

# **ACL INTERNATIONAL LTD.**

**Condensed Interim Consolidated Financial Statements (unaudited)**

**For the periods ended June 30, 2016 and 2015**

# ACL International Ltd.

## Condensed Interim Consolidated Statements of Financial Position

Unaudited (Expressed in Canadian dollars)

	Notes	As at June 30, 2016	As at March 31, 2016
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 22,697	\$ 55,538
Trade and other receivables		1,922,874	1,737,055
Advances to joint venture	6	1,222,796	1,058,479
Prepaid expenses and deposits		235,027	66,589
		<b>3,403,394</b>	<b>2,917,661</b>
<b>Property and equipment</b>	8	<b>2,205,499</b>	<b>2,883,772</b>
<b>Investment in joint venture</b>		<b>164,778</b>	<b>164,298</b>
<b>Total assets</b>		<b>\$ 5,773,671</b>	<b>\$ 5,965,731</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		\$ 379,852	\$ 483,994
Due to related party	11	58,572	-
Notes payable	9	954,685	944,524
<b>Total liabilities</b>		<b>1,393,109</b>	<b>1,428,518</b>
<b>Equity</b>			
Share capital	10	17,649,200	17,649,200
Contributed surplus		2,932,091	2,906,663
Accumulated other comprehensive loss		594,279	571,714
Deficit		(16,795,008)	(16,590,364)
<b>Total equity</b>		<b>4,380,562</b>	<b>4,537,213</b>
<b>Total liabilities and equity</b>		<b>\$ 5,773,671</b>	<b>\$ 5,965,731</b>

Subsequent event (Note 14)

Approved by the Board of Directors:

Signed "Aqeel Virk"

Aqeel Virk, Director

Signed "Mohammad Fazil"

Mohammad Fazil, President and CEO

**ACL International Ltd.**  
**Condensed Interim Consolidated Statement of Income (Loss) and Comprehensive Loss**  
For the three months ended June 30,  
Unaudited (Expressed in Canadian dollars)

	Notes	2016	2015
<b>Revenue</b>		<b>\$ 1,811,097</b>	<b>\$ 35,810</b>
<b>Expenses</b>			
Oil and gas operating		<b>1,230,997</b>	248,475
Salaries and wages		<b>54,614</b>	42,298
General and administrative		<b>20,495</b>	225,121
Finder's fees	10	-	528,730
Listing expense	7	-	957,272
		<b>1,306,086</b>	2,001,896
<b>Income (loss) before interest, income taxes, depletion and depreciation</b>		<b>505,011</b>	(1,966,086)
Interest and financing costs		<b>(17,588)</b>	(13,470)
Depletion and depreciation	8	<b>(686,712)</b>	(454,591)
<b>Net loss from continuing operations</b>		<b>(199,289)</b>	(2,434,147)
Gain (loss) from discontinued operations	13	<b>(5,356)</b>	4,756
<b>Net loss for the period</b>		<b>(204,645)</b>	(2,429,391)
<b>Other comprehensive income (loss)</b>			
Reclassification adjustment relating to discontinued operations		-	(6,004)
Exchange differences on translating foreign operations		<b>22,565</b>	144,120
<b>Other comprehensive loss for the period</b>		<b>\$ (182,080)</b>	<b>\$ (2,291,275)</b>
Loss per share from continuing operations	10	<b>\$ (0.00)</b>	<b>\$ (0.17)</b>
Loss per share from discontinued operations	10	<b>\$ (0.00)</b>	<b>\$ 0.00</b>

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

**ACL International Ltd.**  
**Condensed Interim Consolidated Statement of Changes in Equity**  
For the three months ended June 30,  
Unaudited (Expressed in Canadian dollars)

