



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(Expressed in Canadian dollars)**

**THREE MONTH PERIOD ENDED**

**MARCH 31, 2016**

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements. The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

# Opal Energy Corp.

Condensed Interim Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)  
(Unaudited)

|                                                        | March 31,<br>2016 | December 31,<br>2015 |
|--------------------------------------------------------|-------------------|----------------------|
|                                                        | (\$)              | (\$)                 |
| <b>ASSETS</b>                                          |                   |                      |
| <b>Current assets</b>                                  |                   |                      |
| Cash                                                   | 284,597           | 22,806               |
| GST receivable                                         | 6,399             | 6,057                |
| Prepaid expenses                                       | 11,988            | 13,597               |
|                                                        | 302,984           | 42,460               |
| <b>Restricted deposits</b> (Note 4)                    | 11,500            | -                    |
| <b>Advance</b> (Note 6)                                | 325,572           | 346,000              |
| <b>Exploration and evaluation assets</b> (Note 5)      | 568,922           | 568,922              |
|                                                        | 1,208,978         | 957,382              |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>            |                   |                      |
| <b>Current liabilities</b>                             |                   |                      |
| Accounts payable and accrued liabilities (Note 7)      | 136,702           | 191,556              |
| Decommissioning liability (Note 9)                     | 78,430            | 78,430               |
| Current portion of notes payable (Note 8)              | -                 | 15,502               |
|                                                        | 215,132           | 285,488              |
| <b>Notes payable</b> (Note 8)                          | -                 | 236,000              |
|                                                        | 215,132           | 521,488              |
| <b>Shareholders' equity</b>                            |                   |                      |
| Share capital (Note 10)                                |                   |                      |
| Common shares                                          | 79,617,158        | 78,855,158           |
| Class "A" shares                                       | 37,927            | 37,927               |
| Share-based reserves (Note 10)                         | 4,044,461         | 4,044,461            |
| Deficit                                                | (82,705,700)      | (82,501,652)         |
|                                                        | 993,846           | 435,894              |
|                                                        | 1,208,978         | 957,382              |
| <b>Nature of operations and going concern</b> (Note 1) |                   |                      |
| <b>Commitments and contingencies</b> (Note 16)         |                   |                      |
| <b>Proposed transaction</b> (Note 17)                  |                   |                      |

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 2, 2016. They are signed on behalf of the Board of Directors by:

"David Hughes"  
Director

"Wayne Tisdale"  
Director

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

**Opal Energy Corp.**

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)  
(Unaudited)

|                                                   | <b>Three Month<br/>Period Ended<br/>March 31,<br/>2016<br/>(\$)</b> | <b>Three Month<br/>Period Ended<br/>March 31,<br/>2015<br/>(\$)</b> |
|---------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------|
| <b>EXPENSES</b>                                   |                                                                     |                                                                     |
| Consulting fees (Note 11)                         | 52,750                                                              | 77,024                                                              |
| Foreign exchange gain                             | 20,960                                                              | (49)                                                                |
| Interest expense (Note 8 and 11)                  | -                                                                   | 3,059                                                               |
| Office and general                                | 13,484                                                              | 4,337                                                               |
| Professional fees (Note 11)                       | 38,062                                                              | 10,984                                                              |
| Property investigation costs                      | -                                                                   | 668                                                                 |
| Rent (Note 11)                                    | 15,000                                                              | 16,500                                                              |
| Shareholder relations                             | 28,698                                                              | 505                                                                 |
| Transfer agent and filing fees                    | 7,828                                                               | 10,414                                                              |
| Travel                                            | 27,679                                                              | 5,311                                                               |
| <b>Loss from operations</b>                       | <b>(204,461)</b>                                                    | <b>(128,753)</b>                                                    |
| Other income                                      | 413                                                                 | 890                                                                 |
| <b>Loss and comprehensive loss</b>                | <b>(204,048)</b>                                                    | <b>(127,863)</b>                                                    |
| <b>Basic and diluted loss per common share</b>    | <b>(0.01)</b>                                                       | <b>(0.00)</b>                                                       |
| <b>Weighted average common shares outstanding</b> | <b>36,762,536</b>                                                   | <b>26,376,017</b>                                                   |

