Consolidated Financial Statements of

Simba Energy Inc.

As at June 30, 2016 and 2015

(Expressed in Canadian dollars)

DAVIDSON & COMPANY LLP Chartered Professional Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Simba Energy Inc.

We have audited the accompanying consolidated financial statements of Simba Energy Inc., which comprise the consolidated statements of financial position as at June 30, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows 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 Simba Energy Inc. as at June 30, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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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 Simba Energy Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

November 4, 2016

SIMBA ENERGY INC.
Consolidated Statements of Financial Position
June 30, 2016 and 2015
Expressed in Canadian dollars

	2016	2015
ASSETS		
Current assets		
Cash	$ 444,792	$ 4,883
Recoverable sales tax	24,953	26,506
Accounts receivable (Note 7)	13,650	-
Prepaid expenses	38,780	118,997
	522,175	150,386
Non-current assets		
Exploration and evaluation assets (Note 4)	9,417,612	8,729,289
Equipment (Note 5)	17,944	32,404
	9,435,556	8,761,693
	$ 9,957,731	$ 8,912,079
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	$ 2,224,148	$ 1,927,439
Due to related parties (Note 7)	393,433	604,659
	2,617,581	2,532,098
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	31,979,586	27,737,991
Share subscriptions receivable (Notes 7 and 8 (a))	(1,063,654)	-
Reserves	3,393,013	3,400,714
Treasury shares (Note 8 (a))	-	(18,000)
Deficit	(26,968,795)	(24,740,724)
	7,340,150	6,379,981
	$ 9,957,731	$ 8,912,079

Nature and Continuance of Operations (Note 1)
Commitments (Note 9)
Event Subsequent to Year End (Note 13)

Approved on behalf of the Board of Directors by:

``Robert Dinning``	**, Director**	*``John King Burns``*	**, Director**
Robert Dinning		**John King Burns**	

SIMBA ENERGY INC.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended June 30, 2016 and 2015
Expressed in Canadian dollars

	2016	2015
Operating expenses		
Accounting and legal	$ 125,622	$ 119,414
Amortization (Note 5)	14,460	20,312
Consulting fees	87,374	193,810
Interest and bank charges	2,985	6,120
Investor communication, trade shows and web site	122,177	283,502
Management fees (Note 7)	310,000	288,000
Office and miscellaneous	215,340	189,522
Project investigation costs	92,788	64,881
Share-based compensation (Notes 7 and 8(c))	-	171,456
Transfer agent and regulatory fees	75,001	46,296
Travel	74,748	140,142
Loss from operations	(1,120,495)	(1,523,455)
Gain on write off of accounts payable and accrued liabilities	-	100,000
Loss on impairment of equipment (Note 5)	-	(106,783)
Reversal of provision for flow-through shareholder	-	
tax liability	-	125,127
Impairment of exploration and evaluation assets (Note 4)	(1,107,576)	(696,056)
Impairment of advances receivable (Note 7)	-	(104,551)
Net loss and comprehensive loss for the year	$ (2,228,071)	$ (2,205,718)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)

SIMBA ENERGY INC.
Consolidated Statements of Changes in Equity
Expressed in Canadian dollars
For the Years Ended June 30, 2016 and 2015

	Share capital		Share subscriptions received (receivable)	Reserves	Treasury Shares	Deficit	Total Shareholder's Equity
	Number of Shares	Amount $					
Balance, June 30, 2014	**249,714,459**	**$ 25,410,102**	**$ 74,554**	**$ 3,229,258**	**$ -**	**$ (22,535,006)**	**$ 6,178,908**
Units issued for cash at $0.06	32,129,809	1,927,789	(92,554)	-	-	-	1,835,235
Units issued for cash at $0.03	15,000,000	450,000	-	-	-	-	450,000
Share issue costs	-	(49,900)	-	-	-	-	(49,900)
Treasury shares returned	(300,000)	-	18,000	-	(18,000)	-	-
Share-based compensation	-	-	-	171,456	-	-	171,456
Net loss and comprehensive loss for the year	-	-	-	-	-	(2,205,718)	(2,205,718)
Balance, June 30, 2015	**296,544,268**	**27,737,991**	**-**	**3,400,714**	**(18,000)**	**(24,740,724)**	**6,379,981**
Units issued for cash at $0.05	85,014,975	4,250,749	(1,063,654)	-	-	-	3,187,095
Share issue costs	-	(30,655)	-	-	-	-	(30,655)
Options exercised at $0.06	530,000	31,800	-	-	-	-	31,800
Fair value adjustment	-	7,701	-	(7,701)	-	-	-
Treasury shares returned and cancelled	(100,000)	(18,000)	-	-	18,000	-	-
Net loss and comprehensive loss for the year	-	-	-	-	-	(2,228,071)	(2,228,071)
Balance, June 30, 2016	**381,989,243**	**$ 31,979,586**	**$ (1,063,654)**	**$ 3,393,013**	**$ -**	**$ (26,968,795)**	**$ 7,340,150**

