

MAXIM RESOURCES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian dollars)

SEPTEMBER 30, 2016

These unaudited condensed consolidated interim financial statements of Maxim Resources Inc. for the nine months ended September 30, 2016 have been prepared by management and approved by the Board of Directors. These unaudited condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

MAXIM RESOURCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian dollars)
AS AT

	September 30, 2016	December 31, 2015 (Audited)
ASSETS		
Current assets		
Cash	\$ 31,976	\$ 7,289
GST recoverable	4,755	8,340
Prepays (Note 9)	<u>17,555</u>	<u>38,626</u>
Total current assets	<u>54,286</u>	<u>54,255</u>
Non-current assets		
Long-term investments (Note 4)	-	49,433
Furniture and equipment (Note 5)	2,130	2,574
Long-term bond (Notes 6 and 14)	-	668,472
Exploration and evaluation assets (Notes 6 and 14)	<u>1</u>	<u>713,150</u>
Total non-current assets	<u>2,131</u>	<u>1,433,629</u>
Total assets	<u>\$ 56,417</u>	<u>\$ 1,487,884</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 743,473	\$ 875,818
Loans payable (Note 8)	<u>117,580</u>	<u>141,500</u>
Total liabilities	<u>861,053</u>	<u>1,017,318</u>
Shareholders' equity (deficiency)		
Capital stock (Note 10)	25,603,512	25,217,112
Reserves (Note 10)	8,454	8,454
Deficit	<u>(26,416,602)</u>	<u>(24,755,000)</u>
Total shareholders' equity (deficiency)	<u>(804,636)</u>	<u>470,566</u>
Total liabilities and shareholders' equity	<u>\$ 56,417</u>	<u>\$ 1,487,884</u>

Nature and continuance of operations (Note 1)

Approved and authorized on behalf of the Board on November 28, 2016.

<u>"Andrew Male"</u>	Director	<u>"Ian Baron"</u>	Director
Andrew Male		Ian Baron	

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

MAXIM RESOURCES INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited - Expressed in Canadian dollars)

	Three Months Ended Sept 30, 2016	Three Months Ended Sept 30, 2015	Nine Months Ended Sept 30, 2016	Nine Months Ended Sept 30, 2015
EXPENSES				
Amortization (Note 5)	\$ 148	\$ 195	\$ 444	\$ 586
Consulting (Note 9)	-	155,626	63,684	645,706
Interest expense (Note 8)	4,017	-	11,404	-
Office, rent and administration	1,979	19,836	26,377	67,425
Professional fees (Note 9)	10,500	29,800	154,404	97,379
Shareholder relations and promotion	-	8,541	891	59,372
Transfer agent and shareholder costs	1,950	1,125	12,737	25,966
Travel	-	12,603	5,546	123,010
Loss from operations	(18,594)	(227,726)	(275,487)	(1,019,444)
OTHER ITEMS				
Foreign exchange gain (loss)	1,027	78,220	13,634	111,665
Interest income	-	(139)	-	2,086
Write-off of long-term bond	-	-	(676,490)	-
Write-down of exploration and evaluation assets	-	-	(713,149)	-
Gain on sale of long-term investments (Note 4)	-	-	16,508	-
Unrealized loss on long-term investments (Note 4)	-	(41,828)	(26,618)	(98,866)
Total other items	1,027	36,253	(1,386,115)	14,885
Loss and comprehensive loss for the period	\$ (17,567)	\$ (191,473)	\$ (1,661,602)	\$ (1,004,559)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.03)	\$ (0.02)
Weighted average number of common shares outstanding	58,410,254	42,954,254	52,522,254	42,954,254

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

MAXIM RESOURCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian dollars)