	Share Capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total Equity
<b>Balance, April 1, 2015</b>	<b>\$ 6,783,995</b>	<b>\$ 2,780,994</b>	<b>\$ -</b>	<b>\$ (8,652,398)</b>	<b>\$ 912,591</b>
Common shares issued for property and equipment (Note 7)	10,781,872	-	-	-	10,781,872
Common shares issued in payment of finder's fee (Note 10)	528,730	-	-	-	528,730
Share based payments (Note 10)	-	9,320	-	-	9,320
Reclassification adjustment relating to discontinued operations			(6,004)	6,004	-
Exchange difference on translating foreign operations	-	-	144,120	-	144,120
Net loss for the period	-	-	-	(2,429,391)	(2,429,391)
<b>Balance, June 30, 2015</b>	<b>\$ 18,094,597</b>	<b>\$ 2,790,314</b>	<b>\$ 138,116</b>	<b>\$ (11,075,785)</b>	<b>\$ 9,947,242</b>
<b>Balance, April 1, 2016</b>	<b>\$ 17,649,200</b>	<b>\$ 2,906,663</b>	<b>\$ 571,714</b>	<b>\$ (16,590,364)</b>	<b>\$ 4,537,214</b>
Share based payments (Note 10)	-	25,428	-	-	25,428
Exchange difference on translating foreign operations	-	-	22,565	-	22,565
Net loss for period	-	-	-	(204,645)	(204,645)
<b>Balance, June 30, 2016</b>	<b>\$ 17,649,200</b>	<b>\$ 2,932,091</b>	<b>\$ 594,279</b>	<b>\$ (16,795,009)</b>	<b>\$ 4,380,562</b>

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

**ACL International Ltd.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
For the three months ended June 30,  
Unaudited (Expressed in Canadian dollars)

	Notes	2016	2015
<b>Operating</b>			
Net loss for the period		\$ (204,645)	\$ (2,429,391)
Adjustments for:			
(Gain) loss from discontinued operations	13	5,356	(4,756)
Depletion and depreciation	8	686,711	454,591
Listing expense	7	-	957,272
Share-based payments	10	25,428	9,320
Finder's fees	10	-	528,730
Changes in			
Trade and other receivables		(180,788)	-
Prepaid expenses and deposits		-	(78,763)
Trade and other payables		(112,778)	727,317
Operating cash flows from (used for) continuing operations		219,284	164,320
Operating cash flows from (used for) in discontinued operations		-	(8,744)
Cash flows from (used for) operating activities		219,284	155,576
<b>Financing</b>			
Proceeds from related party note payable	11	58,000	-
Interest on notes payable		16,177	89
Proceeds from notes payable		-	190,086
Cash flows from (used for) financing activities		74,177	190,175
<b>Investing</b>			
Expenditures on oil and gas assets	7	-	(1,001,789)
Deposit on targeted acquisition	14	(169,117)	
Advances to joint venture		(161,216)	-
Acquisition of subsidiary	5	-	(762,786)
Cash flows from (used for) investing activities		(330,333)	(1,764,575)
Net decrease in cash		(36,872)	(1,418,824)
Foreign exchange effect on cash held in foreign currencies		4,031	6,004
Cash, beginning of the period		55,538	1,438,962
Cash, end of the period		\$ 22,697	\$ 26,142

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

**ACL INTERNATIONAL LTD.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three months ended June 30, 2016 and 2015**  
Unaudited (Expressed in Canadian dollars)

---

**1. NATURE OF OPERATIONS**

ACL International Ltd. (the "Company") is an Alberta, Canada corporation with common shares listed on the TSX Venture Exchange under the trading symbol "ACL". The Company's principal office is located at Suite 1600, 144 - 4 Avenue SW, Calgary, Alberta T2P 3N4.

On June 30, 2015 TSX Venture Exchange accepted the Company's application for a change of business from a general insurance brokerage issuer to an oil and gas issuer (Note 7). In addition, the Company met the requirements to be listed as a TSX Venture Tier 1 issuer. Effective July 2, 2015, the listing of the Company's shares was transferred from the NEX to the TSX Venture exchange. The Company is now engaged in the exploration and development of and production of oil and natural gas in Indonesia.

**2. BASIS OF PRESENTATION**

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2016 annual report.

These consolidated financial statements and the accompanying notes were approved and authorized for issuance at a meeting of the Board of Directors on August 28, 2016.

These consolidated financial statements have been prepared on a going concern basis in accordance with IFRS which contemplates the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

**3. SIGNIFICANT ACCOUNTING POLICIES**

ACL International Ltd. applies the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2016 annual financial statements, unless otherwise stated below. None of the new standards, interpretations and amendments, effective for the first time from 1 January 2016, have had a material effect on the financial statements.

The preparation of the consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current period. Oil and gas properties and property and equipment have been combined onto one line item.

**4. USE OF ESTIMATES AND JUDGMENTS**

There have been no material revisions to the nature and amount of changes in estimates or judgements of amounts reported in the annual financial statements 2016.

