

ACL INTERNATIONAL LTD.

Consolidated Financial Statements

For the years ended March 31, 2016 and 2015

Independent Auditors' Report

To the Shareholders of ACL International Ltd.

We have audited the accompanying consolidated financial statements of ACL International Ltd., which comprise the consolidated statement of financial position as at March 31, 2016, the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes, comprising 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 audit. We conducted our audit 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 audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of ACL International Ltd. as at March 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements of ACL International Ltd. as at and for the year ended March 31, 2015 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on July 8, 2015.

Calgary, Alberta
August 2, 2016

MNP LLP

Chartered Professional Accountants

ACL International Ltd.
Consolidated Statements of Financial Position
As at March 31:
(Expressed in Canadian dollars)

| | Notes | 2016 | 2015 |
|--|-------|---------------------|---------------------|
| Assets | | | |
| Current assets | | | |
| Cash | | \$ 55,538 | \$ 1,438,962 |
| Trade and other receivables | | 1,737,055 | - |
| Loan receivable | 10 | - | 319,374 |
| Advances to joint venture | 6 | 1,058,479 | - |
| Prepaid expenses and deposits | | 66,589 | 104,476 |
| | | 2,917,661 | 1,862,812 |
| Oil and gas properties | 8 | 2,880,444 | - |
| Other property, plant and equipment | 9 | 3,328 | 4,017 |
| Investment in joint ventures | 5 | 164,298 | - |
| Total assets | | \$ 5,965,731 | \$ 1,866,829 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | | \$ 483,994 | \$ 136,184 |
| Notes payable | 11 | 944,524 | - |
| | | 1,428,518 | 136,184 |
| Notes payable | 11 | - | 818,054 |
| Total liabilities | | 1,428,518 | 954,238 |
| Equity | | | |
| Share capital | 12 | 17,649,200 | 6,783,995 |
| Contributed surplus | | 2,906,663 | 2,780,994 |
| Accumulated other comprehensive loss | | 571,714 | - |
| Deficit | | (16,590,364) | (8,652,398) |
| Total equity | | 4,537,213 | 912,591 |
| Total liabilities and equity | | \$ 5,965,731 | \$ 1,866,829 |

Subsequent event (Note 19)

Approved by the Board of Directors:

[signed]
Aqeel Virk, Director

[signed]
Mohammad Fazil, President and CEO

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

ACL International Ltd.
Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)
For the years ended March 31,
(Expressed in Canadian dollars)

| | Notes | 2016 | 2015 |
|--|-------|-----------------------|--------------------|
| Revenue | | \$ 8,008,404 | \$ - |
| Expenses | | | |
| Oil and gas operating | | 5,270,970 | - |
| Salaries and wages | | 326,950 | 1,476,812 |
| General and administrative | | 578,822 | 490,569 |
| Listing expense | 7 | 957,272 | - |
| Gain on debt settlement | 12 | (16,667) | - |
| Impairment of oil and gas properties | 8 | 657,266 | - |
| | | 7,774,613 | 1,967,381 |
| Income (loss) before interest, income taxes, depletion and depreciation | | 233,791 | (1,967,381) |
| Interest and financing costs | | (73,150) | (134,472) |
| Depletion and depreciation | 8,9 | (8,066,969) | (574) |
| Loss before income taxes | | (7,906,328) | (2,102,427) |
| Deferred tax recovery | 15 | - | 12,570 |
| Net loss from continuing operations | | (7,906,328) | (2,089,857) |
| Gain from Canadian discontinued operations | 16 | - | 12,095,558 |
| Gain (loss) from US discontinued operations | 16 | (31,638) | 29,486 |
| Net earnings (loss) for the year | | (7,937,966) | 10,035,187 |
| Other comprehensive income (loss) | | | |
| Reclassification adjustment relating to discontinued operations | 16 | - | 105,249 |
| Exchange differences on translating foreign operations | | 571,715 | (105,249) |
| Other comprehensive income (loss) for the year | | \$ (7,366,251) | 10,035,187 |
| Earnings (loss) per share from continuing operations | 12 | (0.10) | (0.22) |
| Earnings (loss) per share from discontinued operations | 12 | (0.10) | 1.04 |

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

ACL International Ltd.
Consolidated Statement of Changes in Equity
For the years ended March 31,
(Expressed in Canadian dollars)

| | Share Capital | Contributed surplus | Accumulated other comprehensive income (loss) | Deficit | Equity attributable to owners of the Company | Non-controlling interest in consolidated subsidiary | Total Equity |
|---|----------------------|---------------------|---|------------------------|--|---|-----------------------|
| Balance, March 31, 2014 | \$ 9,473,447 | \$ 2,780,994 | \$ - | \$ (18,582,336) | \$ (6,327,895) | \$ 787,475 | \$ (5,540,420) |
| Capital distribution to Shareholders (Note 16) | (2,689,452) | - | - | - | (2,689,452) | - | (2,689,452) |
| Reclassification adjustment relating to discontinued operations | - | - | 105,249 | (105,249) | - | - | - |
| Exchange difference on translating foreign operations | - | - | (105,249) | - | (105,249) | - | (105,249) |
| Net earnings for the year | - | - | - | 10,035,187 | 10,035,187 | - | 10,035,187 |
| Elimination on sale of Canadian subsidiary | - | - | - | - | - | (787,475) | (787,475) |
| Balance, March 31, 2015 | \$ 6,783,995 | \$ 2,780,994 | \$ - | \$ (8,652,398) | \$ 912,591 | \$ - | \$ 912,591 |
| Common shares issued for property and equipment (Note 7, 12) | 10,781,872 | - | - | - | 10,781,872 | - | 10,781,872 |
| Common shares issued in exchange of promissory note (Note 12) | 83,333 | - | - | - | 83,333 | - | 83,333 |
| Share based payments (Note 12) | - | 125,669 | - | - | 125,669 | - | 125,669 |
| Exchange difference on translating foreign operations | - | - | 571,714 | - | 571,714 | - | 571,714 |
| Loss for the year | - | - | - | (7,937,966) | (7,937,966) | - | (7,937,966) |
| Balance, March 31, 2016 | \$ 17,649,200 | \$ 2,906,663 | \$ 571,714 | \$ (16,590,364) | \$ 4,537,213 | \$ - | \$ 4,537,214 |