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

## Opal Energy Corp.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(Unaudited)

|                                                       |                               |                                  | Share Capital    |                     |                         |              |                                  |
|-------------------------------------------------------|-------------------------------|----------------------------------|------------------|---------------------|-------------------------|--------------|----------------------------------|
|                                                       | Number of<br>Common<br>Shares | Number of<br>Class "A"<br>Shares | Common<br>Shares | Class "A"<br>Shares | Share-based<br>Reserves | Deficit      | Total<br>Shareholders'<br>Equity |
|                                                       |                               |                                  | (\$)             | (\$)                | (\$)                    | (\$)         | (\$)                             |
| <b>Balance at December 31, 2014</b>                   | 21,291,017                    | 33,713                           | 77,440,274       | 37,927              | 3,964,967               | (81,606,256) | (163,088)                        |
| Shares issued in private placement                    | 12,050,000                    | -                                | 1,205,000        | -                   | -                       | -            | 1,205,000                        |
| Share issuance costs - cash                           | -                             | -                                | (80,116)         | -                   | -                       | -            | (80,116)                         |
| Shares issued for exploration and<br>evaluation asset | 2,000,000                     | -                                | 260,000          | -                   | -                       | -            | 260,000                          |
| Loss and comprehensive loss                           | -                             | -                                | -                | -                   | -                       | (127,863)    | (127,863)                        |
| <b>Balance at March 31, 2015</b>                      | 35,341,017                    | 33,713                           | 78,825,158       | 37,927              | 3,964,967               | (81,734,119) | 1,093,933                        |
| Stock options granted                                 | -                             | -                                | -                | -                   | 79,494                  | -            | 79,494                           |
| Shares issued for warrant exercise                    | 249,999                       | -                                | 30,000           | -                   | -                       | -            | 30,000                           |
| Loss and comprehensive loss                           | -                             | -                                | -                | -                   | -                       | (767,533)    | (767,533)                        |
| <b>Balance at December 31, 2015</b>                   | 35,591,016                    | 33,713                           | 78,855,158       | 37,927              | 4,044,461               | (82,501,652) | 435,894                          |
| Shares issued for warrant exercise                    | 6,349,999                     | -                                | 762,000          | -                   | -                       | -            | 762,000                          |
| Loss and comprehensive loss                           | -                             | -                                | -                | -                   | -                       | (204,048)    | (204,048)                        |
| <b>Balance at March 31, 2016</b>                      | 77,532,031                    | 33,713                           | 79,617,158       | 37,927              | 4,044,461               | (82,705,700) | 993,846                          |

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

**Opal Energy Corp.**

Condensed Interim Consolidated Statements of Cash Flows  
(Expressed in Canadian Dollars)  
(Unaudited)