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

SIMBA ENERGY INC.
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015
Expressed in Canadian dollars

	2016	2015
Cash Flows used in Operating Activities		
Net loss for the year	$ (2,228,071)	$ (2,205,718)
Items not affecting cash		
Amortization	14,460	20,312
Share subcriptions - project investigation costs	35,703	-
Loss on impairment of equipment	-	106,783
Gain on write off of accounts payable and accrued liabilties	-	(100,000)
Share-based compensation	-	171,456
Impairment of exploration and evaluation assets	1,107,576	696,056
Impairment of advances receivable	-	104,551
Reversal of provision for flow-through shareholder tax liability	-	(125,127)
Net change in non-cash working capital items		
Recoverable sales tax	1,553	(4,042)
Accounts receivable	(13,650)	-
Prepaid expenses	80,217	(13,599)
Accounts payable and accrued liabilities	(61,288)	45,214
Due to related parties	196,808	265,395
	(866,692)	(1,038,719)
Cash Flows from Financing Activities		
Due to related parties	(61,002)	120,036
Units issued for cash, net	2,468,793	1,778,160
Share issuance costs paid	(18,068)	(59,900)
	2,389,723	1,838,296
Cash Flows used in Investing Activites		
Advances receivable	-	18,071
Exploration expenditures	(1,083,122)	(1,106,099)
	(1,083,122)	(1,088,028)
Increase (decrease) in cash	439,909	(288,451)
Cash, beginning of year	4,883	293,334
Cash, end of year	$ 444,792	$ 4,883

Supplemental Disclosure of Cash Flow Information (Note 10)

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

Expressed in Canadian dollars

1. NATURE AND CONTINUANCE OF OPERATIONS

Simba Energy Inc. (the "Company") was incorporated under the laws of the Province of British Columbia. Its principal business activity includes the acquisition and exploration of resource properties. The Company's head office, principal address and records office is at Suite 210, 905 West Pender Street, Vancouver, British Columbia, V6C 3L6.

The Company is in the process of exploring its resource properties and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for resource properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of those reserves and upon profitable production.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. This assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

As disclosed in Note 4, the Company entered into an agreement whereby an entity has agreed to fund all exploration and evaluation expenditures on current and future Production Sharing Contracts ("PSC") or similar rights to explore. Athough this effectively eliminates funding for exploration and evaluation expenditures, the Company has administrative commitments not covered by the agreement. In order for the Company to meet these liabilities as they come due and to continue its operations, the Company will need to raise funds through private placements or the exercise of stock options and/or warrants.

Although the Company has been successful in raising capital by those means in the past, there can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statements of financial position. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. The Company has incurred losses since inception and has a working capital deficiency as at June 30, 2016. These material uncertainties may cast significant doubt upon the ability of the Company to continue as a going concern.

As at June 30	2016	2015
Deficit	$ (26,968,795)	$ (24,740,724)
Working capital (deficiency)	(2,095,406)	(2,381,712)

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements were authorized for issue on November 4, 2016 by the Directors of the Company. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

(b) Basis of Preparation

The consolidated financial statements are presented in Canadian dollars unless otherwise noted. The consolidated financial statements include the accounts of the Company and the following subsidiaries. All significant intercompany balances and transactions were eliminated on consolidation.

	Country of Incorporation	Percentage of ownership as of June 30 2016	Percentage of ownership as of June 30 2015
Simba Energy Liberia Inc.	Liberia	90%	90%
Simba Energy Fze.	United Arab Emirates	100%	100%
Simba Africa Rift Energy Ltd.	Kenya	100%	100%
Simba Energy (UK) Ltd.	U.K.	100%	100%
Simba Energy - SUCC	Guinea	100%	100%
Simba Energy Ghana Limited	Ghana	100%	-

(c) Equipment

Equipment is initially recorded at cost. When the assets are put in use, they will be amortized over their estimated useful lives, using the methods and rates noted below.

Office equipment	20% declining balance
Vehicle	50% declining balance
Computer hardware	45% declining balance
Computer software	100% declining balance
Leasehold improvements	4.5 years straight line

(d) Decommissioning obligations

A decommissioning obligation is a legal or constructive obligation associated with the retirement of long-lived assets that the Company is required to settle. The Company recognizes the fair value of a provision for a decommissioning obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

(e) Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. These and other estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in these estimates could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following are the critical estimates and judgments that management has made in applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Decommissioning obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of non-current assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future decommissioning cost estimates arising from the decommissioning of site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other exploration and evaluation assets. As of June 30, 2016, there are no restoration and reclamation provisions recognized (June 30, 2015 - nil).