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

ACL International Ltd.
Consolidated Statements of Cash Flows
For the years ended March 31
(Expressed in Canadian dollars)

| | Notes | 2016 | 2015 |
|---|-------|----------------|---------------|
| Operating | | | |
| Net earnings (loss) for the year | | \$ (7,937,966) | \$ 10,035,187 |
| Adjustments for: | | | |
| Depletion and depreciation | 8 | 8,066,969 | 574 |
| Impairment of oil and gas properties | 8 | 657,266 | - |
| Gain on debt settlement | 12 | (16,667) | - |
| Listing expense | 7 | 957,272 | - |
| Share-based payments | 12 | 125,669 | - |
| Deferred income taxes (recovery) | 15 | - | (12,570) |
| Amortization of deferred financing costs | | - | 50,281 |
| Changes in | | | |
| Trade and other receivables | | (1,737,055) | 56,824 |
| Prepaid expenses and deposits | | (28,818) | (412,019) |
| Trade payables and accrued liabilities | | 260,572 | (756,673) |
| Income taxes payable | | - | (700,521) |
| Leasehold inducement | | - | (212,479) |
| Changes in non-cash working capital accounts from discontinued operations | | - | 259,951 |
| Operating cash flows from continued operations | | 347,242 | 8,308,555 |
| Operating cash flows from discontinued operations | | (31,638) | (12,125,044) |
| Cash flows from (used in) operating activities | | 315,604 | (3,816,489) |
| Financing | | | |
| Repayments on long-term debt | | - | (6,067,347) |
| Proceeds from promissory notes | | 200,000 | - |
| Capital distribution to shareholders | 16 | - | (2,689,452) |
| Cash flows from (used in) financing activities | | 200,000 | (8,756,799) |
| Investing | | | |
| Additions to property and equipment | | - | (4,591) |
| Expenditures on oil and gas assets | | (1,001,789) | - |
| Advances to joint venture | | (334,753) | - |
| Acquisition of subsidiary | 5 | (762,786) | - |
| Proceeds on sale of discontinued operations | | - | 13,116,240 |
| Cash flows (used in) from investing activities | | (2,099,328) | 13,111,649 |
| Net change in cash | | (1,583,724) | 538,361 |
| Foreign exchange effect on cash held in foreign currencies | | 200,300 | (105,249) |
| Cash, beginning of the year | | 1,438,962 | 1,005,850 |
| Cash, end of the year | | \$ 55,538 | \$ 1,438,962 |

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

ACL INTERNATIONAL LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended March 31, 2016 and 2015
(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 consolidated financial statements have been prepared in accordance 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") in effect for the fiscal year beginning April 1, 2015.

These consolidated financial statements and the accompanying notes were approved and authorized for issuance at a meeting of the Board of Directors on August 2, 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.

Financial assets and liabilities are offset and the net amount is reported on the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

The consolidated financial statements have been prepared on the historical cost basis except for the fair value changes to certain consolidated financial instruments at fair value through profit or loss.

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.

These consolidated financial statements are presented in Canadian dollars ("CDN") (unless stated otherwise), which is also the Company's functional currency.

ACL INTERNATIONAL LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended March 31, 2016 and 2015
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements of the Company include the accounts of all of its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

As at March 31, 2016 and 2015 the subsidiaries of the Company were:

| Company | Location of incorporation or organization | Functional currency | Ownership interest FY 2016 | Ownership interest FY 2015 |
|---|---|------------------------|----------------------------------|----------------------------------|
| 1275925 Alberta Inc. | Canada | CDN | 100% | 100% |
| Addison America Partnership | United States | USD | 100% | 100% |
| Addison York Insurance Brokers Ltd. | United States | USD | 100% | 100% |
| Addison Bay Insurance Brokers Ltd. | United States | USD | 100% | 100% |
| Addison Low Cost Insurance Brokers Ltd. | United States | USD | 0% | 100% |
| American Edge Insurance Services Ltd. | United States | USD | 100% | 100% |
| Bow Energy International Holdings | British Virgin Islands | USD | 100% | 0% |
| Bow Energy Pte. Ltd. | British Virgin Islands | USD | 100% | 0% |
| Blue Sky Langsa Inc. | United States | USD | 100% | 0% |

On March 1, 2015, the Company sold 100% of its shares in a US subsidiary Addison Low Cost Insurance Brokers Ltd. to an arm's length third party. The US subsidiary had nominal net assets and was sold for nominal consideration.

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, sales taxes, excise duties and similar levies. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor, has pricing latitude and is also exposed to inventory and credit risks.

Revenue from the production of oil, in which the Company has an interest with other producers, is recognized based on the Company's working interest and the terms of the relevant production sharing contracts. Differences between oil lifted and sold and the Company's share of production are not significant.

