



**Condensed Consolidated Interim
Financial Statements (Unaudited)
For Period Ending February 28, 2018**

KINGSLAND ENERGY CORP.

Management's Responsibility for Financial Statements

To the Shareholders of Kingsland Energy Corp. ("Corporation")

The unaudited condensed consolidated interim financial statements ("**Financial Statements**") for the period ended February 28, 2018 ("**Period**") have been prepared by management in accordance with International Financial Reporting Standards ("**IFRS**") in Canada. Management is responsible for ensuring that these statements, which include amounts based upon estimates and judgment, are consistent with other information and operating data contained in management's discussion and analysis for the Period ("**MD&A**") and reflect the Corporation's business transactions and financial position.

Management is also responsible for the information disclosed in the MD&A including responsibility for the existence of appropriate information systems, procedures, and controls to ensure that the information used internally by management and disclosed externally is complete and reliable in all material respects.

In addition, management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable, and accurate and that the Corporation's assets are appropriately accounted for and adequately safeguarded. Management has concluded that the Corporation's system of internal control over financial reporting was effective as at February 28, 2018.

The board of directors ("**Board**") annually appoints an audit committee which includes directors who are not employees of the Corporation. This committee meets regularly with management and the shareholders' auditors to review significant accounting, reporting and internal control matters. The shareholders' auditors have unrestricted access to the audit committee. The audit committee reviews the interim and annual financial statements, the report of the shareholders' auditors, and the interim and annual management's discussion and analysis and has delegated authority to approve the interim filings and makes recommendations to the Board regarding annual filings.

Management has reviewed the filing of the Corporation's MD&A, Financial Statements, and attachments thereto. Based on our knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, with respect to the Period covered by the interim filings. Based on our knowledge, having exercised reasonable diligence, the Financial Statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the Corporation, as of the date of and for the periods presented in the interim filings.

Signed "Lionel Kambeitz"
LIONEL KAMBEITZ
Acting CEO and Director

Signed "Jeff Allison"
JEFFREY ALLISON
CFO and Director

NOTICE TO THE READERS OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements of Kingsland Energy Corp. for the period ending February 28, 2018 have been prepared by management in accordance with International Financial Reporting Standards and have not been reviewed by Kingsland Energy Corp.'s auditors.

Signed "Lionel Kambeitz"
LIONEL KAMBEITZ
Acting CEO and Director

Signed "Jeff Allison"
JEFFREY ALLISON
CFO and Director

Q1 2018 Condensed Consolidated Interim Financial Statements

KINGSLAND ENERGY CORP.

Condensed consolidated statements of financial position (Unaudited)
Stated in Canadian dollars

As at	Notes	Feb 28, 2018	Nov 30, 2017
ASSETS			
Current Assets			
Cash and cash equivalents		420	1,294
Short term deposit	6	44,531	44,531
Government remittance		-	393
Accounts receivable		27,210	-
Total Current Assets		72,161	46,218
Non-current Assets			
Investment	7	363,432	363,432
Total Assets		435,593	409,650
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	11	30,017	24,223
Government remittance		1,916	-
Total Current Liabilities		31,933	24,223
Non-Current Liabilities			
Decommissioning liability	17	44,400	44,400
Long term debt	9	149,732	144,764
Total Liabilities		226,065	213,387
SHAREHOLDERS' DEFICIENCY			
Capital stock	10	10,090,265	10,090,265
Contributed surplus		29,338	29,338
Deficit		(9,910,075)	(9,923,340)
Total deficiency		209,528	196,263
Total liabilities and shareholders' deficiency		435,593	409,650

The accompanying notes are an integral part of these Financial Statements.

APPROVED BY THE AUDIT COMMITTEE:

Signed "Lionel Kambeitz"
**LIONEL KAMBEITZ, DIRECTOR &
& AUDIT COMMITTEE MEMBER**

Signed "Jeff Allison"
**JEFF ALLISON, DIRECTOR &
AUDIT COMMITTEE MEMBER**

Q1 2018 Condensed Consolidated Interim Financial Statements

KINGSLAND ENERGY CORP.

Condensed consolidated statements of loss and comprehensive loss (Unaudited)
Stated in Canadian dollars (except for share amount)

For the three months ended	February 28, 2018	February 28, 2017
Revenue		
Consulting	25,000	-
	25,000	-
Expenses		
General and administrative	6,767	15,415
Depletion, depreciation and amortization	-	6,738
	6,767	22,153
Gain (Loss) from operations	18,233	(22,153)
Finance costs	(4,968)	(42,321)
Net gain (loss) and comprehensive gain (loss)	13,265	(64,474)
Earnings (loss) per share	0.0002	(0.001)
Weighted average shares outstanding February 28, 2018	75,532,228	74,732,228
Earnings (loss) per share- diluted	0.0001	-
Weighted average and diluted shares as at March 14, 2018 after NEX approval (Note 10)	124,859,236	-

The accompanying notes are an integral part of these Financial Statements.

Q1 2018 Condensed Consolidated Interim Financial Statements

KINGSLAND ENERGY CORP.