|                                                      | <b>Three Month<br/>Period Ended<br/>March 31,<br/>2016</b> | <b>Three Month<br/>Period Ended<br/>March 31,<br/>2015</b> |
|------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------|
|                                                      | <b>(\$)</b>                                                | <b>(\$)</b>                                                |
| <b>CASH PROVIDED BY (USED IN)</b>                    |                                                            |                                                            |
| <b>OPERATING ACTIVITIES</b>                          |                                                            |                                                            |
| Loss and comprehensive loss                          | (204,048)                                                  | (127,863)                                                  |
| Items not affecting cash:                            |                                                            |                                                            |
| Accrued interest                                     | -                                                          | 3,059                                                      |
| Foreign exchange gain                                | 20,428                                                     | -                                                          |
| Changes in non-cash working capital items:           |                                                            |                                                            |
| Decrease (increase) in GST receivable                | (342)                                                      | 2,957                                                      |
| Increase in prepaid expenses                         | 1,609                                                      | 5,500                                                      |
| Decrease in accounts payable and accrued liabilities | (54,854)                                                   | (102,512)                                                  |
| <b>Cash used in operating activities</b>             | <b>(237,207)</b>                                           | <b>(218,859)</b>                                           |
| <b>FINANCING ACTIVITIES</b>                          |                                                            |                                                            |
| Proceeds from notes payable                          | (251,502)                                                  | 22,500                                                     |
| Proceeds from issuance of common shares              | 762,000                                                    | 1,205,000                                                  |
| Repayment of notes payable                           | -                                                          | -                                                          |
| Share issuance costs                                 | -                                                          | (74,625)                                                   |
| <b>Cash provided by financing activities</b>         | <b>510,498</b>                                             | <b>1,152,875</b>                                           |
| <b>INVESTING ACTIVITIES</b>                          |                                                            |                                                            |
| Restricted deposit                                   | (11,500)                                                   | -                                                          |
| Exploration and evaluation expenditures              | -                                                          | (137,196)                                                  |
| <b>Cash used in investing activities</b>             | <b>(11,500)</b>                                            | <b>(137,196)</b>                                           |
| <b>Change in cash during the period</b>              | <b>261,791</b>                                             | <b>796,820</b>                                             |
| <b>Cash - Beginning of period</b>                    | <b>22,806</b>                                              | <b>1,572</b>                                               |
| <b>Cash - End of period</b>                          | <b>284,597</b>                                             | <b>798,392</b>                                             |

**Supplemental Cash Flow Information (Note 15)**

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

**OPAL ENERGY CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

(Unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Opal Energy Corp. ("the Company") was continued under the Business Corporations Act (British Columbia) effective January 7, 2007. The Company's head office and registered and records office is Suite 302 – 1620 West 8<sup>th</sup> Ave, Vancouver, BC, V6J 1V4, Canada. The Company is traded on the Canadian Securities Exchange ("CSE") under the symbol "OPA".

The Company is a mineral exploration company focused on acquiring, exploring and developing exploration and evaluation assets in Canada.

At the date of the condensed interim consolidated financial statements, the Company has not identified a known body of commercial grade mineral on any of its exploration and evaluation assets. The ability of the Company to realize the costs it has incurred to date on exploration and evaluation assets is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the exploration and evaluation assets. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

The condensed interim consolidated financial statements have been prepared assuming the Company will continue on a going concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going concern depends upon its ability to raise adequate financing and to develop profitable operations. These condensed interim consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would assure continuation of the Company's operations and exploration programs. The Company estimates that it will need additional capital to operate for the upcoming year. The Company believes such financing will be available as required, however, there can be no assurance that the Company will be successful in its future financing attempts. These material uncertainties may cast doubt on the Company's ability to continue as a going concern.

**2. BASIS OF PRESENTATION****Statement of compliance**

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations committee. They do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and, therefore, should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015, prepared in accordance with IFRS as issued by the IASB.

**Basis of presentation**

These condensed interim consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information and for certain financial assets and liabilities measured at fair value.

**OPAL ENERGY CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

(Unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016

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**2. BASIS OF PRESENTATION (continued)****Functional and presentation currency**

These condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the parent and its subsidiaries.

**Basis of consolidation**

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed interim consolidated financial statements.

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| Name of Subsidiary | Place of Incorporation | Proportion of Ownership Interest | Principal Activity |
|--------------------|------------------------|----------------------------------|--------------------|
| Opal Energy Inc.   | U.S.A.                 | 100%                             | Dormant            |

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**Use of estimates and judgments**

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other facts and circumstances. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) Deferred income taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. The Company has adequately provided for all income tax obligations, however; changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the Company's provision for deferred income taxes.

ii) Share-based compensation

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model, which incorporates market data and involves uncertainty in estimates used by management in the assumptions. The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, and, as a result, changes in subjective input assumptions can materially affect the fair value estimate.