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (1,661,602)	\$ (1,004,559)
Items not affecting cash:		
Amortization	444	586
Accrued interest expense	11,404	-
Unrealized foreign exchange gain	(13,634)	(18,860)
Write-off of long-term bond	676,490	-
Write-down of exploration and evaluation assets	713,149	-
Gain on sale of long-term investments	(16,508)	-
Unrealized loss on long-term investments	26,618	98,866
Changes in non-cash working capital items:		
Decrease (increase) in GST recoverable	3,585	14,772
Decrease (increase) in prepaids	20,923	80,954
Increase (decrease) in accounts payable and accrued liabilities	<u>(126,581)</u>	<u>117,192</u>
Net cash used in operating activities	<u>(365,712)</u>	<u>(711,049)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of long-term investments	39,323	-
Exploration and evaluation expenditures	<u>-</u>	<u>(147,930)</u>
Net cash provided by (used in) investing activities	<u>39,323</u>	<u>(147,930)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Private placement	386,400	-
Repayment of loans	(35,324)	-
Subscription received in advance	<u>-</u>	<u>43,750</u>
Net cash provided by financing activities	<u>351,076</u>	<u>43,750</u>
Effect of foreign exchange on cash and cash equivalents	<u>-</u>	<u>1,215</u>
Change in cash and cash equivalents for the period	24,687	(814,014)
Cash and cash equivalents, beginning of period	<u>7,289</u>	<u>903,595</u>
Cash and cash equivalents, end of period	\$ 31,976	\$ 89,581
Cash received for interest	\$ -	\$ 2,086
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

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

MAXIM RESOURCES INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

(Unaudited - Expressed in Canadian dollars)

	<u>Capital Stock</u>						Total Shareholders' Equity (Deficiency)
	Shares	Amount	Subscription receivable	Reserves	Deficit		
Balance, December 31, 2015	42,954,254	\$ 25,217,112	\$ -	\$ 8,454	\$ (24,755,000)	\$	470,566
Private placement	15,456,000	386,400	-	-	-		386,400
Loss and comprehensive loss for the period	-	-	-	-	(1,661,602)		(1,661,602)
Balance, September 30, 2016	58,410,254	\$ 25,603,512	\$ -	\$ 8,454	\$ (26,416,602)	\$	(804,636)
Balance, December 31, 2014	42,954,254	\$ 25,217,112	\$ (43,750)	\$ 192,658	\$ (23,448,953)	\$	1,917,067
Subscription receivable	-	-	43,750	-	-		43,750
Options expired	-	-	-	(139,724)	139,724		-
Loss and comprehensive loss for the period	-	-	-	-	(1,004,559)		(1,004,559)
Balance, September 30, 2015	42,954,254	\$ 25,217,112	\$ -	\$ 52,934	\$ (24,213,788)	\$	956,258

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

MAXIM RESOURCES INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian dollars - Unaudited)

SEPTEMBER 30, 2016

1. NATURE AND CONTINUANCE OF OPERATIONS

Maxim Resources Inc. (the "Company") is incorporated under the laws of the Province of Alberta. Effective January 16, 2015, the Company continued into the Province of Ontario under the Business Corporations Act (Ontario). The Company's head office is located at Suite 304 – 157 Adelaide Street West, Toronto, Ontario, M5H 4E7. The Company's registered and records office is located at 4100-66 Wellington Street West, Toronto, Ontario, Canada, M5K 1B7. The Company is listed on the TSX Venture Exchange ("TSX-V") under the trading symbol "MXM".

The Company is a natural resource company focused on acquiring, exploring and developing oil and gas properties.

Going concern of operations

These unaudited condensed consolidated interim financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at September 30, 2016, the Company has not generated revenues from operations. The Company has financed its operations primarily through the issuance of common shares, loan proceeds and advances from related parties. The Company continues to seek capital through various means including the issuance of equity and/or debt. These circumstances lend substantial doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, there is a material uncertainty to the Company continuing as a going concern.

In order to continue as a going concern and to meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

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

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee.

Basis of measurement

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss and available-for-sale which are stated at their fair value. In addition, these unaudited condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. All dollar amounts presented are in Canadian dollars unless otherwise specified.

Basis of consolidation

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned inactive subsidiaries:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Principal Activity
Maxim Resources (Barbados) Inc.	Barbados	100%	Holding Company
Maxim Resources (Caribbean) Inc.	Barbados	100%	Holding Company

All significant inter-company balances and transactions, income and expenses have been eliminated upon consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments and critical accounting estimates

The preparation of these unaudited condensed consolidated interim financial statements in conformity with IFRS requires estimates and assumptions that affect the amounts reported in these condensed consolidated interim financial statements.

Significant accounting judgments

Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements include, but are not limited to, the following:

- i) Determination of categories of financial assets and financial liabilities;
- ii) Determination of functional currency of the Company and its wholly-owned subsidiaries; and
- iii) Assessment of any indicators of impairment of the carrying value of the Company's exploration and evaluation assets;
- iv) Going concern risk assessment (refer to further discussion in Note 1 in the section *Going concern of operations*).

