



CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

YEAR ENDED

DECEMBER 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Opal Energy Corp.

We have audited the accompanying consolidated financial statements of Opal Energy Corp., which comprise the consolidated statements of financial position as at December 31, 2015 and 2014 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity (deficiency) for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Opal Energy Corp. as at December 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

March 15, 2016

Opal Energy Corp.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2015	December 31, 2014
	(\$)	(\$)
ASSETS		
Current assets		
Cash	22,806	1,572
GST receivable	6,057	7,721
Prepaid expenses	13,597	5,500
	42,460	14,793
Advance (Note 4)	346,000	-
Exploration and evaluation assets (Note 5)	568,922	150,821
	957,382	165,614
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	191,556	222,101
Decommissioning liability (Note 8)	78,430	-
Current portion of notes payable (Note 7)	15,502	106,601
	285,488	328,702
Notes payable (Note 7)	236,000	-
	521,488	328,702
Shareholders' equity (deficiency)		
Share capital (Note 9)		
Common shares	78,855,158	77,440,274
Class "A" shares	37,927	37,927
Share-based reserves (Note 9)	4,044,461	3,964,967
Deficit	(82,501,652)	(81,606,256)
	435,894	(163,088)
	957,382	165,614
Nature of operations and going concern (Note 1)		
Commitments and contingencies (Note 16)		
Proposed transaction (Note 17)		
Subsequent event (Note 18)		

These consolidated financial statements were authorized for issue by the Board of Directors on March 15, 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 consolidated financial statements.

Opal Energy Corp.

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

	Year Ended December 31, 2015 (\$)	Year Ended December 31, 2014 (\$)
EXPENSES		
Consulting fees (Note 10)	267,426	99,332
Foreign exchange gain	(7,130)	-
Interest expense (Note 7 and 10)	13,401	25,441
Office and general	37,121	6,507
Professional fees (Note 10)	65,856	26,021
Property investigation costs	18,774	8,623
Reclamation expense (Note 8)	78,430	-
Rent (Note 10)	64,000	33,000
Shareholder relations	103,370	3,410
Share-based compensation (Note 9 and 10)	79,494	-
Transfer agent and filing fees	36,677	25,653
Travel	144,030	61,679
Loss from operations	(901,449)	(289,666)
Other income	6,053	3,958
Loss on settlement of notes payable (Note 7)	-	(60,000)
Loss and comprehensive loss	(895,396)	(345,708)
Basic and diluted loss per common share	(0.03)	(0.03)
Weighted average common shares outstanding	33,146,451	12,646,087

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

Opal Energy Corp.

Consolidated Statement of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

	Number of Common Shares	Number of Class "A" Shares	Share Capital		Share-based Reserves	Deficit	Total Shareholders' Equity (Deficiency)
			Common Shares	Class "A" Shares			
			(\$)	(\$)	(\$)	(\$)	(\$)
Balance at December 31, 2013	8,691,019	33,713	76,699,311	37,927	3,964,967	(81,260,548)	(558,343)
Shares issued for settlement of notes	6,000,000	-	360,000	-	-	-	360,000
Shares issued in private placement	6,599,998	-	396,000	-	-	-	396,000
Share issuance costs - cash	-	-	(15,037)	-	-	-	(15,037)
Loss and comprehensive loss	-	-	-	-	-	(345,708)	(345,708)
Balance at December 31, 2014	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
Shares issued for exploration and evaluation asset	2,000,000	-	260,000	-	-	-	260,000
Share issuance costs - cash	-	-	(80,116)	-	-	-	(80,116)
Shares issued for warrant exercise	249,999	-	30,000	-	-	-	30,000
Stock options granted	-	-	-	-	79,494	-	79,494
Loss and comprehensive loss	-	-	-	-	-	(895,396)	(895,396)
Balance at December 31, 2015	35,591,016	33,713	78,855,158	37,927	4,044,461	(82,501,652)	435,894