Exploration and evaluation assets

Costs incurred after the legal right to explore has been obtained and before technical feasibility and commercial viability of the area have been established are capitalized as exploration and evaluation assets. The decision regarding technical feasibility and commercial viability of exploration and evaluation assets involve a number of assumptions, such as estimated reserves, commodity price forecasts, expected production volumes and discount rates, all of which are subject to material change in the future. The Company is required to make estimates and judgments about the future events and circumstances regarding whether the carrying amount of exploration and evaluation assets exceeds its recoverable amount.

Fair value of share-based payments

The fair value of share-based payments is calculated using a Black-Scholes option pricing model. There are a number of estimates used in the calculation such as the future forfeiture rate, expected option life and the future price volatility of the underlying security which can vary from actual future events. The factors applied in the calculation are management's best estimate based on historical information and future forecasts.

Taxation

The calculation of deferred taxes is based on a number of assumptions including estimating the future periods in which temporary differences, tax losses and other tax credits will reverse, the use of substantively enacted tax rates at the statement of financial position date and the likelihood of deferred tax assets being realized.

(f) Exploration and evaluation assets and impairment

Once the legal right to explore has been acquired, costs directly associated with an exploration project are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the asset acquired. Such exploration and evaluation asset costs may include undeveloped land acquisition, geological, geophysical and seismic modeling, exploratory drilling and completion, testing, decommissioning and directly attributable internal costs. Exploration and evaluation asset costs not depleted and are carried forward until technical feasibility and commercial viability of extracting a mineral resource is considered to be determined.

The technical feasibility and commercial viability of an oil and gas resources is considered to be established when all of the following conditions are met – proved and/or probable reserves are determined to exist, the decision to proceed with development has been approved by the Board of Directors, regulatory approval to develop the project has been received and the Company has sufficient funds to complete or participate in the project.

All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the exploratory activity. When this is no longer the case, the impairment costs are charged to exploration and evaluation expense.

Upon determination that the technical feasibility and commercial viability of and oil and gas resource is established, exploration and evaluation assets attributed to those reserves are first tested for impairment and then reclassified to oil and gas development and production assets within property, plant and equipment, net of any impairment. Expired land costs are also expensed to exploration and evaluation expense as they occur.

Exploration and evaluation assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount, and upon transfer to property plant and equipment where they are allocated to cash-generating units based on geographical proximity and other factors.

(g) Basic and diluted loss per share

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated similar to basic loss per share except that the weighted average number of common shares includes the dilutive effects of options, warrants and similar instruments. It assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. Existing stock options and share purchase warrants have not been included in the computation of diluted loss per share as to do so would be anti-dilutive. Accordingly, basic and diluted loss per share is the same for the periods presented.

(h) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position asset and liability method, 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 do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect both accounting or taxable loss; and 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.

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.

(i) Share purchase warrants

The Company bifurcates units consisting of common shares and share purchase warrants using the residual value approach whereby it measures the common share component of the unit at fair value using market prices.

The difference between this value and the unit value is then allocated to the warrant with the value of the warrant component being credited to reserves. When warrants are exercised, the corresponding residual value is transferred from reserves to share capital.

(j) Share-based compensation

The Company recognizes share-based compensation expense for the estimated fair value of equity-based instruments granted to both employees and non-employees. Compensation costs attributable to stock options or similar equity instruments granted to employees are measured at the fair value at the grant date using the Black-Scholes option pricing model and expensed over the expected vesting period. Transactions in which goods or services are received from non-employees in exchange for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

(k) Financial instruments

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified as fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

Held-to-maturity ("HTM")

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Loans and receivables

Loans and receivables are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale ("AFS")

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

Other financial liabilities

An obligation is initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, other financial liabilities are measured at amortized cost, using the effective interest method.

The Company has classified its financial instruments as follows:

(a) Cash is classified as FVTPL.

(b) Accounts receivable are classified as loans and receivables.

(c) Accounts payable and accrued liabilities, and due to related parties are classified as other financial liabilities.

Financial instruments measured at fair value are classified into one of the 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 - quoted prices in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3 - inputs for the asset or liability that are not based upon observable market data.

Cash is measured at fair value using level 1 inputs.

Comprehensive income (loss)

Comprehensive income (loss) is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources, such as any unrealized gains and losses in financial assets classified as AFS. The Company had no other comprehensive income (loss) transactions during the years ended June 30, 2016 and 2015.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as accounts receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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, 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.