**OPAL ENERGY CORP.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

(Unaudited)

**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016**

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**2. BASIS OF PRESENTATION (continued)**

**Use of estimates and judgments (continued)**

Significant judgments that management has made at the end of the reporting period are as follows:

i) Determination of functional currency

The functional currency of the Company and its subsidiary is the currency of the primary economic environment in which each entity operates. The Company has determined the functional currency of each entity to be the Canadian dollar. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment.

ii) The carrying value and the recoverability of exploration and evaluation assets

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

**3. SIGNIFICANT ACCOUNTING POLICIES**

These condensed interim consolidated financial statements were prepared using the same accounting policies and methods of computation as in the Company's consolidated financial statements for the year ended December 31, 2015.

**Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements**

Effective January 1, 2016, the following standards were adopted but have had no material impact on the condensed interim consolidated financial statements:

*IFRS 11, Joint arrangements*

This standard was amended to provide specific guidance on accounting for the acquisition of an interesting in a joint operation that is a business.

*IAS 16, Property, plant and equipment and IAS 38, Intangible assets*

These standards were amended to prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets.

**OPAL ENERGY CORP.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

(Unaudited)

**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**New standards, amendments and interpretations to existing standards not yet effective**

The following standards, amendments to standards and interpretations have been issued for annual periods beginning on or after January 1, 2018 but are not yet effective:

*IFRS 9, Financial instruments*

This standard was issued in November 2009 and covers the classification and measurement of financial assets as part of its project to replace IAS 39 Financial Instruments: Recognition and Measurement. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income.

*IFRS 15, Revenue from Contracts with Customers*

This standard was issued in May 2014 and will be the new standard for the recognition of revenue, replacing IAS 18, Revenue. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The following standards, amendments to standards and interpretations have been issued for annual periods beginning on or after January 1, 2019 but are not yet effective:

*IFRS 16, Leases*

This standard was issued in January 2016 and specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Company has not yet assessed the potential impact of the application of these standards, nor determined whether it will adopt the standards early.

**4. RESTRICTED DEPOSIT**

As at March 31, 2016, restricted deposits consisted of \$11,500 (December 31, 2015 - \$Nil) held in a guaranteed investment certificate as collateral for a corporate credit card.

**OPAL ENERGY CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

(Unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016

**5. EXPLORATION AND EVALUATION ASSET**

Title to exploration and evaluation asset interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its exploration and evaluation asset interests and, to the best of its knowledge, title to all of its interests are in good standing. The exploration and evaluation asset interests in which the Company has committed to earn an interest are located in Canada.

**Firebag River Property, Alberta**

On September 23, 2014, the Company entered into a property option agreement with 877384 Alberta Ltd. and Declan Resources Inc. to acquire a 70% interest in the Firebag River Property located in Alberta, Canada. To acquire the property, the Company must make cash payments, incur expenditures and issue shares as follows:

|                                                         | Acquisition -<br>Shares | Acquisition -<br>Cash | Exploration<br>Work<br>Commitments |
|---------------------------------------------------------|-------------------------|-----------------------|------------------------------------|
|                                                         |                         | (\$)                  | (\$)                               |
| Upon regulatory approval of agreement (paid and issued) | 2,000,000               | 50,000                | -                                  |
| November 22, 2014 (completed) <sup>(1)</sup>            | -                       | -                     | 150,000                            |
| June 2, 2015 (paid)                                     | -                       | 156,527               | -                                  |
| September 2, 2016 <sup>(2) (3)</sup>                    | 1,000,000               | 100,000               | -                                  |
| November 22, 2016                                       | -                       | -                     | 150,000                            |
| March 2, 2017                                           | 1,000,000               | 100,000               | -                                  |
| <b>Total</b>                                            | <b>4,000,000</b>        | <b>406,527</b>        | <b>300,000</b>                     |

<sup>(1)</sup> The Company fulfilled its expenditure obligation through a combination of exploration expenditures incurred directly by the Company and cash reimbursements totaling \$71,527 that were paid to Declan under the option agreement.

<sup>(2)</sup> On April 14, 2016, the terms of the option agreement were amended to extend the deadline for payment of the cash and common shares from June 2, 2016 until September 2, 2016.

<sup>(3)</sup> The Company has the option of fulfilling the cash payment in cash or through the issuance of common shares of the Company.