Oil and gas properties and other property, plant and equipment

(i) Initial recognition

Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, development drilling, completion, gathering and infrastructure, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within property, plant and equipment.

When a development project moves into the production stage, the capitalization of certain construction/development costs ceases, and costs are either expensed, except for costs which qualify for capitalization relating to oil and gas property asset additions, improvements or new developments.

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(ii) Depreciation

Development and production costs are accumulated on a field or area basis. The net carrying value of each area is depleted using the unit of production method by reference to the ratio of production in the year to the related proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually. Where significant components of development or production assets have different useful lives, they are accounted for and depreciated as separate items of property, plant and equipment.

Computer equipment is depreciated using a 30% declining balance.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income (loss) and other comprehensive income (loss) when the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed at each reporting period and adjusted prospectively, if appropriate.

(iii) Exploration and evaluation assets

Costs incurred once the legal right to explore has been acquired are capitalized as intangible exploration and evaluation assets. These costs include, but are not limited to, exploration license expenditures, leasehold property acquisition costs, evaluation costs, including drilling costs directly attributable to an identifiable well and directly attributable general and administrative costs. These costs are accumulated in cost centres by property and are not subject to depletion until technical feasibility and commercial viability have been determined. Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, or if facts and circumstances suggest that the carrying amount is unlikely to be recovered.

(iv) Impairment

At the end of each reporting period, the Company reviews the oil and gas assets for circumstances that indicate the assets may be impaired. Assets are grouped together into cash-generating units ("CGUs") for the purpose of impairment testing. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. A CGUs recoverable amount is the higher of its fair value less costs of disposal ("FVLCD") and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use ("VIU") is generally computed by reference to the present value of future cash flows expected to be derived from the production of proved and probable reserves.

FVLCD is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. The FVLCD of oil and gas assets is generally determined as the net present value of the estimated future cash flows expected to arise from the continued use of the CGU, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate which would be applied by such a market participant to arrive at a net present value of the CGU. When the recoverable amount is less than the carrying amount, the asset or CGU is impaired. For impairment losses identified on a CGU, the loss is allocated on a pro rata basis to the assets within the CGU. The impairment loss is recognized as an expense in profit or loss.

At the end of each subsequent reporting period, these impairments are assessed for indicators of reversal. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss have been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Business combinations

The acquisition method of accounting is used to account for business combinations that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Contingent consideration is included in the cost of acquisition at fair value. Directly attributable transaction costs are expensed in the current period and reported within general and administrative expenses. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. The results of operations and cash flows of an acquired business are included in the Company's consolidated financial statements from the date of acquisition.

Joint arrangements

The Company's oil and natural gas activities involve jointly controlled assets. The consolidated financial statements include the Company's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

Investment in joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Company accounts for its 75% joint venture interest in Renco Elang Energy Pte Ltd. ("REE") (note 5 and 6) using the equity method.

Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the joint venture since the acquisition date.

The consolidated statement of income (loss) reflects the Company's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and or joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Company's share of profit or loss of the joint venture is shown on the face of the consolidated statement of income (loss) and comprehensive income (loss).

The financial statements of the joint venture are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognizes the loss as 'Share of profit of an a joint venture' in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Upon loss of significant influence over the joint control over the joint venture, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

It is REE's policy to capitalize all expenses incurred as exploration and evaluation assets, as such, there was no profit or loss in REE from the date of acquisition to March 31, 2016.

Foreign currency translation

The financial statements of each of the Company's subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of each subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. Functional currency is the currency of the primary economic environment in which the subsidiary operates.

Exchange rates published by the Bank of Canada were used to translate each subsidiary's financial statements into the consolidated financial statements. Assets and liabilities of subsidiaries with functional currencies other than Canadian dollars are translated at the period-end rates of exchange, and the results of their operations are translated at rates approximating the exchange rate at the transaction date. The resulting translation adjustments are included in accumulated other comprehensive income in shareholders' equity.

Cash

Cash consists of cash deposits in bank accounts.

Basic and diluted earnings (loss) per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common share. The dilutive effect of options, convertible debt and warrants and their equivalent is computed by application of the treasury stock method. Diluted earnings per share exclude all dilutive potential common shares if their effect is anti-dilutive.

Share-based compensation

The Company uses the fair value method to account for all stock based payments. Under this method, compensation cost is charged directly to earnings over the vesting period with a corresponding credit to contributed surplus. Reciprocal transactions in which the Company acquires goods and services by granting equity instruments or by incurring liabilities to a third party in amounts based on the price of the Company's shares are accounted for based on the fair value of the consideration received, or the fair value of the equity instruments, or liabilities incurred, whichever is more reliably measurable. When stock options are exercised, the consideration and the related contributed surplus are recorded in share capital.

The fair value of stock options granted are estimated using the Black Scholes option pricing model, taking into account amounts that are believed to approximate the expected volatility of the trading price of the Company's shares, the expected lives of the awards of stock based compensation, the fair value of the Company's shares and the risk free interest rate, as determined at the grant date.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. The Company accounts for forfeitures by reversing the expense and contributed surplus at the forfeit date.

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Taxes

Tax expense is comprised of current and deferred tax. Tax expense 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 based on the results of operations for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognized using the liability method, providing for temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The effect of a change in enacted or substantively enacted income tax rates on deferred income tax assets and liabilities is recognized in profit or loss in the period that the change occurs unless the original entry was recorded to equity.