(l) Financial instruments – disclosure and presentation

(i) Fair value of financial instruments

The Company's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities and due to related parties. The carrying value of accounts receivable, accounts payable and accrued liabilities, and due to related parties approximate their fair values due to the relatively short periods to maturity of these financial instruments.

Cash is measured at fair value using level 1 inputs.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's cash is exposed to credit risk. The Company has assessed the credit risk on its cash as low as its funds are held in highly rated Canadian financial institutions.

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity by maintaining adequate cash balances and by raising funds through equity financings. The Company has no assurance that such financings will be available on favourable terms. The Company believes it is subject to liquidity risk through its working capital (deficiency). In general, the Company attempts to avoid exposure to liquidity risk by obtaining corporate financing through the issuance of common shares and/or units. As at June 30, 2016, the Company had cash of $444,792 to settle current liabilities of $2,617,581 which fall due for payment within twelve months of the statement of financial position. All of the Company's contractual obligations are current and due within one year.

(iv) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has transactions denominated in the U.S. dollar, the UK pound sterling and Kenyan Shilling. During fiscal 2016, when compared to the Canadian dollar, the U.S. dollar strengthened by approximately 3% while the UK pound sterling waned by approximately 12% in value. While significant, management considers the foreign exchange risk to be minimal as they feel the Canadian dollar would not likely depreciate significantly further in the future.

At June 30, 2016, approximately $293,000 of the Company's cash was denominated in a foreign currency and $2,064,000 of accounts payable and accrued liabilities were denominated in those currencies. A 10% variation in the U.S. dollar or UK pound sterling would result in an impact of approximately $177,000 on net loss.

(v) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. Management considers the interest rate risk to be minimal.

(n) Capital management

The Company's objective in managing its capital, which is comprised of equity, is to safeguard all cash resources by investing in government or bank instruments which can be liquidated promptly and which yield acceptable rates of return, and also to issue from its treasury, shares, warrants and options which can be converted to cash. Treasury issuances of shares, options and warrants are part of the Company's capital raising process and are issued when cash is required, ideally under favorable market conditions, and with regard to dilution of the Company's capital structure. The exercise of warrants and options are not under the control of the Company's management. All capital transactions are subject to approval of the Company's directors. The Company is not subject to externally imposed capital transactions. There has been no change in the Company's approach to managing capital during the year ended June 30, 2016.

(o) Foreign currency translation

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 subsidiaries 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 that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date 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 the statement of loss and comprehensive loss.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The following new standards, interpretations and amendments were issued by IASB or IFRIC and are effective for annual periods beginning on or after January 1, 2015. The following standard was adopted by the Company during the year ended June 30, 2016 had no material impact on the Company's consolidated financial statements:

IFRS 7 – Financial Statement Disclosure
Applies to additional disclosures required on transition from IAS 39 to IFRS 9. The effective date of IFRS 7 was January 1, 2015.

Future accounting policy changes issued but not yet in effect

The following amendments to existing standards were issued by the IASB and are effective for annual periods beginning on or after January 1, 2016. Pronouncements that are not applicable or are not expected to have a significant impact to the Company have been excluded from below:

IFRS 9 – Financial Instruments: Classification and Measurement
Applies to classification and measurement of financial assets and liabilities as well as derecognition of financial instruments. IFRS 9 will replace IAS 39. The effective date of IFRS 9 is January 1, 2018. The Company is assessing the impact of this new standard, if any, on the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers
Supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is assessing the impact of this new standard, if any, on the consolidated financial statements.

IFRS 16 - Leases
Will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, but earlier application is permitted for

Expressed in Canadian dollars

entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. The Company is assessing the impact of this new standard, if any, on the consolidated financial statements.

4. EXPLORATION AND EVALUATION ASSETS

	Kenya	Guinea	Liberia	Total
2016				
Balance, June 30, 2015	$ 5,773,680	$ 987,258	$ 1,968,351	$ 8,729,289
Consulting	1,094,575	15,890	-	1,110,465
Field office, travel and other	581,006	104,428	-	685,434
Impairment	-	(1,107,576)	-	(1,107,576)
Balance, June 30, 2016	$ 7,449,261	$ -	$ 1,968,351	$ 9,417,612

	Kenya	Guinea	Chad	Liberia	Total
2015					
Balance, June 30, 2014	$ 4,005,335	$ 741,593	$ 619,856	$ 1,968,351	$ 7,335,135
Consulting	1,519,326	181,241	76,200	-	1,776,767
Field office, tavel and other	249,019	64,424	-	-	313,443
Impairment	-	-	(696,056)	-	(696,056)
Balance, June 30, 2015	$ 5,773,680	$ 987,258	$ -	$ 1,968,351	$ 8,729,289

(a) Kenya

In August 2011, the Company, through its subsidiary, Simba Africa Rift Energy Ltd., was awarded a Production Sharing Contract ("PSC") by the Government of Kenya covering Block 2A, which overlies the southern tip of the Mandera Basin in the northern part of the country. There are work commitments (Note 9) required to keep the PSC in good standing.