**Acquisition costs**

A schedule of exploration and evaluation asset acquisition costs is as follows:

|                                             | <b>Firebag River</b> |
|---------------------------------------------|----------------------|
|                                             | <b>(\$)</b>          |
| At December 31, 2014                        | 70,000               |
| Common shares                               | 300,000              |
| Cash                                        | 136,527              |
| <b>December 31, 2015 and March 31, 2016</b> | <b>466,527</b>       |

**OPAL ENERGY CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

(Unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016

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**5. EXPLORATION AND EVALUATION ASSETS (continued)**Exploration and evaluation expenditures

A schedule of exploration and evaluation expenditures is as follows:

|                                                | <b>Firebag River</b> |
|------------------------------------------------|----------------------|
|                                                | <b>(\$)</b>          |
| At December 31, 2014                           | 80,821               |
| Consulting                                     | 392                  |
| Geological                                     | 6,042                |
| Licenses and permits                           | 15,140               |
| <b>At December 31, 2015 and March 31, 2016</b> | <b>102,395</b>       |

**6. ADVANCE**

On December 2, 2015, the Company advanced \$335,875 (US\$250,000) to Versus LLC ("Versus") in accordance with a letter of intent ("LOI") that was executed on November 24, 2015. If the proposed business combination is terminated due to any reason other than a material breach under the LOI, then the advance will not be required to be repaid and Class A units of Versus will be issued to the Company with a percentage interest equal to 5.88% on a fully diluted basis (Note 17).

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The Company's accounts payable and accrued liabilities is comprised of the following:

|                        | <b>March 31,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|------------------------|---------------------------|------------------------------|
|                        | <b>(\$)</b>               | <b>(\$)</b>                  |
| Accounts payable       | 77,785                    | 58,708                       |
| Due to related parties | 57,567                    | 132,623                      |
| Accrued liabilities    | 1,350                     | 225                          |
|                        | <b>136,702</b>            | <b>191,556</b>               |

**8. NOTES PAYABLE**

On October 15, 2015, the Company extended the maturity date of outstanding notes payable to three years from the original issuance date. During the year ended December 31, 2015, the Company issued additional unsecured notes payable under the same terms for total proceeds of \$131,500. At December 31, 2015, there was \$15,502 of interest accrued and included in current portion of notes payable.

During the three month period ended March 31, 2016, \$nil (2015 - \$3,059) was recorded as interest expense and the Company repaid all of the outstanding notes payable including accrued interest.

**OPAL ENERGY CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

(Unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016

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**9. DECOMMISSIONING LIABILITY**

On March 9, 2015, the Company was contacted by the Ontario Ministry of Northern Development and Mines and notified that it has rehabilitation obligations with respect to the Tashota Nipigon mine in northern Ontario. This mine property was acquired by one of the Corporation's predecessor companies in 1939. The Corporation has retained environmental consultants to assist with the determination of the potential cost of the rehabilitation. At March 31, 2016, the Company anticipates completing the remediation work during 2016 for an estimated cost of \$78,430.

|                                         | <b>Amount</b> |
|-----------------------------------------|---------------|
|                                         | <b>(\$)</b>   |
| At December 31, 2014                    | -             |
| Additions                               | 78,430        |
| At December 31, 2015 and March 31, 2016 | 78,430        |

**10. SHARE CAPITAL AND RESERVES****a) Authorized share capital**

An unlimited number of common shares without par value and 5,057 Class "A" shares, Series 1. The Class "A" shares, Series 1 are non-voting and are convertible into common shares at any time on the basis of 6.67 common shares for each Class "A" Series I share held.

**b) Issued share capital**

During the three month period ended March 31, 2016, the Company:

- i) issued 6,349,999 common shares pursuant to the exercise of share purchase warrants at a price of \$0.12 per share for total proceeds of \$762,000.