Financial Instruments

Recognition and measurement

Financial assets and financial liabilities considered held-to-maturity, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently are measured at amortized cost using the effective interest method of amortization. Derivatives and embedded derivatives are measured at fair value on initial recognition and recorded in the consolidated statement of financial position. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair valued through profit or loss, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities. Transaction costs are expensed for assets or liabilities classified as fair value through profit and loss.

Financial instruments at fair value through profit or loss

Financial assets or financial liabilities classified at fair value through profit or loss are measured at fair value on initial recognition, with changes to their fair value recognized through total comprehensive loss at each reporting date. The Company has designated its cash as financial instruments measured at fair value through profit or loss.

Available-for sale

Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive loss. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost. The Company does not currently have any available-for-sale financial assets or investments in equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Held to maturity

Held to maturity financial instruments are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest method. Gains and losses arising from changes in fair value are included in comprehensive loss in the period in which they arise. The Company does not currently have any held to maturity financial assets or liabilities.

Loans and receivables

Loans and receivables are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest method. Gains and losses arising from changes in fair value are included in comprehensive loss in the period in which they arise. The Company has designated its trade and other receivables, loan receivable and advances to joint venture as loans and receivables.

Other financial liabilities

Other liabilities are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest method. The Company has designated its trade and other payables and notes payable as other financial liabilities.

Derivatives

Derivative instruments are measured at fair value with any changes in the fair values of derivative instruments being recognized in comprehensive loss with the exception of derivatives designated as effective cash flow hedges. The Company has no such designated hedges.

Embedded derivatives

An embedded derivative is separated from its host contract and accounted for as a derivative and measured at fair value unless certain criteria are met. The Company does not have embedded derivatives.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition of financial instruments

Financial assets: Financial assets are derecognized only when the contractual rights to the cash flows from the financial assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial asset. Gain or loss arising from derecognition is recognized in total comprehensive loss.

Financial liabilities: Financial liabilities are derecognized only when they are extinguished or when the obligation specified in the contract is discharged, cancelled or expired. Gain or loss arising from derecognition is recognized in total comprehensive loss.

Impairment of financial assets

Financial assets not carried at fair value through profit or losses are assessed for impairment at each reporting date. At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

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3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Changes in accounting standards

On April 1, 2015, the Company adopted amendments to IFRS 3 Business Combinations and IAS 24 Related Party Transactions. The adoption of these amendments had no impact on the amounts recorded in the consolidated financial statements for the year ended March 31, 2016.

Future accounting changes

The Company has reviewed amendments to accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting. IFRS 9 is effective for annual period beginning on or after January 1, 2018.

IFRS 11 Joint Arrangements

Amendments to IFRS 11 Joint Arrangements clarify the accounting for acquisitions of interests in joint operations. The amendments are effective for annual period beginning on or after January 1, 2016.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15 Revenue from Contracts with Customers which specifies how and when an entity will recognize revenue as well as requiring entities to provide users of consolidated financial statements with more informative, relevant disclosures. IFRS 15 is effective for annual period beginning on or after January 1, 2018.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 Leases which replaces the previous leases standard, IAS 17 Leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessors continue to classify leases as operating leases or finance leases, and account for those two types of leases differently. IFRS 16 is effective for periods beginning on or after January 1, 2019.

IAS 7 Statement of Cash Flows

Amendments to IAS 7 Statement of Cash Flows require disclosures that enable financial statement users to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments are effective for annual periods beginning on or after January 1, 2017.

IAS 12 Income Taxes

Amendments to IAS 12 Income Taxes clarify the recognition of deferred tax assets for unrealized losses related debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after January 1, 2017.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets clarify acceptable methods of depreciation and amortization. The amendments are effective for annual periods beginning on or after January 1, 2016.

The Company is currently assessing the impact these standards and amendments may have on its consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Basis of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

Fair value of financial instruments

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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 liabilities, 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.

Fair values of financial instruments reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and counterparties when appropriate.

The carrying amounts of trade and other receivables, loans receivable, advances to joint venture, trade and other payables, and notes payable on the statement of financial position approximate fair market value because of the short term to maturity of these instruments.

Cash is based on Level 1 inputs of the fair value hierarchy.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. These estimates and judgments are reviewed periodically, and, as adjustments become necessary, they are reported in earnings/loss in the period in which they become known. Significant estimates and judgments made by the Company that have the most significant risk of causing material misstatement to the carrying amounts of assets and liabilities are discussed below.

Use of judgments

In preparing these consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are as follows:

Cash generating units

The determination of cash generating units requires judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by geographical area, similar exposure to market risk and materiality. The Company has two CGUs being the Blue Sky Langsa TAC and South Block A.

Contingent liabilities

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Company, including legal, contractor, land access and other claims. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

4. USE OF ESTIMATES AND JUDGMENTS (*continued*)

Decommissioning liability

Management has reviewed the Company's operations and agreements for any statutory, contractual, constructive or legal obligation with respect to potential environmental rehabilitation. Based on management's review, it has determined that the Company does not have any decommissioning liabilities.

Business combinations

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

The Company applied judgement in accounting for the acquisition of its 50% working interest in a Technical Assistance Contract (the "Langsa TAC") from Blue Sky Langsa Ltd. ("BSL") which constitutes an investment in a joint operation for the Company. In accordance with IFRS 3, BSL was identified as the accounting acquirer in this transaction. However, the Company's consolidated financial statements were not presented as a continuation of Langsa TAC because the Company was not a business at the time of the acquisition, this transaction relates to the acquisition of joint control rather than control and the joint operation did not exist prior to the acquisition.