On June 5, 2015, the Company entered into an agreement with Essel Group Middle East DMCC, ("Essel") wherein Essel agreed to provide 100% of funding required to carry out an exploration program on all of the Company PSCs including the Kenyan PSC. This 100% funding commitment covers all exploration expenditures including Full Tensor Gradiometry ("FTG") and seismic surveys and the drilling of two wells. Essel will earn 60% of the Company's Kenyan subsidiary, Simba Africa Rift Energy Ltd. while the Company with retain 40%.

A definitive agreement was executed on November 27, 2015 and is subject to approval of the TSX Venture Exchange ("TSX-V") and the Company's shareholders. The government of Kenya has already approved the participation of Essel. Subsequently, in January and May 2016, Essel subscribed to a total of 67,914,975 units and two of its officers became directors and officers of the Company.

(b) Guinea

In July 2011, the Company signed an agreement to acquire a 60% interest in an issued PSC for Blocks 1 & 2 onshore in the Republic of Guinea's Bove Basin. The Company undertook 100% of the program costs in year one and 60% of the program costs in each year thereafter. On May 24, 2012, the Company received final approval for its 60% owned PSC for Blocks 1 & 2.

The Company has fulfilled its work obligations to date and is in advanced negotiations with the government of Guinea regarding 100% ownership of the PSC and revising the work program going forward. As at June 30, 2016, the negotiations have not been completed and, without a firm agreement, management has impaired the property and written down the costs incurred to date.

The Company's work program was suspended in the previous year as a result of the outbreak of a contagious disease.

The 100% funding commitment from Essel covers all exploration expenditures including FTG and seismic surveys and the drilling of two wells. Should the negotiations with the government of Guinea be successfully completed and 100% of the PSC be awarded to the Company's Guinean subsidiary, Simba Energy – SUCC, Essel will earn 60% of the revenues attributable under the PSC, while the Company will retain 40%.

(c) Chad

The Company received formal ratification of its PSCs in Chad on June 25, 2013. The issuance of the PSCs included a signing bonus which the Company felt is not acceptable. Accordingly the PSC was suspended but negotiations are currently underway in Chad to resolve this issue so that the PSCs can be restored and a work program can be instituted. As a result of the suspension of the PSC, the Company previously wrote down all costs incurred as at June 30, 2015.

Should the Company successfully complete negotiations to reinstate its PSCs in Chad, the 100% funding commitment from Essel will cover all exploration expenditures including FTG and seismic surveys and the drilling of two wells. Through an earn-in in the Company's yet to be incorporated Chad subsidiary, Essel will earn 60% of the revenues attributable under the PSC, while the Company will retain 40%.

(d) Liberia

The Company, through its subsidiary, Simba Energy Liberia Inc., acquired a Hydrocarbon Reconnaissance License ("HRL") covering an onshore area in Liberia. The HRL has since expired but a formal application for a PSC has been instigated. The negotiations were put on hold during the previous year as the country dealt with an outbreak of a serious contagious disease. The Company executed a new HRL, NR 002, and is awaiting final approval from NOCAL, the governing body. This new HRL covers its existing concession area as well as an additional 1,566 square kilometers off shore in shallow water.

The 100% funding commitment from Essel covers all exploration expenditures including FTG and seismic surveys and the drilling of two wells. Through an earn-in in the Company's Liberian subsidiary, Simba Energy Liberia Inc., Essel will earn 60% of the revenues attributable under the HRL, while the Company will retain 40%.

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5. EQUIPMENT

	June 30, 2016			
	Cost	Accumulated Amortization	Impairment	Net Book Value
Field equipment	$ 106,783	$ -	$ 106,783	$ -
Office equipment	15,562	11,948	-	3,614
Vehicle	45,000	42,308	-	2,692
Computer hardware	32,077	27,706	-	4,371
Computer software	3,875	3,875	-	-
Leasehold improvements	34,553	27,286	-	7,267
	$ 237,850	$ 113,123	$ 106,783	$ 17,944

	June 30, 2015			
	Cost	Accumulated Amortization	Impairment	Net Book Value
Field equipment	$ 106,783	$ -	$ 106,783	$ -
Office equipment	15,562	11,044	-	4,518
Vehicle	45,000	39,612	-	5,388
Computer hardware	32,077	24,122	-	7,955
Computer software	3,875	3,875	-	-
Leasehold improvements	34,553	20,010	-	14,543
	$ 237,850	$ 98,663	$ 106,783	$ 32,404