During the year ended December 31, 2015, the Company:

- i) issued 2,000,000 common shares at a price of \$0.13 per share at value of \$260,000 to Declan Resources Inc. pursuant to the property option agreement (Note 5).
- ii) issued 12,050,000 units at a price of \$0.10 per unit for total proceeds of \$1,205,000. Each unit consisted of one common share and one share purchase warrant wherein each warrant entitles the holder to purchase one common share at a price of \$0.15 until February 27, 2020. The Company recorded \$80,116 of share issuance costs in connection with this financing.
- iii) issued 249,999 common shares pursuant to the exercise of share purchase warrants at a price of \$0.12 per share for total proceeds of \$30,000.

At March 31, 2016, 5,000 common shares (December 31, 2015 – 5,000) of the Company are held in escrow due to misplaced share certificates originally issued to three individual shareholders.

**OPAL ENERGY CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

(Unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016

**10. SHARE CAPITAL AND RESERVES (continued)****c) Stock options**

Pursuant to the policies of the CSE, the Company may grant incentive stock options to its officers, directors, employees and consultants. The Company has implemented a rolling Stock Option Plan (the "Plan") whereby the Company can issue up to 10% of the issued and outstanding common shares of the Company. Options have a maximum term of ten years and vesting is determined by the Board of Directors.

At March 31, 2016, the Company had incentive stock options outstanding as follows:

| <b>Expiry Date</b> | <b>Options<br/>Outstanding</b> | <b>Options<br/>Exercisable</b> | <b>Exercise<br/>Price<br/>(\$)</b> | <b>Weighted Average<br/>Remaining Life<br/>(years)</b> |
|--------------------|--------------------------------|--------------------------------|------------------------------------|--------------------------------------------------------|
| April 29, 2020     | 850,000                        | 850,000                        | 0.10                               | 4.08                                                   |
| July 31, 2020      | 100,000                        | 100,000                        | 0.10                               | 4.34                                                   |
|                    | 950,000                        | 950,000                        | 0.10                               | 4.11                                                   |

A continuity schedule of outstanding stock options is as follows:

|                                                | <b>Number<br/>Outstanding</b> | <b>Weighted Average<br/>Exercise Price<br/>(\$)</b> |
|------------------------------------------------|-------------------------------|-----------------------------------------------------|
| Balance – December 31, 2014                    | -                             | -                                                   |
| Granted                                        | 950,000                       | 0.10                                                |
| Balance – December 31, 2015 and March 31, 2016 | 950,000                       | 0.10                                                |

During the three month period ended March 31, 2016, there was no stock option activity.

During the year ended December 31, 2015, the Company granted 950,000 stock options with a fair value of \$79,494. These options are fully vested on the grant date, and accordingly the Company expensed \$79,494 as share-based compensation.

The options were valued using the Black-Scholes option pricing model under the following weighted average assumptions:

|                             | <b>2015</b> |
|-----------------------------|-------------|
| Risk-free interest rate     | 0.98%       |
| Expected life of options    | 5 years     |
| Volatility                  | 123.70%     |
| Expected dividend yield     | Nil         |
| Forfeiture rate             | Nil         |
| Weighted average fair value | \$0.08      |

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**10. SHARE CAPITAL AND RESERVES (continued)****d) Share purchase warrants**

At March 31, 2016, the Company had share purchase warrants outstanding as follows:

| <b>Expiry Date</b> | <b>Options Outstanding</b> | <b>Exercise Price</b> | <b>Weighted Average Remaining Life</b> |
|--------------------|----------------------------|-----------------------|----------------------------------------|
|                    |                            | <b>(\$)</b>           | <b>(years)</b>                         |
| February 27, 2020  | 12,050,000                 | 0.15                  | 3.91                                   |

A continuity schedule of outstanding share purchase warrants is as follows:

|                             | <b>Number Outstanding</b> | <b>Weighted Average Exercise Price</b> |
|-----------------------------|---------------------------|----------------------------------------|
|                             |                           | <b>(\$)</b>                            |
| Balance – December 31, 2014 | 6,599,998                 | 0.12                                   |
| Exercised                   | (249,999)                 | 0.12                                   |
| Issued                      | 12,050,000                | 0.15                                   |
| Balance – December 31, 2015 | 18,399,999                | 0.14                                   |
| Exercised                   | (6,349,999)               | 0.12                                   |
| Balance – March 31, 2016    | 12,050,000                | 0.15                                   |

