

TRINITY VALLEY ENERGY CORP.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

To the Shareholders of Trinity Valley Energy Corp.

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

Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Trinity Valley Energy 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Trinity Valley Energy Corp.'s ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 25, 2017

An independent firm associated with
Moore Stephens International Limited
MOORE STEPHENS

TRINITY VALLEY ENERGY CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note	December 31, 2016	December 31, 2015
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash		78,782	207,566
GST Receivable		4,681	2,376
		83,462	209,942
LONG-TERM ASSETS			
Cash held in escrow	4	2,685,400	2,773,800
		2,768,862	2,983,742
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	6	59,245	96,832
Due to related parties	7	1,750	1,750
		60,995	98,582
SHAREHOLDERS' EQUITY (DEFICIT)			
Common share capital	4	19,257,405	19,257,405
Preferred share capital	4	1,272,110	1,272,110
Share based payment reserve	4	4,289,158	4,289,158
Deficit		(22,110,806)	(21,933,513)
		2,707,867	2,885,160
		2,768,862	2,983,742

CONTINGENCY (Note 11)

Approved on Behalf of the Board:

"Jeffrey Cocks"

Director, Jeffrey Cocks

"Michael Dake"

Director, Michael Dake

The accompanying notes are an integral part of these consolidated financial statements.

TRINITY VALLEY ENERGY CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Note	Year ended December 31,	
		2016	2015
		\$	\$
EXPENSES			
Management fees	7	-	2,000
Office and administration		4,452	3,816
Professional fees		62,513	83,171
Travel and promotion		1,779	3,083
Transfer agent and filing fees		11,784	30,819
		(80,528)	(122,889)
Foreign exchange gain (loss)		(96,765)	250,576
Gain on settlement of debt	4,7	-	80,000
Write off of exploration and evaluation asset	5	-	(1,713,479)
LOSS AND COMPREHENSIVE LOSS		(177,293)	(1,505,792)
LOSS PER SHARE - BASIC AND DILUTED		(0.00)	(0.03)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC AND DILUTED		73,530,320	52,060,592

The accompanying notes are an integral part of these consolidated financial statements.

TRINITY VALLEY ENEF
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Note	Year ended December 31,	
		2016	2015
		\$	\$
Operating activities			
Net loss		(177,293)	(1,505,792)
Adjustments for:			
Foreign exchange		96,765	-
Gain on settlement of debt		-	(80,000)
Write off of exploration and evaluation assets		-	1,713,479
Changes in non-cash operating working capital items			
GST receivable		(2,305)	(2,334)
Accounts payable and accrued liabilities		(37,587)	2,493
Cash used in operating activities		(120,419)	127,846
Financing activities			
Issuance of common shares		-	1,590,138
Issuance of preferred shares		-	1,272,110
Cash held in escrow		-	(2,773,800)
Cash provided by financing activities		-	88,448
Investing activities			
Exploration and evaluation asset		-	(75,566)
Cash used in investing activities		-	(75,566)
Effects of change in foreign exchange		(8,365)	-
Decrease in cash		(128,784)	140,728
Cash, beginning		207,566	66,838
Cash, ending		78,782	207,566
Non-Cash transactions:			
Exploration and evaluation asset included in accounts payable		-	77,845
Issuance of common shares for debt settlement		-	120,000

The accompanying notes are an integral part of these consolidated financial statements.

TRINITY VALLEY ENERGY CORP.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Common Shares		Preferred Shares		Share based payment reserve	Deficit	Total
	Number of Shares	Share Capital	Number of Shares	Share Capital			
		\$		\$	\$	\$	\$
Balance December 31, 2014	34,765,160	17,547,267	-	-	4,289,158	(20,427,721)	1,408,704
Issuance of common shares for debt settlement (Notes 4 and 7)	4,000,000	120,000	-	-	-	-	120,000
Issuance of common shares (Note 4)	34,765,160	1,590,138	-	-	-	-	1,590,138
Issuance of preferred shares (Note 4)	-	-	100	1,272,110	-	-	1,272,110
Net loss	-	-	-	-	-	(1,505,792)	(1,505,792)
Balance, December 31, 2015	73,530,320	19,257,405	100	1,272,110	4,289,158	(21,933,513)	2,885,160
Net loss	-	-	-	-	-	(177,293)	(177,293)
Balance, December 31, 2016	73,530,320	19,257,405	100	1,272,110	4,289,158	(22,110,806)	2,707,867

The accompanying notes are an integral part of these consolidated financial statements.