Joint arrangements

Judgment is required to determine when the Company has joint control over an arrangement. In establishing joint control, the Company considers whether unanimous consent is required to direct the activities that significantly affect the returns of the arrangement, such as the capital and operating activities of the arrangement. Additionally, the Company assesses the rights and obligations arising from the arrangement by considering its governance structure, legal form, and terms agreed upon by the parties sharing control, including the contractual rights of each partner, dispute resolution procedures, termination provisions, and procedures for subsequent transactions in its determination of joint control. Once joint control has been established, judgment is also required to classify the joint arrangement. The type of joint arrangement is determined through analysis of the rights and obligations arising from the arrangement by considering its legal structure, legal form. And terms agreed upon by the parties sharing control. An arrangement that is not structured through a separate vehicle in which the controlling parties have rights to the assets, revenues and substantially all of the economic benefits generated through the arrangement, in addition to obligations for the liabilities and expenses, is classified as a joint operation. An arrangement in which these criteria are not met is classified as a joint venture.

The Company used judgement to account for the purchase of Peak Oil & Gas SBA Pte Ltd. as an acquisition of a business. Peak held a 75% interest in. REE of which the Company has made the judgement to account for this investment as a joint venture because the ownership of REE holds 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.

Impairment of oil and natural gas properties

Management uses judgment to assess the existence of impairment indicators such as events or changes in circumstances that may indicate the carrying amount of oil and natural gas properties may not be recoverable.

4. USE OF ESTIMATES AND JUDGMENTS (*continued*)

Use of Estimates

Units of production (UOP) depreciation of oil and gas assets

Oil and gas properties are depreciated using the UOP method over total proved developed and probable hydrocarbon reserves. This results in a depreciation charge proportional to the depletion of the anticipated remaining production from the field.

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation will be impacted to the extent that actual production in the future is different from current forecast production based on total proved and probable reserves, or future capital expenditure estimates change. Changes to proved and probable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including: the effect on proved and probable reserves of differences between actual commodity prices and commodity price assumptions and unforeseen operational issues

Recoverability of oil and gas assets

The Company assesses each asset or CGU each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value in use. The assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Depletion and depreciation

Management is required to make certain estimates and assumptions when determining the amortization and depreciation methods and rates and residual values of property and equipment .

Useful lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life. Management reviews amortization and depreciation methods, rates, and residual values annually and adjusts amortization and depreciation accordingly on a prospective basis.

Income tax

Management exercises judgment in estimating the provision for income taxes. The Company is subject to income tax laws in various jurisdictions where it operates. Various tax laws are potentially subject to different interpretations by the taxpayer and the relevant tax authority. To the extent that the Company's interpretations differ from those of tax authorities or the timing of realization is not as expected, the provision for income taxes may increase or decrease in future periods to reflect actual experience.

Share based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 11.

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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.

| | | |
|-----------------------------------|----|-----------|
| Revenue | \$ | - |
| Profit from continuing operations | | - |
| Other comprehensive income | | - |
| Total comprehensive income | | - |
| | | |
| Current assets (i) | \$ | 4,535 |
| Non-current assets | | 6,519,814 |
| Current liabilities | | (229,482) |
| Non-current liabilities | | - |
| Net assets | \$ | 6,294,866 |

(i) Includes cash of \$517

As part of the acquisition of REE, the Company acquired loans receivable of \$690,862 and subsequently advanced additional funds bringing total advances to \$1,058,479. 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 March 31, 2016, SBA had not reached technical feasibility or commercial viability and as such the amounts remain outstanding.

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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 |
| Total consideration | \$ | 11,882,972 |
| Purchase price allocation: | | |
| Property and equipment | \$ | 10,925,700 |
| Listing expense on acquisition | | 957,272 |
| | \$ | 11,882,972 |

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 consolidated statement of income (loss) and comprehensive income (loss) includes the results of operations for the period following closing of the transaction on June 11, 2015. Specifically, the Company's loss for the year ended March 31, 2016 includes approximately \$8.0 million of revenue and \$2.7 million of operating income generated from the Langsa TAC subsequent to closing. If the acquisition had occurred on April 1, 2015, pro-forma revenue and operating income for the acquired property is estimated to be approximately 9.7 million and 2.9 million, respectively, for the year ended March 31, 2016. Operating income is defined as revenue, net of royalties, less production and transportation expenses. This pro-forma information is not necessarily indicative of the results of operations that would have resulted had the acquisition been effected on the dates indicated, or the results that may be obtained in the future.

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8. OIL AND GAS PROPERTIES

Cost

| | | |
|-------------------------------------|-----------|-------------------|
| As at April 1, 2015 | \$ | - |
| Additions (Note 7) | | 10,925,700 |
| Foreign currency translation change | | 582,929 |
| Cost as at March 31, 2016 | \$ | 11,508,629 |

Accumulated depletion

| | | |
|---|-----------|------------------|
| As at April 1, 2015 | \$ | - |
| Charge for the year | | 8,066,280 |
| Impairment | | 657,266 |
| Foreign currency translation change | | (95,361) |
| Accumulated depletion as at March 31, 2016 | \$ | 8,628,185 |

| | | |
|--|-----------|------------------|
| Net book value as at March 31, 2015 | \$ | - |
| Net book value as at March 31, 2016 | \$ | 2,880,444 |

The depletion calculation for the year ended March 31, 2016 included estimated future development costs of \$nil for proved and probable reserves.

As at March 31, 2016, the Company identified certain business risks related to its oil and gas activities, such as a decrease in global oil and gas prices, as indicators of impairment. As a result, the Company performed an impairment test at March 31, 2016 and estimated the recoverable amount of its CGUs based on the higher of the fair value less costs of disposal and its value in use.