**ACL INTERNATIONAL LTD.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three months ended June 30, 2016 and 2015**  
Unaudited (Expressed in Canadian dollars)

---

**5. ACQUISITION OF PEAK OIL & GAS SBA PTE LTD.**

On June 29, 2015, the Company paid \$762,786 (\$800,000 Australian) to acquire 100% of the issued and outstanding shares of Peak Oil & Gas SBA Pte Ltd. ("Peak"), which was subsequently renamed to Bow Energy Pte. Ltd. ("BEPL"). BEPL owns 75% of the issued and outstanding shares of Renco Elang Energy Pte. Ltd. ("REE") which owns a 51% working interest in a Production Sharing Contract referred to as "South Block A" (the "Assets" or "SBA") located onshore, North Sumatra, Indonesia. REE is the operator of the Assets. The acquisition had an effective date of May 1, 2015 and closed on July 2, 2015. Effectively, the Company has a 38.25% working interest in the Assets.

The purchase price allocation can be summarized as follows:

Prepaid expenses and deposits	\$	5,897
Investment in joint venture		156,837
Advances to joint venture		690,862
Trade and other payables		(90,810)
	\$	762,786

The fair values of identifiable assets acquired as reported in the table above were estimated based on information available at the time of preparation of these consolidated financial statements. Actual amounts recognized by the Company once the acquisition accounting is finalized may differ materially from these estimates.

**6. INVESTMENT IN JOINT VENTURE**

The Company's investment in REE has been accounted for as a joint venture. The Company has joint control over the strategic financial and operating decisions of REE, but no single venturer has the ability to control the relevant activities of REE unilaterally and the parties have rights to the net assets of the arrangement.

The following is summarized financial information for REE, based on its financial statements prepared in accordance with IFRS.

Three months ended	June 30, 2016
Revenue	\$ -
Profit from continuing operations	-
Other comprehensive income	-
Total comprehensive income	-
Current assets (i)	\$ 5,849
Non-current assets (ii)	8,510,514
Current liabilities	(112,379)
Non-current liabilities	-
Net assets	\$ 8,403,984

As part of the acquisition of REE, the Company acquired loans receivable of \$690,862 and subsequently advanced additional funds bringing total advances to \$1,222,796. These advances are non-interest bearing. As part of the REE shareholder's agreement, all after-tax proceeds from the operations of SBA are first used to repay the shareholder's loans, prior to any distributions relative to each parties share interests. As at June 30, 2016, SBA had not reached technical feasibility or commercial viability and as such the amounts remain outstanding.

**ACL INTERNATIONAL LTD.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three months ended June 30, 2016 and 2015**  
Unaudited (Expressed in Canadian dollars)

---

**7. ACQUISITION OF BLUE SKY LANGSA ASSETS**

On June 11, 2015, the Company closed its Amended and Restated Asset Purchase Agreement dated April 30, 2015 with Blue Sky Langsa Ltd. ("BSL") pursuant to which ACL acquired from BSL a 50% interest in a Technical Assistance Contract for a block referred to as "Langsa TAC" or the "BSL Assets" located offshore, North Sumatra, Indonesia. As consideration, ACL paid \$100,000 cash and issued 81,871,667 common shares to certain nominees of BSL (the "Transaction"). The Transaction results in a change of business and a reactivation of ACL pursuant to Policy 5.2 of the TSX Venture Exchange.

The purchase price allocation can be summarized as follows:

81,871,667 common shares	\$	10,781,872
Cash consideration after closing adjustments		1,101,100
<b>Total consideration</b>	<b>\$</b>	<b>11,882,972</b>
Purchase price allocation:		
Property and equipment	\$	10,925,700
Listing expense on acquisition		957,272
	<b>\$</b>	<b>11,882,972</b>

The acquisition had an effective date of January 1, 2015 and the purchase price was adjusted for the results of operations between the effective date and closing of the transaction. The fair values of identifiable assets acquired as reported in the table above were estimated based on information available at the time of preparation of these consolidated financial statements. Actual amounts recognized by the Company once the acquisition accounting is finalized may differ materially from these estimates.

For accounting purposes, Langsa TAC is deemed to be a business while ACL, at the date of the Transaction, is deemed not to be a business. As such, IFRS 2 was applied to account for the Transaction. As a result of the shares issued, the nominees of BSL will control 85.39% of the issued and outstanding common shares of ACL. The substance of the Transaction is a reverse take-over ("RTO") of ACL by the nominees of BSL with Langsa TAC deemed to be the accounting acquirer.