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at June 30	2016	2015
Accounts payable	$ 2,184,148	$ 1,892,439
Accrued liabilties	40,000	35,000
	$ 2,224,148	$ 1,927,439

Expressed in Canadian dollars

7. RELATED PARTY TRANSACTIONS

The remuneration of the Company's key management personnel for the years ended June 30, 2016 and 2015 is as follows:

	Note		June 30, 2016		June 30, 2015
Management fees (to an officer and director)	(i)	$	22,000	$	-
Management fees (to an officer and director)	(ii)		120,000		120,000
Management fees (to a director)	(iii)		120,000		120,000
Management fees (to an officer)	(iv)		48,000		48,000
Geological consulting (to a former director)	(v)		79,000		91,245
Share-based compensation	(vi)		-		104,616
		$	389,000	$	483,861

(i) Management fees accrued to the current Chief Executive Officer.

(ii) Management fees accrued to the President and former Chief Executive Officer.

(iii) Management fees accrued to the Managing Director - Operations.

(iv) Management fees accrued to the Chief Financial Officer.

(v) Consulting fees accrued to a former director for geological consulting services performed on the Company's exploration and evaluation assets.

(vi) Share-based compensation is the fair value of options granted and vested to key management.

As at June 30, 2016, the amount due to officers and directors of the Company was $393,433 (2015- $604,659). Of this amount, $138,783 (2015 - $188,246) was advanced by officers of the Company to finance the working capital requirements of the Company. The amounts due were unsecured, non-interest bearing and have no fixed terms of repayment.

Included in the May 31, 2016 private placement, are 34,000,000 units issued to Essel and 4,000,000 issued to a director representing $1,900,000 in subscriptions. Of that amount, $200,000 was received in cash, $636,346 was offset with cash payments or payments made by Essel on behalf of the Company, and the balance of $1,063,654 is disclosed as share subscriptions receivable.

Included in the January 21, 2016 private placement are 39,814,975 units for $1,990,749 issued to officers and directors. Of that amount, 5,900,000 units representing $295,000 was settled by offsetting amounts due to related parties.

Accounts receivable of $13,650 represents receivable for the rent of premises from a company with some common management as the Company.

Included in the July 30, 2014 private placement were 3,100,000 units issued to an officer and director in order to settle debt of $186,000.

As at June 30, 2014, there were advances due from a related company of $122,622. During the 2015 fiscal year this receivable was reduced through the payment of Company expenses by the related company. As at June 30, 2015, management impaired the balance of $104,551 due to the uncertainty surrounding the amount and timing of future repayments.

8. SHARE CAPITAL

(a) The authorized capital of the Company consists of:

Unlimited number of common shares without par value.

During the year ended June 30, 2016, the Company completed the following share transactions:

On May 31, 2016, the Company completed a non-brokered private placement by issuing 43,000,000 units at $0.05 each for gross proceeds of $2,150,000. Each unit consists of one common share and one-half of one warrant, with each whole warrant entitling the holder to purchase one common share exercisable for a period of two years at a price of $0.075 per share. No finders' fees were incurred regarding this issuance and no value was attributed to the warrants as a component of the units. Directors and officers subscribed for 4,000,000 units, representing $200,000. Essel subscribed for 34,000,000 units, representing $1,700,000. Of that amount, $1,063,654 was outstanding and receivable as at June 30, 2016.

On January 21, 2016, the Company completed a non-brokered private placement by issuing 42,014,975 units at $0.05 each for gross proceeds of $2,100,749. Each unit consists of one common share and one-half of one warrant, with each whole warrant entitling the holder to purchase one common share exercisable for a period of two years at a price of $0.075 per share. No finders' fees were incurred regarding this issuance and no value was attributed to the warrants as a component of the units. Directors and officers subscribed for 39,814,975 units, representing $1,990,749. Of that amount, $295,000 was applied against debt to directors and officers and $110,000 was applied against debt from unrelated parties.

Share issue costs of $30,655 were incurred with respect to the two private placements.

On October 29, 2015, the 300,000 shares held in treasury as well as an additional 100,000 were cancelled.

On September 15, 2015, 530,000 stock options were exercised at $0.06 per share. The fair value of those options was originally determined to be $7,701 and was credited to reserves at the time of issuance. Upon exercise, this amount was taken out of reserves and added to the value received for shares issued.