The estimated fair value less costs of disposal of the Blue Sky Langsa TAC CGU was based on 15% discounted cash flows expected to be derived from proved plus probable reserves based on the externally prepared reserve reports at March 31, 2016. The estimated recoverable amount of the Blue Sky Langsa TAC CGU at March 31, 2016 was lower than the March 31, 2016 carrying amount resulting in the recognition of \$657,266 of impairment in the consolidated statement of income (loss) and comprehensive income (loss). A decrease in the discount rate to 10% would have resulted in a decrease to impairment of \$85,106.

The following prices were used in the March 31, 2016 impairment test was as follows:

| Year | Average NGL price per bbl | USD\$ per bbl |
|------------------|---------------------------|---------------|
| 2016 – remainder | | 44.39 |
| 2017 | | 50.36 |

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9. OTHER PROPERTY, PLANT AND EQUIPMENT

| | Computer equipment | Computer equipment under finance lease | Furniture and equipment | Leasehold improvements | Total |
|---------------------------------|-----------------------|---|----------------------------|---------------------------|------------|
| Cost | | | | | |
| Balance as at April 1, 2014 | \$ 185,060 | \$ 51,859 | \$ 169,918 | \$ 364,250 | \$ 771,087 |
| Additions | 4,591 | - | - | - | 4,591 |
| Disposal of a subsidiary | (185,060) | (51,859) | (169,918) | (364,250) | (771,087) |
| Balance as at March 31, 2015 | 4,591 | - | - | - | 4,591 |
| Balance as at March 31, 2016 | \$ 4,591 | \$ - | \$ - | \$ - | \$ 4,591 |
| Accumulated Depreciation | | | | | |
| Balance as at April 1, 2014 | \$ 144,735 | \$ 157,800 | \$ 103,991 | \$ 117,080 | \$ 523,606 |
| Depreciation | 574 | - | - | - | 574 |
| Disposal of a subsidiary | (144,735) | (157,800) | (103,991) | (117,080) | (523,606) |
| Balance, March 31, 2015 | 574 | - | - | - | 574 |
| Depreciation | 689 | - | - | - | 689 |
| Balance as at March 31, 2016 | \$ 1,263 | \$ - | \$ - | \$ - | \$ 1,263 |
| Carrying amounts | | | | | |
| March 31, 2015 | \$ 4,017 | \$ - | \$ - | \$ - | \$ 4,017 |
| March 31, 2016 | \$ 3,328 | \$ - | \$ - | \$ - | \$ 3,328 |

10. LOAN RECEIVABLE

On March 10, 2015, the Company loaned BSL USD \$250,000 or CDN \$319,374, repayable on or before July 31, 2015. The loan bears interest at the annual rate of 12%, calculated and payable monthly. The loan is evidenced by a promissory note and secured by a general security agreement with a general and continuing charge security against equipment located at BSL warehouse in Indonesia. The Company received the proceeds of the loan during the year.

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11. NOTES PAYABLE

| | | | | March 31, 2016 | | March 31, 2015 | |
|-----------------|----------|-----------------------|------------------|----------------|-----------------|----------------|-----------------|
| | Currency | Nominal interest rate | Date of maturity | Face value | Carrying amount | Face value | Carrying amount |
| Promissory note | CDN | 12% | 30/10/2016 | \$ 50,000 | \$ 54,159 | \$ - | \$ - |
| Promissory note | CDN | 12% | 30/10/2016 | 30,000 | 32,288 | - | - |
| Promissory note | CDN | 12% | 30/10/2016 | 20,000 | 21,447 | - | - |
| Credit note (i) | USD | 6.75% | 21/02/2017 | 836,630 | 836,630 | 818,054 | 818,054 |
| | | | | \$ 936,630 | \$944,524 | \$ 818,054 | \$ 818,054 |

The promissory notes are repayable in full on maturity and interest is paid monthly. 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 March 31, 2016 was USD\$645,000 (2015: USD\$645,000). The credit note is secured by a general security agreement over the assets of the Company.

12. SHARE CAPITAL

Authorized

Unlimited common shares without par value
Unlimited class B voting preferred shares without par value
Unlimited class C non-voting preferred shares without par value

Issued

| | Note | Shares | Amount |
|---------------------------------------|------|------------|---------------|
| Balance, March 31, 2014 | | 9,605,184 | \$ 9,473,447 |
| Distribution to shareholders | | - | (2,689,452) |
| Balance, March 31, 2015 | | 9,605,184 | \$ 6,783,995 |
| Issued for property and equipment | 7 | 81,871,667 | 10,781,872 |
| Issued on settlement of notes payable | | 833,333 | 83,333 |
| Balance, March 31, 2016 | | 92,310,184 | \$ 17,649,200 |

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.

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12. SHARE CAPITAL (continued)

Share-based payments

The Company has adopted an incentive stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the total number of issued and outstanding common shares of the Company from time to time on a non-diluted basis.

Changes in share options during the year ended March 31, 2016 and March 31, 2015 are as follows:

| | 2016 | | 2015 | |
|--------------------------------|--------------------------|--|--------------------------|--|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding, beginning of year | - | - | - | - |
| Granted | 6,617,658 | \$0.12 | - | - |
| Forfeited | (500,000) | \$0.12 | - | - |
| Outstanding, end of the year | 6,117,658 | \$0.12 | - | - |

The weighted average remaining life of the options is 4.20 years. As at March 31, 2016, 917,649 of options were exercisable.