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

Opal Energy Corp.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year Ended December 31, 2015	Year Ended December 31, 2014
	(\$)	(\$)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss and comprehensive loss	(895,396)	(345,708)
Items not affecting cash:		
Accrued interest	13,401	24,549
Foreign exchange gain	(10,125)	-
Loss on settlement of note payable	-	60,000
Reclamation expense	78,430	-
Share-based compensation	79,494	-
Changes in non-cash working capital items:		
Decrease (increase) in GST receivable	1,664	(7,423)
Increase in prepaid expenses	(8,097)	(4,250)
Decrease in accounts payable and accrued liabilities	(1,346)	(61,917)
Cash used in operating activities	(741,975)	(334,749)
FINANCING ACTIVITIES		
Proceeds from notes payable	131,500	134,500
Proceeds from issuance of common shares	1,235,000	396,000
Repayment of notes payable	-	(67,258)
Share issuance costs	(80,116)	(15,037)
Cash provided by financing activities	1,286,384	448,205
INVESTING ACTIVITIES		
Advance to Versus	(335,875)	-
Exploration and evaluation expenditures	(187,300)	(115,005)
Cash used in investing activities	(523,175)	(115,005)
Change in cash during the year	21,234	(1,549)
Cash - Beginning of year	1,572	3,121
Cash - End of year	22,806	1,572

Supplemental Cash Flow Information (Note 15)

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

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 8th 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 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 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 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 significant doubt on the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issue by the Board of Directors on March 15, 2016.

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

2. BASIS OF PRESENTATION (continued)

Functional and Presentation Currency

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

Significant Accounting Judgments, Estimates and Assumptions

In the application of the Company's accounting policies which are described in Note 3, management is required to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, revenue and expenses and are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and management's assessment of current events and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in these consolidated financial statements include:

Deferred tax assets

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

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.

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

Basis of Consolidation

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

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

Foreign Exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for the Company and its subsidiary is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company and its subsidiary that are denominated in foreign currencies are translated at the rate of exchange at the date of the statement of financial position while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

Loss Per Share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. For the years presented, the calculation proved to be anti-dilutive.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified at fair value through profit or loss) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets and financial liabilities are measured subsequently as described below. The Company does not have any derivative financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments; and
- Available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

- ***Financial assets at fair value through profit or loss*** – Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The Company's cash falls into this category of financial instruments.
- ***Loans and receivables*** – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method less any provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company currently does not hold financial assets in this category.
- ***Held-to-maturity investments*** – Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. The Company currently does not hold financial assets in this category.
- ***Available-for-sale financial assets*** – Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company currently does not hold financial assets in this category.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and all substantial risks and rewards are transferred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial liabilities

For the purpose of subsequent measurement, financial liabilities are classified as either financial liabilities at fair value through profit or loss, or other financial liabilities upon initial recognition.

- **Financial liabilities at fair value through profit or loss** – Financial liabilities at fair value through profit or loss include financial liabilities that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Liabilities in this category are measured at fair value with gains or losses recognized in profit or loss. The Company currently does not hold financial liabilities in this category.
- **Other financial liabilities** – Other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process. The Company's accounts payable, accrued liabilities and notes payable fall into this category of financial instruments.

A financial liability is derecognized when it is extinguished, discharged, cancelled, or expired.

Impairment

At the end of each reporting period, the carrying value of the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Capital Stock

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, Class A shares series I, share warrants and stock options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provision for Environmental Rehabilitation

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

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss.

Stock-based Compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Income Taxes

Deferred tax is recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity (deficiency) which results from transactions and events from sources other than the Company's shareholders. Net loss is the same as comprehensive loss for the years presented.

Exploration and Evaluation Assets and Expenditures

Pre-exploration costs are expensed as incurred.

All expenditures related to the cost of exploration and evaluation of mineral resources including acquisition costs for interests in mineral claims are capitalized as exploration and evaluation assets and are classified as intangible assets. General exploration costs not related to specific mineral properties are expensed as incurred. If economically recoverable reserves are developed, capitalized costs of the related property are reclassified as mining assets and upon commencement of commercial production, are amortized using the units of production method over estimated recoverable reserves. Impairment is assessed at the level of cash-generating units. The Company has not yet determined whether or not any of its exploration and evaluation assets contain economically recoverable reserves. Amounts capitalized to exploration and evaluation assets do not necessarily reflect present or future values.