Trinity Valley Energy Corp.
Notes to Consolidated Financial Statements
December 31, 2016
(Expressed in Canadian dollars)

1. Nature and Continuance of Operations

Trinity Valley Energy Corp. (the “Company”) was incorporated on May 17, 1966, under the laws of the province of British Columbia. The Company’s principal activity is the acquisition and exploration of exploration and evaluation assets. The Company’s shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol “TE”. The head office, principal address and the registered and records office of the Company are located at 551 Howe Street, Suite 200 Vancouver, B.C. V6C 2C2.

These consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2016, the Company is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its exploration activities on its exploration and evaluation asset and its ability to attain profitable operations and generate funds there from and/or raise equity capital to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with the private placement of common shares.

2. Statement of Compliance

The consolidated financial statements of the Company, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were approved by the board of directors for issue on April 25, 2017.

3. Significant Accounting Policies

Basis of measurement

The consolidated financial statements have been prepared on an accrual basis, except for cash flow information, and are based on historical costs, except for certain financial instruments which are measured at fair value. The consolidated financial statements are presented in Canadian Dollars, which is also the functional currency of the Company and its subsidiary.

Consolidation

The financial statements consolidate the accounts of the Company and its wholly owned subsidiary, Clairmont Gold Inc. (“Clairmont”). All inter-company balances and transactions are eliminated on consolidation.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary assets and liabilities are translated at rates in effect on the date of the transaction. Revenues and expenses are translated at exchange rates at the date of transaction. Exchange gains or losses arising from translation are included in the statement of loss and comprehensive loss.

Trinity Valley Energy Corp.
Notes to Consolidated Financial Statements
December 31, 2016
(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Share-based payments

The fair value of stock options granted to employees is measured at the grant date and recognized over the vesting period with a corresponding increase in equity. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is credited to the share-based payment reserve vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Trinity Valley Energy Corp.
Notes to Consolidated Financial Statements
December 31, 2016
(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

Exploration and evaluation assets

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

Exploration and evaluation expenditures are capitalized. The Company capitalizes costs to specific blocks of claims or areas of geological interest.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. The Company's criterion for testing impairment includes, but is not limited to, when:

- i) Exploration rights for a specific area expired or are expected to expire in the near future and these rights are not expected to be renewed;
- ii) Substantive expenditures on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned;
- iii) Exploration for and evaluation of resources in the specific area have not led to the discovery of commercially viable quantities of resources and the Company has decided to discontinue such activities in the specific area; and
- iv) Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

After technical feasibility and commercial viability of extracting a resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible development assets according to the nature of the asset.

Impairment of assets

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Trinity Valley Energy Corp.
Notes to Consolidated Financial Statements
December 31, 2016
(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of restoration costs, are charged to the statement of loss and comprehensive loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to the statement of loss and comprehensive loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income (loss) or equity is recognized in other comprehensive income (loss) or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:

Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Trinity Valley Energy Corp.
Notes to Consolidated Financial Statements
December 31, 2016
(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods including the following:

- i) The measurement of income taxes payable and deferred tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. Deferred tax assets require management to assess the likelihood that the Company will generate taxable income in future periods in order to utilize recognized deferred tax assets (Note 10).

The most significant judgements applying to the Company's consolidated financial statements include:

- i) Going concern presentation of the consolidated financial statements as discussed in Note 1, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

Standards issued but not yet effective

The standard issued but not yet effective up to the date of issuance of the Company's financial statements that are likely to have an impact on the Company is listed below. Other than the one listed below the accounting standards or amendments to existing standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements. The Company intends to adopt these standards when they become effective.

IFRS 9 - Financial Instruments ("IFRS 9") - The standard is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application may be required however, transition reliefs are provided (including no restatement of comparative period information). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules under IAS 39.

Trinity Valley Energy Corp.
Notes to Consolidated Financial Statements
December 31, 2016
(Expressed in Canadian dollars)

4. Share Capital

Authorized: An unlimited number of common shares without par value; and
An unlimited number of non-voting preferred shares without par value.

On September 30, 2015, the Company issued 4,000,000 common shares with a fair value of \$120,000 to settle \$200,000 in outstanding debt to related parties and recognized a gain on settlement of debt of \$80,000 (Note 7).

On July 13, 2015, the Company closed a private placement with Texas General Oil & Gas, LP (“Texas Oil”). In connection with the closing of the private placement the Company issued, into escrow, 34,765,160 common shares of the Company for gross proceeds of \$1,590,138 (US\$1,250,000) and 100 preferred shares for gross proceeds of \$1,272,110 (US\$1,000,000) (the “Preferred Equity”). All of the common shares, preferred shares and US\$2,250,000 (“Investment Amount”) were put into escrow.