The Company recorded a share-based payment of \$125,669 for the year ended March 31, 2016. The value was determined using the Black-Scholes model using the following assumptions:

| | 2016 |
|--------------------------------|-------------------------|
| Share price at grant date | \$0.07 per share |
| Risk free rate | 1.09% |
| Expected life | 2-5 years |
| Expected volatility | 112% |
| Dividend yield | 0% |
| Forfeiture rate | 7.56% |
| Black-Scholes value per option | \$0.044 |

Expected volatility is based on comparable listed companies in the oil and gas industry on the TSX-V.

Per share amounts

| | 2016 | 2015 |
|--|-------------------|------------------|
| Weighted average number of shares – basic: | | |
| Issued common shares as at April 1 | 9,605,184 | 9,605,184 |
| Effect of common shares issued during the year | 69,041,598 | - |
| | 78,646,782 | 9,605,184 |
| Net loss per share – basic and diluted (1) | \$ (0.10) | \$ (0.22) |

(1) The Company did not have any in-the-money stock options during the years ended March 31, 2016 and 2015. The effect of stock options is anti-dilutive in loss periods.

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13. 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.

In August 2015 an Officer of the Corporation granted an unsecured loan in the amount of \$10,000 for general working capital. The loan was paid in full in October 2015. The above transaction was in the normal course of business and was at terms agreed to by the related parties.

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:

| | March 31, 2016 | March 31, 2015 |
|--|-----------------------|----------------|
| Salary and bonuses | \$ 130,598 | \$ 966,498 |
| Share based compensation | 125,669 | - |
| Short-term employee benefits | - | 28,560 |
| Total compensation of key management personnel | \$ 256,267 | \$ 995,058 |

14. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ending March 31, 2016 and 2015, the Company had non-cash transactions as follows:

| | March 31, 2016 | March 31, 2015 |
|--|-----------------------|----------------|
| Financing activities | | |
| Shares issued for debt settlement | \$ 100,000 | \$ - |
| Debt settled for shares | (100,000) | - |
| Common shares issued for property and equipment | 9,824,600 | - |
| | \$ 9,824,600 | \$ - |
| Investing activities | | |
| Property and equipment acquisition by issue of common shares | \$ (9,824,600) | - |
| | \$ (9,824,600) | \$ - |
| Additional information | | |
| Interest paid | \$ 57,095 | \$ - |
| Income taxes paid | \$ - | \$ - |

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15. INCOME TAXES

A reconciliation of income tax expense (recovery) at statutory rates with the reported income taxes (recovered) is as follows:

| | 2016 | 2015 |
|---|-----------------------|-----------------------|
| Net loss before income taxes | \$ (7,937,966) | \$ (2,102,427) |
| Computed taxes recovered at statutory rates 26.5% (2015 – 25%) | (2,103,561) | (525,607) |
| Share-based compensation, listing expense and other | 286,979 | (23,696) |
| Change in tax rates | (652,158) | - |
| Change in deferred tax asset not recognized | 2,468,740 | 536,733 |
| Income tax expense (recovery) | \$ - | \$ (12,570) |

The statutory tax rate increased from 25% to 26.5% due to an increase in the Alberta provincial tax rate on July 1, 2015.

No deferred tax assets have been recognized as it is not probable that future taxable profit will allow the deferred tax asset to be recovered. The major components of the unrecognized deductible temporary differences are as follows:

| For the year ended March 31, | 2016 | 2015 |
|--|----------------------|----------------------|
| Unrecognized deductible temporary differences: | | |
| Property, plant and equipment | \$ 5,167,615 | \$ - |
| Loss carry forwards | 22,728,836 | 20,620,271 |
| Goodwill | 11,085,172 | 9,841,064 |
| Other | 14,683 | 28,032 |
| Unrecognized deductible temporary differences | \$ 38,996,306 | \$ 30,489,367 |

As at March 31, 2016, the Company had accumulated Canadian non-capital losses of approximately \$5,572,145 which commence expiring in 2032 and US net operating losses of approximately USD.\$13,214,586 which commence expiring in 2023 and can be carried forward and charged against future taxable income, with some restrictions.

The benefit of these losses and the other assets have not been reflected in the financial statements.

16. DISCONTINUED OPERATIONS

On March 3, 2014 the Company sold the property, equipment and customer accounts of its U.S. operations for net sales proceeds of \$3,204,664 including transaction costs of \$178,396. The Company realized a loss from discontinued operations of \$2,804,844.

On May 1, 2014, the Company completed the sale of all of its shares (51%) in its Canadian subsidiary Anthony Clark Insurance Brokers Ltd. to an arm's length third party for cash consideration of approximately \$13,000,000, before repayment of certain senior debt and adjustments. As the transaction contemplated the sale of all or substantially all of the Company's assets shareholder approval was obtained on April 14, 2014 and TSX Venture Exchange approval on April 22, 2014. The Company paid certain liabilities in the amount of \$7,942,971 from the sale proceeds including debt settlement \$6,101,475, legal expenses \$277,221 and severance and outstanding compensation of \$1,564,275. The transaction resulted in a gain on sale of discontinued operations of \$12,095,558.

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16. DISCONTINUED OPERATIONS (continued)

On May 26, 2014 the Board of Directors of the Corporation declared a capital distribution to the shareholders following the completion of the sale and the payment of certain liabilities from the amounts received, which was paid on June 18, 2014 in the amount of \$2,689,452.

During the year ended March 31, 2016, there were no activities in discontinued US operations; however, a loss of \$31,638 (2015: a gain of \$29,486) resulted due to ongoing wind up obligations.