Exploration and evaluation assets are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount may exceed its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of a value in use (being the present value of expected future cash flows of the relevant cash generating unit) and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements

Effective January 1, 2015, the following standards were adopted but have had no material impact on the financial statements:

IFRS 7, Financial Instruments – Disclosure

Amended to require additional disclosures on transition from IAS 39 to IFRS 9.

New Standards, Amendments and Interpretations to Existing Standards Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective. The pronouncements are being assessed to determine their impact on the Company's results and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Standards, Amendments and Interpretations to Existing Standards Not Yet Effective (continued)

The following standards, amendments to standards and interpretations have been issued for annual periods beginning on or after January 1, 2016 but are not yet effective:

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.

IAS 27, Separate financial statements and IFRS 1, First-time adoption of IFRS

IAS 27 was amended to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

IFRS 1 was amended to permit the use of the business combinations exemption for investments in subsidiaries accounted for using the equity method in the separate financial statements of the first-time adopter.

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.

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

4. 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).

OPAL ENERGY CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
FOR THE YEAR ENDED DECEMBER 31, 2015

5. EXPLORATION AND EVALUATION ASSETS

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, as amended on November 26, 2015, the Company entered into a property option agreement with 877384 Alberta Ltd. and Declan Resources Inc. ("Declan"), a corporation with directors and management in common, 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 common shares as follows:

	Common Shares	Cash (\$)	Exploration Work Commitments (\$)
Upon TSX-V approval of agreement (paid and issued)	2,000,000	50,000	-
Within 90 days of TSX-V approval (paid)	-	156,527	-
November 22, 2014 (completed) ⁽¹⁾	-	-	150,000
June 2, 2016 ⁽²⁾	1,000,000	100,000	-
November 22, 2016	-	-	150,000
March 2, 2017 ⁽²⁾	1,000,000	100,000	-
Total	4,000,000	406,527	300,000

(1) 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.

(2) The Company has the option of fulfilling this payment in cash or through the issuance of common shares of the Company.

Acquisition costs

A schedule of exploration and evaluation assets is as follows:

	Firebag River (\$)
At December 31, 2013	-
Cash	70,000
At December 31, 2014	70,000
Cash	136,527
Common shares	260,000
At December 31, 2015	466,527

OPAL ENERGY CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
FOR THE YEAR ENDED DECEMBER 31, 2015

5. EXPLORATION AND EVALUATION ASSETS (continued)

Exploration and evaluation expenditures

A schedule of exploration and evaluation expenditures is as follows:

	Firebag River
	(\$)
At December 31, 2013	-
Assays	10,992
Field work	23,232
Geological	46,597
At December 31, 2014	80,821
Consulting	392
Geological	6,042
Licenses and permits	15,140
At December 31, 2015	102,395

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2015	2014
	(\$)	(\$)
Accounts payable	58,708	209,823
Due to related parties	132,623	12,278
Accrued liabilities	225	-
	191,556	222,101

7. NOTES PAYABLE

During the year ended December 31, 2014, the Company issued unsecured notes payable for total proceeds of \$104,500. The loans mature one year from the date of issuance and bear interest at a rate of 10% per annum, payable quarterly. In addition, the Company issued 6,000,000 common shares valued at \$360,000 to settle debts of \$300,000 that were incurred in 2013. As a result, the Company recorded a loss on settlement of debt of \$60,000.

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. As at December 31, 2015, there was \$15,502 (2014 - \$2,101) of interest accrued and included in current portion of notes payable.