**11. RELATED PARTY TRANSACTIONS**

The following summarizes the Company's related party transactions, not disclosed elsewhere in these condensed interim consolidated financial statements, during the three month periods ended March 31, 2016 and 2015. Key management personnel includes the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and certain directors and officers and companies controlled or significantly influenced by them.

|                                                                                                                       | <b>2016</b> | <b>2015</b> |
|-----------------------------------------------------------------------------------------------------------------------|-------------|-------------|
|                                                                                                                       | <b>(\$)</b> | <b>(\$)</b> |
| Professional fees paid or accrued to a corporation controlled by a director of the Company.                           | -           | 10,984      |
| Office sharing and occupancy costs paid or accrued to a corporation that shares management in common with the Company | 15,000      | 16,500      |

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**11. RELATED PARTY TRANSACTIONS (continued)****Key Management Personnel**

|                                                                                           | <b>2016</b>   | <b>2015</b>   |
|-------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                           | <b>(\$)</b>   | <b>(\$)</b>   |
| Consulting fees paid or accrued to a corporation controlled by a director of the Company. | 30,000        | 30,000        |
| Consulting fees paid or accrued to a corporation controlled by the CFO of the Company.    | 4,000         | 3,000         |
| Interest paid or accrued to two corporations controlled by the CEO of the Company.        | -             | 627           |
| <b>Total</b>                                                                              | <b>34,000</b> | <b>33,627</b> |

- a) At March 31, 2016, a total of \$46,787 (December 31, 2015 - \$49,574) was included in accounts payable and accrued liabilities owing to a director of the Company and a corporation controlled by a director of the Company for consulting fees and reimbursable expenses.
- b) At March 31, 2016, a total of \$9,506 (December 31, 2015 - \$75,472) was included in accounts payable and accrued liabilities owing to a corporation controlled by the CEO of the Company for reimbursable expenses.
- c) At March 31, 2016, a total of \$Nil (December 31, 2015 - \$55,130) in notes payable and accrued interest was owing to two corporations controlled by the CEO of the Company (Note 8).
- d) At March 31, 2016, a total of \$1,273 (December 31, 2015 - \$7,577) was included in accounts payable and accrued liabilities owing to a corporation that shares management in common with the Company for office sharing and occupancy costs (Note 16).

**12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT***Financial risk management*

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.

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**12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities and notes payable.

The Company classified its cash as fair value through profit or loss; and accounts payable and accrued liabilities and notes payable as other financial liabilities. The fair value of cash is measured on the statement of financial position using level 1 of the fair value hierarchy. The fair values of accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments. The carrying amounts of the notes payable approximate fair value as the interest rates were negotiated between the Company and arm's length third parties.

*Financial instrument risk exposure*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

*Credit risk*

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company has no material counterparties to its financial instruments with the exception of the financial institutions which hold its cash. The Company manages its credit risk by ensuring that its cash is placed with a major financial institution with strong investment grade ratings by a primary ratings agency. The Company's receivables consist of goods and services tax due from the government, and the balances are in good standing as at March 31, 2016.

*Liquidity risk*

The Company's cash is invested in business accounts which are available on demand. The Company has significant financial liabilities outstanding including accounts payable and accrued liabilities and loans payable. The Company is exposed to the risk that it may not have sufficient liquid assets to meet its commitments associated with these financial liabilities. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity transactions and long term debt.

*Interest rate risk*

The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. Interest rate risk is minimal as the Company does not have significant interest bearing assets or any variable interest bearing liabilities that are tied into market rates.

*Foreign exchange risk*

The Company is not exposed to any significant foreign currency risk beyond its advance which is denominated in United States dollars.

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**12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)***Commodity price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

**13. MANAGEMENT OF CAPITAL**

The Company manages its common shares, stock options and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in certificates of deposit with major financial institutions.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

There have been no changes to the Company's approach to capital management during the three month period ended March 31, 2016.