Condensed consolidated statements of changes in equity (Unaudited)

Stated in Canadian dollars (except for share amount)

	Equity attributable to the shareholders					
	Number of shares	Share Capital	Share Subscriptions	Deficit	Contributed Surplus	Total Shareholders' Deficiency
November 30, 2017	124,859,236	\$10,090,265	\$ -	\$(9,923,340)	\$29,338	\$196,263
Total gain (loss) and comprehensive gain (loss) for the period	-	-	-	13,265	-	13,265
February 28, 2018	124,859,236	\$10,090,265	\$ -	\$(9,910,075)	\$29,338	\$209,528

	Equity attributable to the shareholders					
	Number of shares	Share Capital	Share Subscriptions	Deficit	Contributed Surplus	Total Shareholders' Deficiency
November 30, 2016	74,732,228	\$7,583,842	\$ -	\$(10,042,117)	\$29,338	\$(2,428,937)
Total gain (loss) and comprehensive gain (loss) for the period	-	-	-	(64,474)	-	(64,474)
February 28, 2017	74,732,228	\$7,583,842	\$ -	\$(10,106,591)	\$29,338	\$(2,493,411)

The accompanying notes are an integral part of these Financial Statements.

Q1 2018 Condensed Consolidated Interim Financial Statements

KINGSLAND ENERGY CORP.

Condensed consolidated statements of cash flows (Unaudited)
Stated in Canadian dollars

For the three months ended	Notes	February 28, 2018	February 28, 2017
Cash flows used in operating activities			
Net gain (loss) and comprehensive gain (loss) for the period		13,265	(64,474)
Items not involving cash			
Amortization		-	6,738
Gain from sale of assets		-	-
Finance costs		4,968	42,321
Change in non-cash working capital	16	(19,107)	(27,058)
Cash flows used in operating activities		(874)	(42,473)
Cash flows from (used in) investing activities			
Dispositions of (additions to) properties and equipment		-	-
Cash flows from (used in) investing activities		-	-
Cash flow from (used in) financing activities			
Increase in short term debt		-	45,000
Cash flows used in financing activities		-	45,000
Increase (decrease) in cash and cash equivalents		(874)	2,527
Cash and cash equivalents, beginning of period		1,294	245
Cash and cash equivalents, end of period		420	2,772
Interest paid during the period		-	-

The accompanying notes are an integral part of these Financial Statements.

KINGSLAND ENERGY CORP.

Notes to the Financial Statements

1. Nature of operations

Kingsland Energy Corp. (“**KEC**”) was incorporated as 101142883 Saskatchewan Ltd. under the *Business Corporations Act* (Saskatchewan) on April 27, 2009. The Corporation commenced operations on February 23, 2010. On February 23, 2011, it was continued from Saskatchewan to the province of Alberta. On December 19, 2011, KEC was amalgamated to form a new corporation under the name of “Kingsland Energy Corp.” (“**KLE**” or “**Corporation**”). The Corporation is a resident Saskatchewan oil corporation.

The Corporation is classified as a distribution corporation under the *Business Corporations Act* (Alberta), a reporting issuer for the purposes of the *Securities Act* (Alberta), and its shares are listed on the NEX Board of the Exchange (“**NEX**”), under the symbol “KLE.H”. KLE provides consulting services directly and through its subsidiary and is engaged in the business of oil and natural gas acquisition, exploration and development in Saskatchewan and Manitoba. The Corporation’s head office is located at #002, 2305 Victoria Avenue, Regina, Saskatchewan, Canada.

2. Basis of accounting

These unaudited condensed consolidated interim financial statements (“**Financial Statements**”) for the three-month period ending February 28, 2018 (the “**Period**”) are prepared using accounting principles and measurement that assumes the reporting entity is a going concern.

KLE is a development stage company and has experienced significant operating losses. Its ability to continue as a going concern depends on management’s ability to identify additional cash flows from its investment, conversion of existing debenture and related interest to shares and renegotiation of terms or through operations. The Corporation completed the restructuring of its debt, significantly improving its working capital and liquidity position (See Note 18 for details). The Corporation is pursuing consulting work and expects to increase its consulting revenues over the next few years.

Management acknowledges that uncertainty remains over the ability of the Corporation to meet its funding requirements and re-negotiate the debt as it falls due. On July 31, 2017 the Corporation filed a notice of its intention to make a proposal to its creditors, and on August 30, 2017, the Corporation filed a proposal (the “**Proposal**”), in terms whereof, the Corporation’s creditors were proposed to receive common shares priced at \$0.05 per common share in exchange for debt. Under the Proposal, the Corporation’s secured creditor compromised its debt and for a portion of its loan, entered into a forbearance agreement for 2 years from the date of completion of the Proposal. For the remaining portion of the loan, the secured creditor agreed to participate in the share for debt conversion. On March 12, 2018, the Corporation obtained NEX approval of the shares for debt transaction pursuant to the terms of the Proposal. On March 14, 2018, the Proposal closed, as all the required legal and regulatory approvals were obtained, and 49,327,008 common shares were issued. The impact of the Proposal and subsequent NEX approval is reflected in these Financial Statements. In addition to the restructuring discussed above, the Corporation secured consulting work that it hopes to build on during the next year. The Corporation is also pursuing additional capital initiatives. These Financial Statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and

liabilities, should the Corporation be unable to continue as a going concern.

3. **Basis of presentation**

a) Statement of Compliance with International Financial Reporting Standards:

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and International Accounting Standards (“**IAS**”), as issued by the International Accounting Standards Board (“**IASB**”) and Interpretations of the International Financial Reporting Interpretations Committee (“**IFRIC**”).

These Financial Statements have also been prepared in accordance with IAS 34 *Interim Financial Reporting*. The Financial Statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual audited consolidated financial statements as at and for the year ended November 30, 2017.