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7. NOTES PAYABLE (continued)

A summary of the outstanding notes is as follows:

Issue Date	Maturity Date	Interest Rate	Amount
		(%)	(\$)
July 11, 2014	July 11, 2017	10	10,000
September 4, 2014	September 4, 2017	10	10,000
October 30, 2014	October 30, 2017	10	31,000
November 6, 2014	November 6, 2017	10	5,000
November 10, 2014	November 10, 2017	10	41,000
November 20, 2014	November 20, 2017	10	7,500
January 13, 2015	January 13, 2018	10	5,000
January 15, 2015	January 15, 2018	10	10,000
January 30, 2015	January 30, 2018	10	7,500
December 1, 2015	December 1, 2018	10	85,000
December 8, 2015	December 8, 2018	10	24,000
Total			236,000

The Company recorded \$13,401 (2014 - \$25,441) in interest expense during the year ended December 31, 2015.

8. 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. As at December 31, 2015, the Company anticipates completing the remediation work during 2016 for an estimated cost of \$78,430.

	Amount
	(\$)
At December 31, 2014 and 2013	-
Additions	78,430
At December 31, 2015	78,430

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9. 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 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.
- i) 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.

During the year ended December 31, 2014, the Company:

- i) settled \$300,000 of notes payable by issuing 6,000,000 common shares valued at \$360,000. The Company incurred a loss of \$60,000 on the debt settlement.
- ii) issued 6,599,998 units at a price of \$0.06 per unit for total proceeds of \$396,000. 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 \$0.12 until September 16, 2015. The Company recorded \$15,037 of share issuance costs in connection with this financing.

At December 31, 2015, 5,000 common shares (2014 – 5,000) of the Company are held in escrow due to misplaced share certificates originally issued to three individual shareholders.

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 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 December 31, 2015, the Company had incentive stock options outstanding as follows:

Expiry Date	Options Outstanding	Options Exercisable	Exercise Price (\$)	Weighted Average Remaining Life (years)
April 29, 2020	850,000	850,000	0.10	4.33
July 31, 2020	100,000	100,000	0.10	4.59
	950,000	950,000	0.10	4.36

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9. SHARE CAPITAL AND RESERVES (continued)

c) Stock options (continued)

A continuity schedule of outstanding stock options is as follows:

	Number Outstanding	Weighted Average Exercise Price (\$)
Balance – December 31, 2013 and 2014	-	-
Granted	950,000	0.10
Balance – December 31, 2015	950,000	0.10

During the year ended December 31, 2015, the Company granted 950,000 (2014 – Nil) stock options with a fair value of \$79,494 (2014 - \$Nil). These options are fully vested on the grant date, and accordingly the Company expensed \$79,494 (2014 - \$Nil) as share-based compensation.

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

	2015
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

At December 31, 2015, the Company had share purchase warrants outstanding as follows:

Expiry Date	Options Outstanding	Exercise Price (\$)	Weighted Average Remaining Life (years)
March 16, 2016 *	6,349,999	0.12	0.21
February 27, 2020	12,050,000	0.15	4.16
	18,399,999	0.14	2.80

* Warrants were extended from their original expiration date of September 16, 2015.

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9. SHARE CAPITAL AND RESERVES (continued)

d) Share Purchase Warrants

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

	Number Outstanding	Weighted Average Exercise Price (\$)
Balance – December 31, 2013	-	-
Issued	6,599,998	0.12
Balance – December 31, 2014	6,599,998	0.12
Issued	12,050,000	0.15
Exercised	(249,999)	0.12
Balance – December 31, 2015	18,399,999	0.14

10. RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions, not disclosed elsewhere in these consolidated financial statements, during the years ended December 31, 2015 and 2014. 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.

	2015 (\$)	2014 (\$)
Professional fees paid or accrued to a corporation controlled by a director of the Company.	12,478	25,452
Office sharing and occupancy costs paid or accrued to a corporation that shares management in common with the Company	64,000	33,000
Key Management Personnel		
	2015 (\$)	2014 (\$)
Consulting fees paid or accrued to a corporation controlled by a director of the Company.	120,000	-
Consulting fees paid or accrued to a corporation controlled by the Chief Financial Officer ("CFO") of the Company.	12,000	12,000
Interest paid or accrued to two corporations controlled by the CEO of the Company.	2,834	796
Share-based compensation vested for incentive stock options issued to certain directors and officers of the Company.	42,113	-
Total	176,947	12,796