During the year ended June 30, 2015, the Company completed the following share transactions:

On February 11, 2015, the Company completed a non-brokered private placement by issuing 15,000,000 units at $0.03 each for gross proceeds of $450,000. Each unit consists of one common share and one-half of a non-transferable common share purchase warrant, with each full warrant exercisable for a period of two years at a price of $0.05 per share. No share issue costs were incurred in connection with this issuance and no value was attributed to the warrants as a component of the units.

On July 30, 2014, the Company completed its second tranche of a non-brokered private placement by issuing 32,129,809 units with each unit consisting of one common share and one share purchase warrant. Each warrant is exercisable for a period of four years and can be exercised into one additional common share at a price of $0.10 during the first two year period and at a price of $0.15 for the next two year period. The Company paid finders' fees of $49,900. Of the total gross proceeds of $1,927,789, the Company settled debt of $507,075 by issuing 8,451,248 units to various creditors. No value was attributed to the warrants issued as a component of the units.

300,000 shares were returned to the Company's treasury for cancellation.

Expressed in Canadian dollars

(b) Stock options

The Company has adopted an incentive stock option plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 10% of the Company's issued and outstanding shares at the date of grant of the options. Options granted under the Plan may have a maximum term of five years. The exercise price of options granted under the Plan will not be less than the market price of the shares (defined as the last closing market price of the Company's shares immediately preceding the issuance of a news release announcing the granting of the options) or such other price as may be agreed to by the Company and accepted by the TSX Venture Exchange. Options granted to persons acting in investor relations vest at the rate of 25% on date of grant and 25% every three months thereafter. All other options vest on grant.

The following is a summary of stock option transactions during the years ended June 30, 2016 and 2015:

	For the year ended June 30, 2016	Weighted average exercise price	For the year ended June 30, 2015	Weighted average exercise price
Balance, beginning of year	16,500,000	$ 0.08	4,900,000	$ 0.13
Granted	-	-	11,800,000	0.06
Exercised	(530,000)	0.06	-	-
Expired	-	-	(200,000)	0.15
Balance, end of year	15,970,000	$ 0.08	16,500,000	$ 0.08

A summary of the Company's outstanding stock options as at June 30, 2016 is as follows:

Options	Number exercisable	Number outstanding	Weighted average remaining contractual life (in yrs)
As At June 30, 2016			
$0.06	11,270,000	11,270,000	3.60
$0.10	350,000	350,000	0.42
$0.12	500,000	500,000	0.87
$0.13	3,850,000	3,850,000	1.03
	15,970,000	15,970,000	2.83

(c) Share-based compensation

For stock options granted to employees, officers, directors and consultants, the Company recognizes as an expense the estimated fair value of the stock options granted. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model.

During the year ended June 30, 2015, share-based compensation of $171,456 was recognized and included in reserves. There was no share-based compensation during the year ended June 30, 2016.

The fair values for the share-based compensation noted above were determined by the Black-Scholes option pricing model using the following inputs as determined at the time of the option grant. The following weighted average assumptions were used for options granted:

Expressed in Canadian dollars

	2015
Risk-free interest rate	0.62%
Expected life of options	5.0 years
Annualized volatility	123%
Dividend rate	0%
Weighted average fair value per option	$0.015

(d) Warrants

The changes in warrants during the years ended June 30, 2016 and 2015 were as follows:

	For the year ended June 30, 2016	Weighted average exercise price	For the year ended June 30, 2015	Weighted average exercise price
Balance, beginning of year	61,318,009	$ 0.09	21,988,200	$ 0.09
Issued	42,507,488	0.075	39,629,809	0.10
Cancelled	-	-	(300,000)	0.10
Expired	-	-	-	-
Balance, end of year	103,825,497	$ 0.09	61,318,009	$ 0.09

A summary of the Company's outstanding warrants as at June 30, 2016 is as follows:

Outstanding Warrants	Exercise Price		Expiry Date
21,988,200	$ 0.10	*	June 28, 2018
31,829,809	$ 0.10	*	July 30, 2018
21,007,488	$ 0.075		January 21, 2018
21,500,000	$ 0.075		May 31, 2018
7,500,000	$ 0.05		February 11, 2017
103,825,497	$ 0.09		

* The exercise price of warrants was originally $0.10 for the first two years and $0.15 for the last two years. On May 6, 2016, the Company amended the terms of these warrants by decreasing the exercise price during the third year from $0.15 to $0.10. Accordingly, the exercise price is now $0.10 for the first three years and $0.15 for th fourth year.

