2018

5. ASSET RETIREMENT OBLIGATIONS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

As at December 31, 2017, the Corporation had interests in two remaining oil and gas properties, the “Sarcee Property” and the “Little Pine Property” remaining from its previous commercial activities in the resource sector. Neither property had any production and no asset value was attributed, but the Corporation was obligated to pay its share of environmental reclamation on both properties. A summary of changes to the reported balances related to the Sarcee Property and Little Pine Property during the year ended December 31, 2017 and the nine months ended September 30, 2018 is as follows:

	Liabilities Associated with Assets Held for Sale	Asset Retirement Obligation	Total
	\$	\$	\$
Balance, January 1, 2017	50,000	250,000	300,000
Change in reclamation cost estimate	-	100,000	100,000
Reclassification of the Sarcee Property	350,000	(350,000)	-
Reclassification of the Little Pine Property	(50,000)	50,000	-
Balance, December 31, 2017	350,000	50,000	400,000
Change in liability estimate	33,564	(25,950)	7,614
Reclassification of the Little Pine Property	24,050	(24,050)	-
Sales costs paid	(12,564)	-	(12,564)
Balance, September 30, 2018	395,050	-	395,050

In 2017 the Corporation entered into a sales agreement pursuant to which the Corporation would dispose its interest in the Sarcee Property, including the related reclamation obligation, to an unrelated party. As at December 31, 2017, this sale still required regulatory approval and the Corporation reported \$350,000 in liabilities held for sale, which comprised \$325,000 for compensation to the acquiror for assuming the Corporation’s reclamation obligation and \$25,000 for estimated sales and holding costs. As at September 30, 2018, regulatory approval for this transaction remained outstanding and during the nine months then ended, the Corporation increased its expected disposal costs by \$33,564 of which \$12,564 was incurred in the period.

As at December 31, 2017, the Corporation reported a \$50,000 liability for its estimated share of the asset retirement obligation for the Little Pine Property. During the nine months ended September 30, 2018, the Corporation entered discussions with an unrelated party who, for receipt of \$24,050, would acquire the Corporation’s interest in the Little Pine Property, including all environmental obligations. As at September 30, 2018, the proposed sale had not occurred, but the Corporation reduced its reported liability to \$24,050, which is classified as held for sale.

As at September 30, 2018, the Corporation held \$328,003 (December 31, 2017 - \$335,349) in an escrow account for the pending sale of the Sarcee Property and \$27,250 (December 31, 2017 - \$26,603) in a reclamation bond held with the Alberta Energy Regulator, both of which are classified as restricted cash.

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5. ASSET RETIREMENT OBLIGATIONS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (continued)

Events subsequent to the reporting date

Subsequent to September 30, 2018, the sales of the Sarcee Property and the Little Pine Property were both completed with the receipt of all regulatory approvals. Additionally, the required payments by the Corporation were made and were the same as those accrued as at September 30, 2018. Finally, the Corporation has requested a refund of its bond held by the Alberta Energy Regulator.

Following the completion of these sales, the Corporation has no remaining liabilities held for sale or asset retirement obligations.

6. SHAREHOLDERS' EQUITY

a) Share capital – common and preferred shares

The Corporation's share capital as at September 30, 2018 and December 31, 2017 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 nine months ended September 30, 2018 or the year ended December 31, 2017.

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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7. SHAREHOLDERS' EQUITY (continued)

Changes to stock options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price
		\$
Outstanding, January 1, 2017	1,500,000	0.10
Options granted	1,300,000	0.08
Options expired	(800,000)	0.10
Outstanding, December 31, 2017 and September 30, 2018	2,000,000	0.09

Stock options outstanding and exercisable as at September 30, 2018 are summarized as follows:

Exercise price	Number of Options Outstanding	Expiration Date	Number of Exercisable Options
\$0.10	700,000	May 21, 2019	700,000
\$0.08	1,025,000	March 22, 2022	1,025,000
\$0.08	275,000	September 13, 2022	275,000
	2,000,000		2,000,000

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 Options	Weighted Average Exercise Price
		\$
Outstanding, January 1, 2017	52,570,600	0.20
Warrants expired	(2,570,600)	0.10
Outstanding, December 31, 2017 and September 30, 2018	50,000,000	0.20

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7. SHAREHOLDERS' EQUITY (continued)

Warrants outstanding and exercisable as at September 30, 2018 are summarized as follows:

Exercise price	Number of Warrants Outstanding	Expiration Date
\$		
0.20	50,000,000	April 11, 2019 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 loss per share are calculated as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
\$ - unless otherwise stated	2018	2017	2018	2017
Numerator				
Net loss and comprehensive loss	(65,975)	(73,093)	(164,801)	(353,878)
Denominator				
Basic and diluted weighted average number of shares outstanding	55,696,470	55,696,470	55,696,470	55,696,470
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(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.

7. 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.

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8. RELATED PARTY TRANSACTIONS

Consulting fees for the nine months ended September 30, 2018 includes \$22,500 (2017 - \$22,500) 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 nine months ended September 30, 2018 includes \$72,000 (2017 - \$72,000) for management and administrative services performed by Earlston Management Corp. ("Earlston"), an entity related by virtue of providing key management services to the Corporation. Additionally, Earlston charged the Corporation \$15,000 for services provided in connection with the sales of the Sarcee Property and Little Pine Property, which is included in the expense for the revaluation of liabilities associated with assets held for sale for the nine months ended September 30, 2018 (2017 - \$nil). As at September 30, 2018, \$8,000 (December 31, 2017 - \$8,000) is included in accounts payable and accrued liabilities and \$15,000 (December 31, 2017 - \$nil) is included in liabilities associated with assets held for sale for amounts owing to Earlston.

9. FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

The Corporation's financial instruments as at September 30, 2018 consist of cash, accounts receivable, restricted cash, and accounts payable and accrued liabilities. Due to the short term nature of these instruments, their carrying values approximate their fair values. The fair values of financial instruments are allocated between three levels of a fair value hierarchy, based on the degree of certainty around the fair values. The levels and the valuation techniques used to value financial instruments are as follows:

Level 1 - Quoted prices in active markets for identical assets

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

Level 2 - Significant other observable inputs

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

Level 3 - Significant unobservable inputs

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

As at September 30, 2018, cash and cash equivalents and restricted cash held by the Corporation were considered to be Level 1 financial instruments.

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10. FINANCIAL INSTRUMENTS (continued)

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 nine months ended September 30, 2018.

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 September 30, 2018, 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, \$3,404,938 of which was held by one financial institution as at September 30, 2018. 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.

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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 September 30, 2018, 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 months ended September 30, 2018.

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

12. EVENTS SUBSEQUENT TO THE REPORTING DATE

In addition to the sale of the Corporation's property interests described in note 5, on October 3, 2018, the Corporation entered into a letter of intent (the "LOI") for the reverse takeover of the Corporation by Pivot Pharmaceuticals Inc. ("Pivot"). The LOI was subsequently terminated and the proposed transaction will not proceed. It is anticipated that all costs incurred by the Corporation in connection with the LOI and proposed transaction will be reimbursed by Pivot.