The gain (loss) from discontinued operations for the year ended March 31, 2016 and 2015 is summarized below:

| | March 31, 2016 | | | March 31, 2015 | | |
|--|----------------|-------------|-------------|----------------|------------|---------------|
| | Canada | US | Total | Canada | US | Total |
| Revenue from discontinued operations | \$ - | \$ - | \$ - | \$ 455,290 | \$ 157,499 | \$ 612,789 |
| Expenses of discontinued operations | - | (31,638) | (31,638) | (425,162) | (128,013) | (553,175) |
| Earnings (loss) from discontinued operations | - | (31,638) | (31,638) | 30,128 | 29,486 | 59,614 |
| Gain (loss) on sale of discontinued operations | - | - | - | 12,065,430 | - | 12,065,430 |
| Gain (loss) from discontinued operations | \$ - | \$ (31,638) | \$ (31,638) | \$ 12,095,558 | \$ 29,486 | \$ 12,125,044 |

17. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks that arise as a result of its operating and financing activities such as credit risk, liquidity risk, foreign currency risk and interest rate risk. The Company manages its exposure to these risks by operating in a manner that minimizes this exposure.

Credit risk

The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations, or if there is a concentration of transactions carried out with the same counterparty or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions.

The Company's financial instruments that are exposed to concentrations of credit risk relate primarily to cash, and trade receivables from partners in the oil and gas assets. Cash is in place with major financial institutions. The Company has evaluation and monitoring processes in place and writes off accounts when they are determined to be uncollectible.

As at March 31, 2016, the Company's maximum exposure to credit risk is through its trade receivable balance of \$1,737,055.

The Company considers its receivables to be aged as follows:

| | March 31, 2016 | March 31, 2015 |
|-----------|----------------|----------------|
| Current | \$ 1,737,055 | - |
| 90 + days | - | - |
| | \$ 1,737,055 | - |

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17. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk

The Company is exposed to the financial risk related to fluctuations of foreign exchange rates. The Company conducts business operations in Indonesia and has U.S. dollar denominated revenue and indebtedness and is therefore exposed to cash flow risks associated with fluctuations in the relative value of the Canadian and U.S. dollar. A significant change in the currency exchange rate of the Canadian dollar relative to the U.S. dollar could have a material effect on the Company's results of operations, financial position and cash flows. The Company does not engage in hedging activities or use financial instruments to reduce its risk exposure.

At March 31, 2016, the Company is exposed to currency risk through the following assets and liabilities denominated in U.S. dollars:

| | | |
|-----------------------------|----|------------------|
| Cash | \$ | 35,555 |
| Trade and other receivables | | 1,300,908 |
| Advances to joint venture | | 816,035 |
| Trade and other payables | | (201,434) |
| Note payable | | <u>(645,000)</u> |
| Net exposure | \$ | <u>1,306,064</u> |

Based on the above net exposure at March 31, 2016, and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in a decrease or increase of \$219,741 in the Company's other comprehensive income (loss).

Interest rate risk

All of the Company's indebtedness bears interest at fixed rates and as a result the Company is not exposed to significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its short and long-term obligations as they come due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

The Company manages its liquidity risk through cash and debt management. The Company's objective in managing liquidity risk is to increase revenues, minimize operational costs and to maintain sufficient liquidity in order to meet these operational requirements at any point in time. The Company's ability to obtain funding from external sources may be restricted if the Company's financial performance and condition deteriorate. In addition, credit and capital markets are subject to inherent global risks that may negatively affect the Company's access and ability to fund its short-term and long-term debt requirements. The Company mitigates these risks by actively monitoring market conditions and diversifying its sources of funding and debt maturity.

All of the Company's liabilities are due within twelve months.

Commodity price risk

Price fluctuations for both crude oil and natural gas are influenced by world supply and local demand factors. The Company has no influence over the pricing of oil and natural gas and has not attempted to mitigate commodity price risk through the use of financial derivatives. Currently all of the Company's oil and gas revenue is from Indonesia.

As at March 31, 2016, a 5% change in the price of oil produced would represent a change in net loss for the year ended March 31, 2016 of approximately \$400,420.

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18. CAPITAL RISK MANAGEMENT

The Company considers the capital it manages to be the amounts it has in cash, share capital and notes payable.

| | 2016 | 2015 |
|---------------|----------------------|---------------------|
| Cash | \$ 55,538 | \$ 1,438,962 |
| Notes payable | 944,523 | \$ 818,054 |
| Share capital | 17,649,200 | 6,783,995 |
| | <u>\$ 18,649,261</u> | <u>\$ 9,041,011</u> |

The Company's objectives when managing capital are to:

- safeguard the Company's ability to continue as a going concern
- ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans
- optimize the cost of its capital at an acceptable level in light of current and future industry, market and economic risks and conditions
- utilize the long-term funding sources to manage its working capital and restructure debt to minimize the cost of its capital
- acquire assets and dispose of non-performing assets

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, repurchase shares, issue debt, acquire or dispose of assets. The Company requires capital to repay existing obligations. There can be no certainty of the Company's ability to refinance its existing obligations. In order to facilitate the management of the Company's capital, the Company prepares annual cash flow forecasts that are updated as necessary depending on various factors and general industry conditions. There were no changes in the Company's approach to capital management during the year ended March 31, 2016.

The declaration and payment of dividends and the amount thereof are at the discretion of the Board. In order to maintain and maximize growth, maintain sufficient liquidity to support its financial obligations and optimize the cost of capital, the Company currently does not pay out dividends.

19. SUBSEQUENT EVENT

Subsequent to the year end, 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.