These Financial Statements include the accounts of KLE and its wholly owned subsidiary EHR Enhanced Hydrocarbon Recovery Inc. (“**EHR**”). In management’s opinion, the Financial Statements include all adjustments necessary to fairly present such information.

These Financial Statements were approved by the board of directors (“**Board**”) for issue on April 24, 2018.

b) Basis of Measurement:

The Financial Statements have been prepared on a historical cost basis except for the following items in the statement of financial position:

Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income.

Financial assets held-to-maturity, loans and receivable and financial liabilities, other than those held-for trading, are measured at amortized cost.

Available-for-sale instruments are measured at fair value with unrealized gain and losses recognized in other comprehensive income.

c) Functional and presentation currency:

These Financial Statements are presented in Canadian dollars, which is the Corporation’s functional currency.

d) Use of estimates and judgments:

The preparation of the Financial Statements in accordance with IFRS requires management to make judgements, 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. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgment is used mainly in determining whether a balance or transaction should be recognized in the Financial Statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Use of estimates and judgement – Information about judgment, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are as follows:

Business Combinations – Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of exploration and evaluation assets and petroleum and natural gas assets acquired, generally require the most judgment and include estimates of reserves acquired, forecast benchmark commodity prices and discount rates. Changes in any of these assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill in the purchase price allocation. Future net income can be affected as a result of changes in future depletion and depreciation or asset impairment.

Reserve Estimates

The Corporation does not have any petroleum and natural gas assets. When acquired or developed, petroleum and natural gas assets are depleted on a unit of production basis at a rate calculated by reference to proved and probable reserves determined in accordance with National Instrument 51-101, *Standards of Disclosure for Oil and Gas Activities* (“**NI 51-101**”) and incorporating the estimated future cost of developing and extracting those reserves. Proved and probable reserves are estimated using independent reservoir engineering reports and techniques and represent the estimated quantities of crude oil, natural gas, and natural gas liquids which geological, geophysical, and engineering data demonstrating with a specified degree of certainty to be recoverable in future periods from known reservoirs and which are considered commercially producible. Reserves estimates and data contained within reserve reports, although not reported as part of the Corporation’s Financial Statements, can have a significant effect on net income, assets and liabilities as a result of their impact on depletion and depreciation, decommissioning liabilities, deferred taxes, asset impairments and accounting for business combinations. When there are petroleum and natural gas assets, independent reservoir engineers perform evaluations of the Corporation’s oil and natural gas reserves on an annual basis. The estimation of reserves is an inherently complex process requiring significant judgment. Estimates of economically recoverable oil and natural gas reserves are based upon a number of variables and assumptions such as geo scientific interpretation, production forecasts, commodity prices, costs and related future cash flows, all of which may vary considerably from actual results. These estimates are expected to be revised upward or downward over time, as additional information such as reservoir performance becomes available or as economic conditions change.

Investments in Securities

The Corporation’s 20% investment in Kingsland Oil Corp. (“**KOC**”) is accounted for as available-for-sale financial instrument. Management considers all the factors to determine the classification of investment.

The investment is assessed at the end of each reporting period to determine whether there is any objective evidence of impairment. Management is required to exercise judgment in determining whether a decrease in the fair value of an investment below its carrying value is significant or prolonged, which would require an

impairment charge to be recognized. Management is also required to exercise judgment in estimating the fair value of investments in the securities of private corporations that are not traded on public exchanges.

Decommissioning Obligations

Estimates of asset retirement costs are based on assumptions regarding the methods, timing, economic environment and regulatory standards that are expected to exist at the time assets are retired. Management adjusts estimated amounts periodically as assumptions are changed to incorporate new information. Actual payments to settle the obligations may differ materially from amounts estimated.

Intangible Assets Impairment

The identification of indicators for impairment for intangibles, is subject to judgement. Management identified that indicators of impairment exist in relation to its intangible assets and computed the recoverable amount of these assets as of November 30, 2017. These calculations require the use of various assumptions, including the discount rate.

Income Taxes

Accounting for income taxes is a complex process requiring management to interpret frequently changing laws and regulations and make judgments related to the application of tax law, estimate the timing of temporary difference reversals and estimate the probability of the realization of deferred income tax assets. All tax filings are subject to subsequent government audits and potential reassessment. These interpretations and judgments, and changes related to them, impact current and deferred tax provisions, the carrying value of deferred income tax assets and liabilities and could have a material impact on earnings.

Deferred income tax assets are recognized to the extent future realization is probable. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from the management's estimate, the ability of the Corporation to realize the deferred income tax assets could be impacted.

Exploration or Development

The Corporation does not have any exploration or development at the moment. When there is, Management is required to apply judgment when designating a project as exploration and evaluation or development, which requires an assessment of geological and technical characteristics and other factors related to each project.

Exploration and Evaluation Assets

The Corporation does not currently have any Exploration and Evaluation Assets. The accounting for exploration and evaluation projects requires management to make judgments as to whether exploratory projects have discovered economically recoverable quantities of reserves, which requires the quantity and value of such reserves to be estimated. Previous estimates are sometimes revised as new information becomes available. Where it is determined that an exploratory project did not discover economically recoverable resources, the costs are written-off as exploration and evaluation expense.