Escrow shares

The escrow shares, and the Investment Amount will be released from escrow as follows:

- US\$250,000 and 20% of the common shares (6,953,032 common shares) to be released on closing of the private placement (released in September 2015);
- US\$1,000,000 and 80% of the common shares (27,812,128 common shares) to be released:
 - upon the Company’s successful acquisition of a 50% working interest in the Days Chapel Project;
 - The Company, or an entity controlled by Texas Oil, is appointed the operator under the Days Chapel Project’s Joint Operating and Farm in Agreement (“JOA”); and
 - The JOA is amended to reflect a revised non-participating operator penalty suitable to enhanced oil recovery projects.
- US\$1,000,000 and 100% of the preferred shares (100 preferred shares) to be released once the common shares and the funds received from the common shares have been released from escrow.

As at December 31, 2016, 27,812,128 common shares and 100 preferred shares are held in escrow.

As at December 31, 2016, \$2,685,400 (US\$2,000,000) of the Investment Amount is held in escrow.

Preferred shares

Upon the preferred shares being released from escrow they will have the following rights and restrictions:

- annual dividend of 15% of the Preferred Equity. No dividends shall be paid on any common shares unless dividends are paid according to the terms herein on all of the preferred shares;
- non-subordinable to the issuance of any additional shares, common shares or preferred, debt or any other issuance by the Company. The preferred shares cannot be diluted without the prior written consent of Texas Oil;
- preference in the event of liquidation or winding up of the Company (entitled to receive—in preference to the holders of common shares—the Preferred Equity plus any accrued but unpaid dividends as of the date of the winding up or liquidation);
- transferable without restriction or consent of the Company or other subsequent investors, to any third party and for any reason.

Trinity Valley Energy Corp.
Notes to Consolidated Financial Statements
December 31, 2016
(Expressed in Canadian dollars)

4. Share Capital (continued)

Stock Options

The Company has a rolling stock option plan whereby it can issue stock options up to 10% of the issued and outstanding common shares of the Company at the grant date. The plan allows for a maximum term of ten years, and the vesting period is determined by the board of directors. Each option permits the holder to purchase one common share of the Company.

As at December 31, 2016, 2015 and 2014, there are 800,000 options outstanding and exercisable. The options are exercisable at \$0.10 and expire on December 6, 2017.

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Warrants

	Number of warrants outstanding
December 31, 2014	15,077,800
Expired	(15,077,800)
December 31, 2016 and 2015	-

5. Exploration and evaluation Asset

	Balance, December 31, 2014 \$	Additions (Impairment) \$	Balance, December 31, 2015 \$	Additions (Impairment) \$	Balance, December 31, 2016 \$
<u>Days Chapel Project</u>					
Acquisition	1,560,068	-	1,560,068	-	1,560,068
Exploration expenditures					
Survey and Mapping	-	117,355	153,411	-	153,411
Impairment	-	(1,713,479)	(1,713,479)	-	(1,713,479)
Total	1,560,068	(1,596,124)	-	-	-

Days Chapel Project

On February 7, 2013, the Company entered into a JOA with Anderson County Land Company (“ACLC”) to earn a 33.33% working interest in the Days Chapel enhanced oil recovery project (the “Days Chapel Project”) located in Anderson County, Texas, subject to a total royalty burden of up to 20%. During the year ended December 31, 2013, the Company funded a US\$1,500,000 (\$1,524,068) work program and earned its 33.33% interest in the Days Chapel Project. The Company also paid a finder’s fee of 450,000 shares with a fair value of \$36,000.

Trinity Valley Energy Corp.
Notes to Consolidated Financial Statements
December 31, 2016
(Expressed in Canadian dollars)

5. Exploration and evaluation asset (continued)

The Company has an option to acquire up to an additional 17.67% working interest (in 1% increments) of the Days Chapel Project. The price paid to acquire each additional 1% increment will be determined based on results of the independent engineering modeling.

- 1) If the independent engineering modeling recommends the inverted 7-spot vertical technology production method, then the purchase price will utilize the value of proven plus probable oil reserves at a 20% discounted present value, subject to a maximum price of US\$509,434 per each 1% undivided working interest.
- 2) If the independent engineering modeling recommends a steam-assisted gravity drainage production method, or a variation thereof, that increases the recovery factor of the original oil-in-place then it will utilize the value of proven plus probable oil reserves at a 20% discounted present value, subject to a maximum price of US\$721,697 per each 1% undivided working interest.

The purchase price can be paid by up to two thirds in common shares of the Company based on the prior 60 trading day weighted average market price with the remainder in US dollars.

The Company, pursuant to the terms of the JOA, is due an assignment of a 33.33% working interest in the leases contained in the Days Chapel Project. As at December 31, 2015, the 33.33% interest in these leases had not been transferred to the Company. The Company cannot confirm that the leases ACLC has asserted it owned are owned by ACLC. As a result, pending the outcome of the matters in dispute per Note 11, the Company fully impaired the Days Chapel Project as at December 31, 2015, and recorded a loss on the statement of loss and comprehensive loss.