9. COMMITMENTS

The Company has the following future commitments:

(a) Office lease

The Company has entered into an agreement to lease office space effective July 1, 2012 until June 30, 2017. The monthly net requirements under the lease are as follows:

Expressed in Canadian dollars

	Minimum lease payment required	Sub lease	Net monthly obligation
For the year ended June 30, 2017	$14,060	$3,300	$10,760

(b) Work commitments

The terms of certain of the Company's PSCs require the Company to make payments and undertake exploration expenditures in order for the contracts to remain in good standing. In Kenya (Note 4), the original contract has been amended eliminating previously specific yearly expenditures and replacing them with required approved exploration surveys and programs. The Company is meeting these commitments through the expenditures made by Essel as required under the farm-in agreement.

In Chad (Note 4), there is a signature bonus payment required under the terms of the contract. The amount has not been paid as at June 30, 2016, and the Company is currently in default of the contract and the PSC has been suspended. The reinstatement of the PSC and the signature bonus are currently being negotiated with the Government of Chad.

10. SUPPLEMENTAL DISCLOSURE OF CASH FLOWS

The significant non-cash investing or financing transactions for the year ended June 30, 2016 were as follows:

(a) Settled amounts owing to creditors of $405,000 by offsetting with the proceeds on private placement issuance. Of that amount, $295,000 was debt owing to related parties, $110,000 was with other trade payables and $50,000 was with payables related to exploration expenditures.

(b) A total of $1,943,203 in exploration and evaluation costs were included in accounts payable and accrued liabilities as at June 30, 2016 and $60,000 was included in amounts due to related parties.

(c) A total of $12,587 in share costs were included in accounts payable and accrued liabilities as at June 30, 2016.

(d) A total of $7,701 was reclassified between reserves and share capital based on stock options exercised during the year ended June 30, 2016.

(e) Included in the May 31, 2016 private placement were subscriptions from Essel for $1,700,000 of which $291,243 was physically received by the Company. During the year ended June 30, 2016, Essel paid a total of $222,920 towards the costs of exploration and evaluation assets, $49,109 to reduce debt to related parties, $37,370 to reduce accounts payable and $35,703 for site investigation costs.

The significant non-cash investing or financing transactions for the year ended June 30, 2015 were as follows:

(a) Settled amounts owing to creditors of $507,075 by offsetting with the proceeds on private placement issuance. Of that amount, $186,000 was debt owing to related parties, $121,075 was with other trade payables, and $200,000 was with payables related to exploration expenditures.

(b) A total of $1,500,423 in exploration and evaluation costs were included in accounts payable and accrued liabilities as at June 30, 2015 and $62,923 was included in amounts due to related parties.

Expressed in Canadian dollars

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2016	2015
Net loss for the year	$ (2,228,071)	$ (2,205,718)
Expected income tax (recovery)	$ (579,000)	$ (573,000)
Change in statutory, foreign tax, foreign exchange rates and other	4,000	-
Permanent Difference	-	59,000
Change in unrecognized deductible temporary differences	575,000	514,000
Total income tax expense (recovery)	**$ -**	**$ -**

The significant components of the Company's unrecognized deferred tax asset are as follows:

	2016	2015
Exploration and evaluation assets	$ 1,029,000	$ 717,000
Share issue costs	16,000	20,000
Property and equipment	54,000	41,000
Allowable capital losses	39,000	39,000
Non-capital losses	4,502,000	4,290,000
Unrecognized deferred tax asset	**$ 5,640,000**	**$ 5,107,000**

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:

	2016	Expiry Range	2015	Expiry Range
Temporary Differences				
Exploration and evaluation assets	$ 3,958,000	No expiry date	$2,758,000	No expiry date
Property and equipment	207,000	No expiry date	158,000	No expiry date
Share issue costs	60,000	2037 to 2040	78,000	2036 to 2039
Allowable capital losses	149,000	No expiry date	149,000	No expiry date
Non-capital losses available for future periods	17,317,000	2026 to 2036	16,499,000	2026 to 2035

Tax attributes are subject to review and potential adjustments from tax authorities.

Expressed in Canadian dollars

12. SEGMENTED INFORMATION

The Company has one reportable operating segment, being oil and gas exploration in Africa. The Company's non-current assets by geographic location are as follows:

	Equipment	Exploration & evaluation assets
June 30, 2016		
Canada	$ 10,881	$ -
United Kingdom	4,371	-
Liberia	-	1,968,351
Kenya	2,692	7,449,261
Guinea	-	-
	$ 17,944	$ 9,417,612

	Equipment	Exploration & evaluation assets
June 30, 2015		
Canada	$ 19,061	$ -
United Kingdom	7,955	-
Liberia	353	1,968,351
Kenya	5,035	5,773,680
Guinea	-	987,258
	$ 32,404	$ 8,729,289

13. EVENT SUBSEQUENT TO YEAR END

Subsequent to year end, the Company issued 17,000,000 common shares pursuant to the exercise of warrants.