If hydrocarbons are encountered, but further appraisal activity is required, the exploratory costs remain

capitalized as long as sufficient progress is being made in assessing whether the recovery of the resources is economically viable. The concept of "sufficient progress" is a judgmental area, and it is possible to have exploratory costs remain capitalized for several years while additional exploratory activities are carried out or the Corporation seeks government, regulatory or partner approval for development plans. Exploration and evaluation assets are subject to ongoing technical, commercial and management review to confirm the continued intent to develop and extract the underlying resources. When management is making this assessment, changes to project economics, expected quantities of resources, expected production techniques, drilling results and estimated capital expenditures and production costs are important factors. Where it is determined that an exploratory project is not economically viable, the costs are written-off as exploration and evaluation expense.

Impairment

For the purpose of determining whether impairment of assets or a cash generating unit ("CGU") has occurred, management exercises their judgment in estimating fair value for the recoverable amount, being the higher of fair value less costs of disposal or value in use. Estimates of fair value are primarily based on discounted cash flow projection techniques employing estimated future cash flows based on assumptions regarding the expected market outlook and cash flows from each CGU or asset. The cash flow estimates will vary with the circumstances of the particular assets or CGU and will be based on, among other things, the lives of the assets, contract prices, estimated future prices, revenues and expenses, including growth rates and inflation, and required capital expenditures. The fair value less costs of disposal and value in use estimates are categorized as Level 3 according to the IFRS fair value hierarchy.

4. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

Subsidiaries

The financial statements of the Corporation's subsidiary are prepared for the same reporting periods as the parent in accordance with the Corporation's accounting policies. All intercompany balances and transactions have been eliminated.

Available for sale investment

KLE accounts for its investment in KOC, a private company, as an available for sale investment.

An available-for-sale investment is measured at fair value, with changes in such fair values being accumulated in other comprehensive income ("OCI") until the asset is realized or impaired, at which time the cumulative gain or loss is recognized in net earnings. Investments in publicly-traded securities are carried at their period-end trading price (level one fair value hierarchy estimate). Investment in the securities of private entities are carried at fair value, which is estimated using private placement equity issuances and other transactions which provide indications of value (level two fair value hierarchy estimate).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks and other short term highly liquid investments with maturities of less than 90 days.

Financial instruments

Financial assets and liabilities

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions that define the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Financial assets and financial liabilities are initially recognized at fair value. This initial fair value is normally the transaction price plus, in the case of financial assets not at fair value through net income, directly attributable transaction costs. The subsequent measurement of the Corporation's financial instruments depends on their classification determined by the purpose for which the instruments were acquired, as follows:

Financial Assets and Liabilities through Profit and Loss

Financial derivative contracts and the investments held for trading are classified as financial assets through profit and loss. These assets are carried on the statement of financial position at fair value with gains or losses recognized in net income in the period in which they arise. Financial assets and liabilities through profit and loss are classified as current except for the portion expected to be realized or paid beyond twelve months from the statement of financial position date, which is classified as non-current. Cash and cash equivalents are classified in this category.

Held to Maturity Investments

These instruments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Corporation would have the positive intention and ability to hold to maturity. Upon initial recognition, this instrument would be recognized at fair value plus any transaction costs that are directly attributed to the acquisition. Subsequently, these instruments are measured at amortized cost using the effective interest method. The Corporation does not hold any instruments in this category.

Available-for-sale Investments

Available-for-sale investments are those non-derivative financial assets that are not classified as loans and receivables, held to maturity or fair value through profit and loss. Available for sale investments are initially recognized at fair value plus transaction costs. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognized within other comprehensive income. Available-for-sale investments are classified as non-current, unless the investments mature within twelve months, or management expects to dispose of them within twelve months. The Corporation's investment in KOC has been classified as available-for-sale-asset.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest rate method if the time value of money is significant. Gains and losses are recognized in net income when the loans and receivables are derecognized or impaired, as well as through the amortization process. The Corporation's loans and receivables are comprised of trade and other receivables which are included in current assets due to their short-term nature.

Other Financial Liabilities

Financial liabilities at amortized cost include accounts payable and accrued liabilities, short term debt and long-term debt. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable and accrued liabilities and short-term debt are measured at amortized cost using the effective interest rate method. Long term debt is recognized initially at fair value, net of any transaction costs incurred and subsequently, at amortized cost using the effective interest rate method. Financial liabilities are classified as current liabilities, if payment is due within twelve months; otherwise they are presented as non-current liabilities.

Transaction Costs

Transaction costs related to held-for-trading financial assets are expensed as incurred. Transaction costs related to available for sale financial assets, held to maturity financial assets, other liabilities and loans and receivables are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument, using the effective interest method.

Fair Value

Estimated fair values for financial instruments are designed to approximate price that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants at the measurement date.

Inputs used to estimate fair values incorporated in the preparation of the Financial Statements are categorized into three levels in a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels are defined as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Cash and cash equivalents are measured at fair value using Level 1.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward rates for interest rate, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Exploration and Evaluation Assets

Capitalization

All costs incurred after the rights to explore and develop an area have been obtained, such as geological and geophysical costs, other direct costs of exploration (drilling, testing and evaluating the technical feasibility and commercial viability of extraction) and appraisal, including any directly attributable general and administration costs and share-based payments, are accumulated and capitalized as exploration and evaluation assets.

Certain costs incurred prior to acquiring the legal rights to explore are charged directly to net income.