6. Accounts payable and accrued liabilities

	2016	2015
	\$	\$
Trade payables	11,189	48,276
Accrued liabilities	48,056	48,556
	59,245	96,832

7. Related Party Transactions

The following amounts were due to related parties as at December 31, 2016 and 2015:

	2016	2015
	\$	\$
Companies controlled by a director of the Company	1,500	1,500
An officer and director of the Company	250	250
	1,750	1,750

During the year ended December 31, 2015, the Company settled an aggregate of \$200,000 in outstanding debt to related parties, through the issuance of 4,000,000 common shares with a fair value of \$120,000. As a result of the debt settlement, \$80,000 was recorded as a gain on the statement of loss and comprehensive loss. The amounts owed to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

Key management personnel compensation

	Years Ended December 31,	
	2016	2015
	\$	\$
Management fees	-	2,000

Trinity Valley Energy Corp.
Notes to Consolidated Financial Statements
December 31, 2016
(Expressed in Canadian dollars)

8. Financial Instruments and Financial Risk Management

Financial 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, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Currency risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. As at December 31, 2016, the Company had net financial assets of \$2,749,910 denominated in US dollars. A 10% change in the Canadian dollar versus the US dollar would cause a change of approximately \$275,000 to net and loss.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	2016	2015
	\$	\$
Loans and receivables:		
Cash	78,782	207,566
Cash held in escrow	2,685,400	2,773,800

Financial liabilities included in the statement of financial position are as follows:

	2016	2015
	\$	\$
Trade payables	11,189	48,276
Due to related parties	1,750	1,750

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8. Financial Instruments and Financial Risk Management (continued)

Fair value

The fair value of the Company's financial assets and liabilities approximates their carrying amount due to their short terms of maturity. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments classified as level 1 include cash and cash held in escrow.

9. Capital Management

The Company manages its capital, consisting of share and working capital, in a manner consistent with the risk characteristic of the assets it holds. All sources of financing are analyzed by management and approved by the Board of Directors. The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern and to support the exploration and development of its exploration and evaluation assets and to sustain future development of its business. The Company is meeting its objective of managing capital through preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity. The Company is not subject to any externally imposed capital restrictions. There were no changes in the Company's approach to capital management during the year.

10. Income Taxes

The income tax provisions differ from the expected amounts calculated by applying Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	2016	2015
	\$	\$
Loss before income taxes	(177,293)	(1,505,792)
Corporate tax rate	26%	26%
Expected tax recovery	(46,096)	(391,506)
Share issue costs	-	-
Change in statutory tax rates and other	41,121	(435)
Adjustment to prior years provision versus statutory tax return	(43,423)	(1,918)
Change in valuation allowance and other	48,398	390,024
Income tax recovery	-	-

The Company's tax-effected deferred income tax assets and liabilities are estimated as follows:

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10. Income taxes (continued)

	2016	2015
	\$	\$
Deferred income tax assets		
Exploration and evaluation assets	1,792,926	1,792,926
Non-capital losses available	1,227,550	1,177,439
Share issuance costs	1,712	3,425
Quebec mining duties	105,150	105,150
Equipment	22,378	22,378
Potential deferred income tax assets	3,149,716	3,101,318
Deferred tax liabilities		
Quebec mining duties	(23,903)	(23,903)
Less: Valuation allowance	(3,125,813)	(3,077,415)
Net Deferred Tax Assets	-	-

The Company has approximately \$4,700,000 of non-capital losses which can be applied to reduce future taxable income, expiring in between 2026 and 2036. Tax attributes are subject to review, and potential adjustment, by tax authorities.

11. LITIGATION

On October 1, 2015, the Company was served with a notice of civil claim filed by ACLC, in the British Columbia Supreme Court. The claim relates to alleged amounts owing under the JOA between the Company and ACLC dated February 6, 2013. ACLC is seeking US\$58,506 plus interest (from July 1, 2015 at 13% per annum) and costs. The Company believes this claim has little merit, and is defending the action. No accrual has been made as at December 31, 2016.

On October 16, 2015, the Company filed a petition against ACLC and three of its principles in the District Court of Anderson County, Texas. The Company alleges in its petition that the JOA, which incorporated a joint operating agreement between the Company and ACLC dated February 6, 2013 contained material misstatements and omissions. The Company also alleges in its petition that the principles of ACLC are jointly and severally liable with ACLC. The Company is seeking in excess of US\$1,000,000 in damages. The Company served ACLC and the three principals discovery requests.