The Langsa TAC meets the definition of a business under IFRS but it is not a legal entity. IFRS does not provide specific accounting guidance for an RTO involving a non-legal-entity accounting acquirer. Therefore, the Transaction has been accounted for as a continuation of Langsa TAC from the date of the acquisition whereby the shares issued to effect the Transaction are issued for the net assets of ACL, resulting in a public company listing expense of \$957,272. The fair value of the consideration is determined based on the percentage of ownership of the merged entity that was transferred to the shareholders of ACL upon completion of the Transaction. This value represents the fair value of the number of shares that Langsa TAC would have had to issue for the ratio of ownership interest in the combined entity to be the same as if the Transaction had taken the legal form of Langsa TAC acquiring 100% of the shares of ACL. The percentage of ownership that ACL shareholders have in the combined entity is 14.61%. On the date of the Transaction, IFRS 1 was applied to the assets and liabilities of Langsa TAC resulting in a fair value determination of oil and gas properties and equity to be \$10,925,700 determined using internal estimates as well as independent reserve evaluation using proved and probable reserves discounted at 12%.

The Langsa TAC expires in May 2017. The company has commenced discussions to renew the TAC beyond May 2017. There are no assurances that the Government of Indonesia will renew the concession. Should the government decide not to renew the Langsa TAC, then the TAC will revert back to the government at expiry without further compensation to ACL and the operator Blue Sky Langsa Ltd.



**ACL INTERNATIONAL LTD.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three months ended June 30, 2016 and 2015**  
Unaudited (Expressed in Canadian dollars)

**8. PROPERTY AND EQUIPMENT**

<b>Cost</b>	<b>Development and production assets</b>	<b>Other Assets</b>	<b>Total</b>
As at April 1, 2016	\$ 10,925,700	\$ 4,591	\$ 10,930,291
Foreign currency translation change	616,645	-	616,645
<b>Cost as at June 30, 2016</b>	<b>\$ 11,542,345</b>	<b>\$ 4,591</b>	<b>\$ 11,546,936</b>
<b>Accumulated depletion</b>			
As at April 1, 2016	\$ 8,628,185	\$ 1,263	\$ 8,629,448
Charge for the period	686,540	172	686,712
Foreign currency translation change	25,277	-	25,277
<b>Accumulated depletion as at June 30, 2016</b>	<b>\$ 9,340,002</b>	<b>\$ 1,435</b>	<b>\$ 9,341,437</b>
<b>Net book value as at March 31, 2016</b>	<b>\$ 2,880,444</b>	<b>\$ 3,328</b>	<b>\$ 2,883,772</b>
<b>Net book value as at June 30, 2016</b>	<b>\$ 2,202,343</b>	<b>\$ 3,156</b>	<b>\$ 2,205,499</b>

The depletion calculation for the period ended June 30, 2016 included estimated future development costs of \$nil for proved and probable reserves.

**9. NOTES PAYABLE**

				<b>June 30, 2016</b>		<b>March 31, 2016</b>	
	<b>Currency</b>	<b>Nominal interest rate</b>	<b>Date of maturity</b>	<b>Face value</b>	<b>Carrying amount</b>	<b>Face value</b>	<b>Carrying amount</b>
Promissory note	CDN	12%	30/10/2016	\$ 50,000	\$ 55,655	\$ 50,000	\$ 54,159
Promissory note	CDN	12%	30/10/2016	30,000	33,185	30,000	32,288
Promissory note	CDN	12%	30/10/2016	20,000	22,045	20,000	21,447
Credit note (i)	USD	6.75%	21/02/2017	839,081	843,800	836,630	836,630
				<b>\$ 939,081</b>	<b>\$954,685</b>	<b>\$ 936,630</b>	<b>\$ 944,524</b>

The promissory notes are repayable in full on maturity. The difference between the face value and carrying amount is attributed to accrued interest.

(i) The face value of the note in USD as at June 30, 2016 was USD\$645,000 (March 31, 2016: USD\$645,000). The credit note is secured by a general security agreement over the assets of the Company. Interest is paid monthly.

**ACL INTERNATIONAL LTD.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three months ended June 30, 2016 and 2015**  
Unaudited (Expressed in Canadian dollars)

---

**10. SHARE CAPITAL**

On June 17, 2015, the Company paid a finder's fee in relation to the acquisition of the BSL Assets by issuing 4,406,084 common shares of the Company at \$0.12 per share. Subsequently this finder's fee was cancelled and the common shares issued were returned to treasury.