Amortization

Exploration and evaluation costs are not amortized prior to the conclusion of appraisal activities. At the completion of appraisal activities, if technical feasibility is demonstrated and commercial reserves are discovered, then the carrying value of the relevant exploration and evaluation asset will be reclassified as a petroleum and natural gas asset into the CGU to which it relates, but only after the carrying value of the relevant exploration and evaluation asset has been assessed for impairment and, where appropriate, its carrying value adjusted. Technical feasibility and commercial viability are considered to be demonstrable when proved or probable reserves are determined to exist. If it is determined that technical feasibility and commercial viability have not been achieved in relation to the exploration and evaluation assets appraised, all other associated costs are written down to the recoverable amount in net income.

Expired land leases included as undeveloped land in exploration and evaluation assets are recognized in exploration and evaluation cost in net income upon expiry.

Impairment

If and when facts and circumstances indicate that the carrying value of an exploration and evaluation asset may exceed its recoverable amount, an impairment review is performed. For exploration and evaluation assets, when there are such indications, an impairment test is carried out by grouping the exploration and evaluation assets with property, plant and equipment CGU's to which they belong for impairment testing. The equivalent combined carrying value of the CGU's is compared against the recoverable amount of the CGU's and any resulting impairment loss is written off to net income. The recoverable amount is the greater of fair value, less costs to sell, or value-in-use. Impairments of exploration and evaluation assets are only reversed when there is significant evidence that the impairment has been reversed, but only to the extent of what the carrying amount would have been, had no impairment been recognized.

Decommissioning liabilities

The Corporation recognizes the estimated fair value of an asset retirement obligation in the period that the well or related asset is drilled, constructed or acquired. The fair value of the estimated obligation is estimated using the present value of the estimated future cash outflows to abandon the asset, calculated at the Corporation's risk-free interest rate. The fair value is recorded as a long-term liability with a corresponding increase in the carrying amount of the related asset. The liability is increased each reporting period with the accretion being charged to income until the property is depleted or sold. The capitalized amount is depleted on the unit-of-production basis over the life of the reserves. Actual abandonment and restoration costs incurred are charged against the asset

retirement obligation.

The Corporation reviews the obligation regularly such that revisions to the estimated timing of cash flows, discount rates and estimated costs will result in an increase or decrease to the asset retirement obligation.

Properties and equipment

The Corporation does not have any property and equipment. When acquired, properties and equipment are carried at cost, less accumulated depreciation, less any recognized impairment loss. Costs of additions, betterments, renewals and interest during construction are capitalized each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When the cost of replacing part of an item of properties and equipment is capitalized, the carrying amount of the replaced part is derecognized.

Depreciation of assets in construction commences when the assets are ready for their intended use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period or method, as appropriate, and are treated as changes in accounting estimates.

Any gain or loss arising on the disposal or retirement of an item of properties and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the income statement.

The costs related to area cost centers for petroleum and natural gas properties, including related pipelines and facilities, are depleted using a unit-of-production method based on the commercial proved and probable reserves allocated to its CGU.

Petroleum and natural gas assets are not depleted until production commences. The depletion calculation takes into account the estimated future development costs required to develop the proved and probable reserves.

Proved and probable reserves are estimated using independent reservoir engineering reports and techniques and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future periods from known reservoirs and which are considered commercially producible.

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided on the straight-line basis over the estimated useful life of the assets at the following rates:

Furniture and equipment	20%
Computer equipment	30%
Leasehold improvements	30%

Property and equipment acquired during the period but not placed into use during this time are not amortized in the period of acquisition.

Intangible assets

Identifiable intangible assets, acquired through acquisitions that are subject to amortization, are amortized using the straight-line method over their estimated useful lives of 1 to 7 years.

Intangible assets, not subject to amortization, are tested annually for impairment, and any impairment identified is charged to earnings as identified.

Asset impairment

At the end of each reporting period, the Corporation reviews the carrying amounts of both its long-lived assets to be held and used and identifiable intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (this can be at the asset or cash-generating unit level). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If an indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. The recoverable amount is the higher of an asset's fair value less costs 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 current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Non-financial assets, other than goodwill, that have previously suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date.

Leases

The Corporation does not currently have any leases. Leases entered into are classified as either finance or operating leases. Leases that transfer substantially all of the risks and rewards of ownership of property to the Corporation are accounted for as finance leases. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased equipment and the present value of the minimum lease payments. Equipment acquired under a finance lease is depreciated over the shorter of the period of expected use on the same basis as other similar properties and equipment and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental payments under operating leases are expensed over the period of the lease.

Revenue recognition

Revenue includes the services rendered by the Corporation and rent revenues. Revenue from services is recognized when:

- services have been rendered,
- the amount of revenue can be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the Corporation; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest revenue is recorded as earned from its deposit held in a financial institution.

Income taxes

The tax expense for the period comprises current and deferred income tax. Taxation is recognized in the statement of income, except to the extent that it relates to items recognized directly in equity, in which case the tax is recognized in equity.

Current income tax is generally the expected income tax payable on the taxable income for the period, calculated using rates enacted or substantively enacted at the statement of financial position date, and includes any adjustment to income tax payable or recoverable in respect of previous periods. The realized and unrealized excess tax benefit from share-based payment arrangements is recognized in equity. When an asset is transferred between enterprises within the consolidated group, the difference between the tax rates of the two entities is recognized in tax expense in the period in which the transfer occurs. Current tax payable by the transferor is recognized for any taxes payable in the current period, and a deferred tax asset is recognized by the transferee for any temporary difference.