**14. SEGMENTED INFORMATION**

The Company operates in one industry segment being the acquisition and exploration of mineral exploration and evaluation assets. The total assets attributable to the geographical locations relate primarily to exploration and evaluation assets and are located in Canada.

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**15. SUPPLEMENTAL CASH FLOW INFORMATION**

|                                                                                              | <b>March 31,<br/>2016</b> | <b>March 31,<br/>2015</b> |
|----------------------------------------------------------------------------------------------|---------------------------|---------------------------|
|                                                                                              | <b>(\$)</b>               | <b>(\$)</b>               |
| <b>Non-cash investing and financing activities:</b>                                          |                           |                           |
| Exploration and evaluation expenditures included in accounts payable and accrued liabilities | -                         | 6,617                     |
| Shares issued for acquisition of exploration and evaluation assets                           | -                         | 260,000                   |
| <b>Interest paid during the period</b>                                                       | 15,502                    | -                         |
| <b>Income taxes paid during the period</b>                                                   | -                         | -                         |

**16. COMMITMENTS AND CONTINGENCIES**

On August 1, 2015, the Company entered into a cost sharing arrangement agreement for the provision of office space and various administrative services. Under the terms of the agreement, the Company will pay \$5,000 plus GST per month commencing on September 1, 2015 and continuing until the expiration of the underlying head lease on July 31, 2018.

| <b>Fiscal Year</b> | <b>Amount</b> |
|--------------------|---------------|
|                    | <b>(\$)</b>   |
| 2016               | 45,000        |
| 2017               | 60,000        |
| 2018               | 35,000        |

**17. PROPOSED TRANSACTION**

On March 16, 2016, the Company entered into an Acquisition Agreement (the "Agreement") with Versus LLC ("Versus") which sets out the terms of a business acquisition wherein the Company will acquire all of the issued and outstanding ownership interests ("Versus Units") of Versus. Versus is a privately held limited liability company organized under the laws of the state of Nevada that has developed state-of-the art video game and e-sports tournament software that allows video game publishers/developers to offer prize-based tournaments of their games.

Under the terms of the Agreement, the transaction will proceed as follows:

- The Company will advance US\$250,000 (the "Advance") to Versus (advanced);
- The Company will organize a new United States subsidiary ("Newco");
- The Company will buy approximately 37.5% of the Versus Units from the existing members of Versus (the "Selling Members") for an aggregate cash payment of US\$1,500,000 (the "Initial Payment");

**OPAL ENERGY CORP.**

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**17. PROPOSED TRANSACTION** (continued)

- d) All Versus Units will be contributed to Newco in exchange for shares of Newco, and the shares of Newco issued to the Selling Members shall be exchangeable into common shares of the Company with a total value of US\$2,500,000, representing approximately 30% of the issued and outstanding common shares of the Company after the Concurrent Financing (Defined in (e) below), and common share purchase warrants with a total value of US\$1,250,000 and an exercise price of \$0.20 per share for a period of 36 months from the date of closing; and
- e) The Company will complete an equity financing (the “Concurrent Financing”) to raise a minimum gross proceeds of US\$3,000,000, inclusive of the Initial Payment, at a price not less than \$0.20 per unit (“Unit”). Each Unit will consist of one common share and one half of a common share purchase warrant wherein each whole warrant is exercisable into a common share at a price of \$0.40 per share for a period of 24 months from the closing date of the Concurrent Financing.

This transaction is subject to a number of conditions including, but not limited to, regulatory and shareholder approval, and the completion of the Concurrent Financing.

Should the transaction be terminated due to the material breach, default, gross negligence, willful misconduct or fraud of Versus under this Agreement, then Versus shall repay the Advance to the Company within 30 calendar days of termination of the transaction. If the transaction is terminated for any other reason, then Versus shall be irrevocably entitled to the Advance, and within 10 days of such a termination, Versus shall issue Class A units of Versus to the Company with a percentage interest equal to 5.88% on a fully diluted basis.

A finder’s fee of approximately 1,000,000 common shares will be payable in connection with the transaction, subject to acceptance and compliance with all CSE and regulatory policies.