On July 3, 2015, the Company issued 833,333 common shares of the Company to settle an outstanding note payable in the amount of \$100,000. At the date of settlement, the share price of the Company was \$0.10, which resulted in a gain of \$16,667 on settlement.

**Share-based payments**

The Company recorded a share-based payment of \$25,428 for the period ended June 30, 2016 (June 30, 2015: 9,320).

**Per share amounts**

Three months ended	2016	2015
Weighted average number of shares – basic:		
Issued common shares as at April 1	92,310,184	9,605,184
Effect of common shares issued during the period	-	4,491,171
	92,310,184	14,096,355
Net loss per share – basic and diluted	\$ (0.00)	\$ (0.17)

**11. RELATED PARTY TRANSACTIONS**

The Company enters into transactions with related parties from time to time in the normal course of business, as well as key management personnel.

On May 30, 2016 an Officer of the Corporation granted an unsecured loan, which carries interest at 12% per annum in the amount of \$58,000 for general working capital. The note matures on July 29, 2016. The above transaction was in the normal course of business and was at terms agreed to by the related parties. The carrying value of the note as at June 30, 2016 is \$58,572; The difference between the face value and carrying amount is attributed to accrued interest. The officer extended the maturity date to September 15th, subsequent to the period end.

**Compensation of key management personnel**

Key management personnel are comprised of all members of the Board of Directors and the Named Officers (as defined in Form 51-102F6 Statement of Executive compensation and disclosed in the Company's Management Proxy Circular in connection with its annual meeting of shareholders). The summary of the compensation of key management personnel is as follows:

Three months ended	June 30, 2016	June 30, 2015
Salary and bonuses	\$ 29,186	\$ 32,978
Share based compensation	25,428	9,320
Total compensation of key management personnel	\$ 54,614	\$ 42,298

**ACL INTERNATIONAL LTD.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three months ended June 30, 2016 and 2015**  
Unaudited (Expressed in Canadian dollars)

---

**12. SUPPLEMENTAL CASH FLOW INFORMATION**

During the three months ended June 30, 2016 and 2015, the Company had non-cash transactions as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<b>Financing activities</b>		
Common shares issued for property and equipment	\$ -	\$ 9,824,600
	<u>\$ -</u>	<u>\$ 9,824,600</u>
<b>Investing activities</b>		
Property and equipment acquisition by issue of common shares	\$ -	\$ (9,824,600)
	<u>\$ -</u>	<u>\$ (9,824,600)</u>
<b>Additional information</b>		
Interest paid	\$ 9,350	\$ 13,381
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

**13. DISCONTINUED OPERATIONS**

During the period ended June 30, 2016, there were no activities in discontinued operations; however, a loss of \$5,356 (June 30, 2015: a gain of \$4,756) resulted due to ongoing wind up obligations.

**14. SUBSEQUENT EVENT**

Subsequent to the period ended June 30, 2016, the Company's wholly owned subsidiary, Bow Energy International Holdings Inc., and Lamara Energy Pte. Ltd., a Singapore based oil and gas company, have executed a Share Sale Agreement ("SSA") with Cooper Energy Limited (ASX:COE) to acquire its 55% interest in Tangai-Sukananti KSO ("KSO"). Cooper Energy is a non-arms length party to ACL. ACL and Lamara will acquire 100% of the shares of Cooper Energy Sukananti Limited ("CESL") which operates the KSO. Specifically, ACL will acquire 70% of the shares and Lamara will acquire the balance of 30% of the shares in CESL.

Under the terms of the SSA, ACL shall pay its proportionate share of approximately US\$3.0 million inclusive of working capital adjustments and outstanding receivables. ACL has paid a deposit of US\$130,000 which is refundable under certain terms and conditions. The SSA is subject to regulatory approval. As of the date of these consolidated financial statements, the transaction had not yet closed and the Company has issued a notice of termination of the SSA to COE.

The Company paid a refundable deposit of \$169,117 (USD \$130,000) included in deposits for the period ended June 30, 2016.

The SSA had a closing date set for July 29, 2016. ACL has elected to terminate the share sale agreement regarding the acquisition of 55% interest in TangaiSukananti KSO from Cooper Energy Limited (ASX:COE), as previously announced on June 14, 2016.

The election was made due to conditions precedent not being satisfied by Cooper Energy Limited under the agreement which include obtaining regulatory approval for the transaction prior to the sunset date. ACL declined the request for an extension of the sunset date and exercised its right to terminate the share sale agreement.