Uncertain income tax positions are accounted for using the standards applicable to current income tax assets and liabilities: i.e., both liabilities and assets are recorded when probable at the Corporation's best estimate of the amount.

Deferred income tax is recognized using the liability method, based on temporary differences between consolidated financial statement carrying amounts of assets and liabilities and their respective income tax bases. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled. The tax effect of certain temporary differences is not recognized, principally with respect to temporary differences relating to investments in subsidiaries, jointly controlled entities and associates where the Corporation is able to control the reversal of the temporary difference and the temporary difference is not expected to reverse in the foreseeable future. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. The amount of deferred income tax recognized is based on the expected manner and timing of realization or settlement of the carrying amount of assets and liabilities. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets are reviewed at each statement of financial position date and amended to the extent that it is no longer probable that the related tax benefit will be realized.

Current income tax assets and liabilities are offset when the Corporation has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Normally the Corporation would only have a legally enforceable right to set off a current tax asset against a current tax liability when they relate to income taxes levied by the same taxation authority and

the taxation authority permits the Corporation to make or receive a single net payment. Deferred income tax assets and liabilities are offset when the Corporation has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either: (1) the same taxable entity; or (2) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

5. Changes in accounting policies

There were no new or amended accounting standards adopted by the Corporation for the Period.

Future Changes in Accounting Standards

In May 2014, the International Accounting Standards Board ("**IASB**") issued IFRS 15 – *Revenue From Contracts With Customers*, which establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser. IFRS 15 is effective for years beginning on or after January 1, 2018. The new standard is not expected to have any impact on the Financial Statements.

In July 2014, the IASB issued IFRS 9 – *Financial Instruments*, which sets out the recognition and measurement requirements for financial instruments and some contracts to buy or sell non-financial items. IFRS 9 proposes a single model of classifying and measuring financial assets and liabilities and provides for only two classification categories: amortized cost and fair value. IFRS 9 is effective for years beginning on or after January 1, 2018. The new standard is not expected to have any impact on the Financial Statements.

In January 2016, the IASB issued IFRS 16 – *Leases*, which replaces IAS 17 – *Leases and related interpretations*. IFRS 16 eliminates the classification of leases as finance or operating and introduces a single lessee accounting model for recognition and measurement, which will require the recognition of assets and liabilities for most leases. IFRS 16 is effective for years beginning on or after January 1, 2019. The new standard is does not have any impact on the Financial Statements.

6. Short term deposits

A balance of \$44,400 (November 30, 2015 – \$44,400) was placed in a separate deposit as security for a letter of credit in connection with the Saskatchewan Ministry of Mines and Resources to cover the cost of any abandoned wells, should payment be required. The balance in the account at February 28, 2018 is \$44,531.

The letter of credit, if drawn, incurs interest at the bank's prime lending rate plus 1.25% per annum. The Corporation must also pay an issue fee based on the amount and term of credit calculated at a rate of 2% per annum, subject to a minimum charge of \$888. During the 2016 year the letter of credit was converted to a savings account paying interest at approximately 1.1%. As of February 28, 2018, the letter of credit was not drawn.

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7. Investment

KLE invested \$1,111,900 for a 45% interest in KOC. On June 30, 2017, the Corporation settled \$667,653 of a secured loan for consideration of 631,250 shares of KOC which were pledged as security with the lender. The proportional value of investment and the relevant debt obligation has accordingly been de-recognized. This transaction resulted in a gain of \$173,363. Consequently, as of February 28, 2018, KLE owns 20% shares in KOC.

KLE accounts for its investment in KOC as available for sale. KLE's current financial position indicates that KLE does not exert significant influence over KOC. Fair value of this investment cannot be reliably measured as there is no quoted active market for these securities.

Based on available information, on November 30, 2016 management impaired the value of the investment in the amount of \$294,178. A similar impairment assessment was done as of November 30, 2017 and no further impairment has been identified.

8. Short term debt

The Corporation had a short-term loan facility with HTC Pureenergy Inc. ("HTC"). As of July 31, 2017 KLE owed an amount of \$371,401 to HTC. On September 21, 2017, HTC and KLE signed a Forbearance Agreement whereby, the balance owed at July 31, 2017 was settled as follows:

- \$240,000 to be settled by issuance of shares; and
- \$131,000 plus interest to March 12, 2018 to be paid in cash at the end of 2 years from the March 12, 2018 NEX approval date, unless a contravention to the loan agreement takes place.

Accordingly, as of July 31, 2017 KLE de-recognized the HTC loan amounting to \$240,000 and kept the balance at \$131,000. Additional amounts were drawn after this settlement and also interest on the loan was accrued.

The above resulted in the loan repayable balance of \$ 149,732 as of February 28, 2018. As a result of restructure the amount is due in two years, accordingly the balance has been reported as long-term debt.

9. Long term debt

	February 28, 2018	November 30, 2017
Loan repayable by March 2020 and secured by corporate assets (Note 8)	\$ 149,732	\$ 144,764
Current portion of long term debt		
Balance	\$ 149,732	\$ 144,764

In July 2017, the Corporation made a Proposal to its lenders to settle the debt by converting the outstanding balance into shares of KLE at a per share price of \$0.05 per share. A meeting of creditors was held, at which

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meeting the Proposal was accepted by all the creditors. Interest related to these loans and included in accrued liabilities has been calculated to July 31, 2017 being the date that will be used for conversion. The postponement of interest commences on the date NEX approval of the Proposal was obtained (March 12, 2018). These debts and the related interest have been converted to shares as part of the Proposal and accordingly the balances have been adjusted.