10. RELATED PARTY TRANSACTIONS (continued)

- a) As at December 31, 2015, a total of \$49,574 (2014 - \$Nil) 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) As at December 31, 2015, a total of \$Nil (2014 - \$3,150) was included in accounts payable and accrued liabilities owing to a corporation controlled by the Chief Financial Officer of the Company for consulting fees.
- c) As at December 31, 2015, a total of \$Nil (2014 - \$8,782) was included in accounts payable and accrued liabilities owing to a corporation controlled by a director of the Company for legal fees.
- d) As at December 31, 2015, a total of \$75,472 (2014 - \$Nil) was included in accounts payable and accrued liabilities owing to a corporation controlled by the Chief Executive Officer ("CEO") of the Company for reimbursable expenses.
- e) As at December 31, 2015, a total of \$55,130 (2014 - \$Nil) in notes payable and accrued interest was owing to two corporations controlled by the CEO of the Company (Note 6).
- f) As at December 31, 2015, a total of \$7,577 (2014 - \$346) 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).

11. 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.

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, 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 value 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.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 December 31, 2015.

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.

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.

12. 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 year ended December 31, 2015.

13. INCOME TAXES

a) Provision for Income Taxes

A reconciliation of the combined Canadian federal and provincial income taxes at statutory rates and the Company's effective income tax expense is as follows:

	2015	2014
	(\$)	(\$)
Loss for the year	(895,396)	(345,708)
Expected income tax recovery	(233,000)	(90,000)
Share issuance costs	(21,000)	(3,000)
Permanent difference	22,000	-
Change in statutory, foreign tax, foreign exchange rates and other	322,000	(56,000)
Change in unrecognized deductible temporary differences	(90,000)	149,000
Income tax expense	-	-

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13. INCOME TAXES (continued)

b) Deferred Income Taxes

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consists of the following amounts:

	2015	2014
	(\$)	(\$)
Non-capital losses carry-forward	14,621,000	14,694,000
Exploration and evaluation assets	1,746,000	1,778,000
Share issuance costs	19,000	4,000
Allowable capital losses	9,000	9,000
Canadian eligible capital	34,000	34,000
	16,429,000	16,519,000

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

Temporary Differences	2015	Expiry Date	2014	Expiry Date
	(\$)	Range	(\$)	Range
Canadian eligible capital	133,000	No expiry date	133,000	No expiry date
Property and equipment	1,000	No expiry date	1,000	No expiry date
Share issuance costs	73,000	2036 to 2039	16,000	2035-2038
Exploration and evaluation assets	6,716,000	No expiry date	6,837,000	No expiry date
Allowable capital losses	36,000	No expiry date	36,000	No expiry date
Non-capital losses available for future periods	46,064,000	2015 to 2035	46,346,000	2014-2034

Tax attributes are subject to review, and potential adjustment, by tax authorities.

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

	2015	2014
	(\$)	(\$)
Non-cash investing and financing activities:		
Exploration and evaluation expenditures included in accounts payable and accrued liabilities	6,617	35,816
Shares issued for acquisition of exploration and evaluation assets	260,000	-
Shares issued for debt settlement	-	360,000
Interest paid during the year	-	67,258
Income taxes paid during the year	-	-

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.

Fiscal Year	Amount
	(\$)
2016	60,000
2017	60,000
2018	35,000

17. PROPOSED TRANSACTION

On November 24, 2015, the Company entered into a letter of intent ("LOI") with Versus LLC ("Versus") to set out the terms and conditions of a proposed business acquisition wherein the Company would acquire all of the issued and outstanding membership 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 LOI, the transaction will proceed as follows:

- a) The Company will advance US\$250,000 (the "Advance") to Versus (advanced);
- b) The Company will organize a new United States subsidiary ("Newco");
- c) 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");

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 (Note 17 (e)), 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 Advance, 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, the successful completion of due diligence by all parties, execution of a definitive agreement, 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 LOI, 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.

18. SUBSEQUENT EVENT

Subsequent to the end of the year, a total of 499,999 share purchase warrants were exercised at \$0.12 per share for aggregate proceeds of \$60,000.