10. Capital stock

Share capital:

Authorized:

An unlimited number of common shares

An unlimited number of preferred shares

	As at February 28, 2018		As at November 30, 2017	
	Number	Amount	Number	Amount
Common Shares				
Balance, beginning of period	75,532,228	\$7,623,842	74,732,228	\$7,583,842
Shares issued	-	-	800,000	40,000
Shares issued	75,532,228	\$7,623,842	75,532,228	\$7,623,842
Shares to be issued on NEX approval issued March 14, 2018	49,327,008	2,466,423	49,327,008	2,466,423
Shares issued and pending	124,859,236	\$10,090,265	124,859,236	\$10,090,265

The Corporation's common shares are voting and participating shares. Common shares issued to February 28, 2018 are not currently subject to any restrictions.

Shares issued\Exchanged:

Common shares approved for issuance by the NEX on March 12, 2018 were issued March 14, 2018 and are subject to a hold period under applicable regulatory and securities laws until July 15, 2018.

11. Financial instruments

Fair value

Management believes the carrying value of cash and cash equivalents, accounts payable and accrued liability and short-term debt approximate their fair value at year end due to their short-term nature. For the available for sale investments, as mentioned in Note 7, the fair value cannot be determined. The carrying value of long-term debt also approximates their fair value as the loans are from unrelated third parties with an interest rate which approximates the market interest rate.

Management's risk management policies are typically performed as a part of the overall management of the Corporation's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Corporation is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Corporation has not designated transactions as

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hedging transactions to manage risk. As a part of the overall operation of the Corporation, management considers the avoidance of undue concentration of risks. These risks and the actions taken to manage them include the following:

COMMODITY RISK

The Corporation does not have any petroleum or natural gas assets at Period end and is not subjected to this risk except for risk that may impact its 20% investment in KOC. The investment is at risk to the volatility of oil and natural gas prices and markets. Financial performance and condition are substantially dependent on the prevailing prices of oil and natural gas which are unstable and subject to fluctuation. Fluctuations in oil or natural gas prices could have an adverse effect on operations and financial condition and the value and amount of its reserves. Prices for crude oil fluctuate in response to global and North American supply of and demand for oil, market performance and uncertainty and a variety of other factors which are outside the Corporation's control including, but not limited, to the world economy and OPEC's ability to adjust supply to world demand, government regulation, political stability and the availability of alternative fuel sources. In addition, the prices received by KOC for its oil are subject to differentials against such benchmarks as WTI and Edmonton Par, which can fluctuate substantially and result in KOC realizing prices substantially below such benchmarks. Natural gas prices are influenced primarily by factors within North America, including North American supply and demand, economic performance, weather conditions and availability and pricing of alternative fuel sources.

In the event KLE acquires petroleum or natural gas assets, decreases in oil and natural gas prices realized will result in reduced net production revenue and may change the economics of producing from some wells, which could result in a reduction in the volume of KLE's reserves. Any further substantial declines in the prices of crude oil or natural gas could also result in delay or cancellation of existing or future drilling, development or construction programs or the curtailment of production. All of these factors could result in a material decrease in KLE net production revenue, cash flows and profitability causing a reduction in its oil and gas acquisition and development activities.

As at February 28, 2018 KLE does not have any producing properties.

Liquidity risk

Liquidity risk is the risk that the Corporation cannot meet its financial obligations associated with financial liabilities in full when they fall due. The Corporation's main sources of liquidity are its operations and debt financing. The funds are primarily used to finance working capital and capital expenditure requirements.

The timing of cash outflows relating to the financial liabilities are outlined in the table below:

February 28, 2018	< 1 year	1-2 years	2-4 years	Total
Accounts payable and accrued liabilities	\$ 30,017	-	-	\$ 30,017
Short-term debt	-	-	-	-
Long-term debt	-	-	149,732	149,732
Balance	\$ 30,017	-	\$ 149,732	\$ 179,749

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November 30, 2017	< 1 year	1-2 years	2-4 years	Total
Accounts payable and accrued liabilities	\$ 24,223	-	-	\$ 24,223
Short-term debt	-	-	-	-
Long-term debt	-	-	144,764	144,764
Balance	\$ 24,223	-	\$ 144,764	\$ 168,987

Currency risk

Currency risk is that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Corporation has no significant transactions denominated in foreign currency and is not exposed to any material foreign currency risk aside from broad unquantifiable macro-economic factors arising from fluctuations in foreign exchange, which could result in Canadian products becoming more expensive to international purchasers.

Interest rate risk

Interest rate risk primarily is associated with interest fluctuations earned on the Corporation's cash and term deposits.

A 1% change in the prime interest rate would have a negligible impact on the Corporation's income.

Credit risk

Credit risk is the risk of financial loss if counterparty to a financial transaction fails to meet its obligations. The Corporation attempts to reduce such exposure to its cash and short-term deposits by only investing in low risk investments with Canadian Chartered Banks and taking advantage of government guarantees. The Corporation attempts to reduce its loss on amounts receivable by assessing the ability of the counterparties to fulfill their obligation under contract prior to entering into the contracts and by the nature of customers the Corporation deals with.

The Corporation's accounts receivable is \$27,210 for the Period (November 30, 2017 - \$Nil).

12. Earning (Loss) per share amount

Basic net earning (loss) per common share has been calculated using the weighted average number of common shares outstanding during the Period. Diluted net loss per common share is considered to equal basic earnings per share, as the effect would be anti-dilutive.

13. Related party transactions

The key management personnel of the Corporation consist of the executive officers, other senior managers and members of the Board. Key management personnel also include those persons that have the authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Compensation for the Period was \$Nil (2017 - \$Nil).

Directors are entitled to receive a fee of \$500/day for attending board and committee meetings in person and a fee of \$250/day per telephonic meetings. The total fees paid to directors during the Period were \$Nil (February 28, 2017 - Nil).

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HTC is considered a related party due to common directors and common management. The Corporation has secured a loan from HTC (see Note 8). These transactions are in the normal course of operations.

14. Capital disclosures

The Corporation defines its capital as its shareholders' equity and long-term debt. There are no restrictions on the Corporation's capital. The Corporation's capital is summarized as follows:

	February 28, 2018	November 30, 2017
Shareholders' equity (Capital deficiency)	\$ 209,528	\$ 196,236
Current portion of long-term debt	-	-
Long-term debt	149,732	144,764
Balance	\$ 359,260	\$ 341,000

The Corporation's objectives when managing capital are to:

- Maintain financial flexibility in order to preserve its ability to meet financial obligations;
- Deploy capital to provide an appropriate investment return to its shareholders in the future; and
- Maintain a capital structure that allows multiple financing options to the Corporation should a financing need arise.

The Corporation's financial strategy is designed and formulated to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Corporation may issue new shares, raise debt (secured, unsecured, convertible and/or other types of available debt instruments) or refinance existing debt with different characteristics.

15. Income taxes

The Corporation is in a loss position and does not make interim adjustments for income tax. As at November 30, 2017 the Corporation's tax position was as follows:

Income tax varies from the amount that would be computed from applying the combined, federal and provisional income tax rate to comprehensive loss before income taxes summarized below:

November 30	2017	2016
Comprehensive (loss) for the period	\$ 118,777	\$(1,334,016)
Corporate tax rate	27%	27%
Anticipated income tax expense (recovery)	32,070	(360,184)
Non-deductible items	2,033	1,106
Movement in unrecognized deferred tax asset	(34,103)	359,079
Tax expense	\$ -	\$ -

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Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. The components of the Corporation's deferred income tax assets and liabilities are as follows:

November 30	2017	2016
Property and equipment	585,493	\$ 426,888
Decommissioning liabilities	11,988	11,988
Intangibles	-	(21,600)
Investment	68,658	79,428
Non-capital losses	1,727,043	1,938,238
Less deferred tax benefits deemed not probable to be recovered	(2,393,182)	(2,434,942)
Deferred tax asset	\$ -	\$ -

Deferred income tax assets have not been recognized in respect of these items, because it is not probable that future taxable profit will be available against which the Corporation can utilize the benefit.

The Corporation currently has approximately \$6,396,457 (2017: \$6,396,457) in non-capital losses and \$9,414,401 (2017: \$9,414,401) in capital losses available for the offsetting of future income tax payable. Non-capital losses will begin to expire in 2026 unless utilized.

16. Supplemental cash flow information

Change in working capital is comprised of:

Source (use) of funds	February 28, 2018	November 30, 2017
Accounts receivable	(27,210)	-
Government remittances	2,309	7,036
Prepaid expenses	-	500
Accounts payable and accrued liabilities	5,794	(29,610)
Increase (decrease) in short-term deposits	-	(485)
Total	\$ (19,107)	\$(22,559)

Change in accounts payable and accrued liabilities has been adjusted to consider none cash flow items relating to accrued interest.

17. Decommissioning liability

The Corporation has estimated a decommissioning liability of \$44,400 for the current Period as it does not have any completed wells that can be used to determine the costs or estimated life of the wells at this time. There is no immediate requirement to complete decommissioning at this time.

18. Subsequent Events

On July 31, 2017 the Corporation filed a notice of its intention to make a Proposal to its creditors, and on August 30, 2017, the Corporation filed a Proposal, in terms whereof, if approved, the Corporation's creditors will

receive common shares priced at \$0.05 per common share in exchange for debt. Under the Proposal, the Corporation's secured creditor will compromise its debt, enter into a forbearance agreement for 2 years from the date of completion of the Proposal and participate in the share conversion on a portion of its debt. On September 21, 2017 a meeting of creditors was held, at which meeting the Proposal was accepted by 100% of the votes of disinterested creditors who proved their claims, representing 100% of the value of disinterested creditors' proven claims. On March 12, 2018, the Corporation obtained NEX approval of the shares for debt transaction pursuant to the terms of the Proposal. On March 14, 2018, the Proposal closed, as all the required legal and regulatory approvals were obtained, and 49,327,008 common shares were issued. The common shares issued are subject to a hold period under applicable regulatory and securities laws until July 15, 2018. The impacts of these transactions have been recorded in the current year with the relating shares approved March 12, 2018 showing separately (see Note 10). Consequently, as of November 30, 2017 amounts were adjusted as follows:

- Long Term Debt decreased from \$1,970,547 to \$Nil.
- Accounts Payable and Accrued Liabilities decreased from \$497,278 to \$20,223.
- The Loan from HTC decreased from \$379,927 to \$144,764. The remaining balance continued to accrue interest at a rate of 6% after 24 months from the close of transaction.
- The total number of common shares will increase from 75,532,228 to 124,859,236.