Critical accounting estimates

Key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year include, but are not limited to, the following:

Impairment indicators and calculation of impairment – At each reporting date, the Company assesses whether or not there are circumstances that indicate a possibility that the carrying values of exploration and evaluation assets are not recoverable or are impaired. The estimation of the impairment indicators involves the application of a number of significant judgments and estimates to certain variables including oil and gas trends, plans for properties and the results of exploration to date.

Income taxes – The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the condensed consolidated interim financial statements.

Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives.

Provision for environmental rehabilitation – The calculation of decommissioning liabilities includes estimates of the future costs to settle the liability, the timing of the cash flows to settle the liability, the credit-adjusted rate and the future inflation rates. The impact of differences between actual and estimated costs, timing and inflation on the condensed consolidated interim financial statements in future periods may be material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Significant accounting judgments and critical accounting estimates (cont'd...)

Critical accounting estimates (cont'd...)

Share-based payments – The fair value of share-based payments is determined using a Black-Scholes Option pricing model. Such option pricing models require the input of subjective assumptions including the expected price volatility, option life, dividend yield, risk-free rate and estimated forfeitures at the grant date.

Recoverability of long term bond – At each reporting date, the Company assesses whether there are circumstances that indicate a possibility that the long term bond is not recoverable, or impaired. The estimation of the impairment indicators involves a number of significant judgments and estimates including the political environment in Morocco and the Company's plan for its Morocco property.

Exploration and evaluation assets

a) Intangible exploration assets:

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures

Exploration expenditures include costs associated with the acquisition of a license interest, directly attributable general and administrative costs, expenditures incurred in the process of determining oil and gas exploration targets, and exploration drilling costs. All exploration expenditures are capitalized on a license-by-license basis within intangible exploration and evaluation assets. Costs are held un-depleted until such time as the exploration phases on the license area are complete or commercially viable reserves have been discovered and extraction of those reserves is determined to be technically feasible.

If commercial reserves are established and technical feasibility for extraction demonstrated, then the related capitalized intangible exploration costs are transferred into a single field cost center within "oil and gas interests" subsequent to determining that the assets are not impaired (see "Impairment of tangible and intangible assets" below). Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs are recognized in net income (loss).

Net proceeds from any disposal of an intangible exploration asset are initially credited against the previously capitalized costs. Any surplus proceeds are recorded as a gain in net income (loss).

Development and production costs:

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated are capitalized within "oil and gas interests" on a field-by-field basis. Subsequent expenditures are capitalized only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any remaining costs associated with the part replaced are expensed in net income (loss).

Net proceeds from any disposal of "oil and gas interests" are credited against the previously capitalized cost. A gain or loss on disposal is recognized in net income (loss) to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalized costs of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Exploration and evaluation assets (cont'd...)

b) Depletion and depreciation:

The net carrying value of “oil and gas interests” are depleted on a field-by-field basis using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production.

Proven and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Such reserves are considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

- a reasonable assessment of the future economics of such production;
- a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and
- evidence that the necessary production, transmission and transportation facilities are available or can be made available.

Reclamation deposits

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits. Reclamation deposits and long term bonds are classified as loans and receivables.

Provision for environmental rehabilitation

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Decommissioning liabilities are determined by discounting the expected future cash flows at the risk-free rate.

Furniture and equipment

Furniture and equipment is recorded at historical cost less accumulated depreciation and impairment charges. Furniture and equipment is amortized on a declining balance basis using the following rates:

Computer equipment	30%
Furniture	20%
Telephone	20%

The cost of replacing part of equipment is recognized in the carrying amount of the equipment if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of the equipment are recognized in profit or loss as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Earnings (loss) per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings (loss) per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the reporting period. For the current and prior year, earnings (loss) per share and diluted earnings (loss) per share were the same given that outstanding options and warrants were not in-the-money.

Earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period.

Impairment of tangible and intangible assets

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

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

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as a reserve.

Share issuance costs

Share issue costs are deferred and charged directly to share capital on completion of the related financing. If the financing is not completed share issue costs are charged to operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share-based payments

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

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to capital stock, adjusted for any consideration paid. When vested options are forfeited or are not exercised at the expiry date, the amount previously recognized in reserves is transferred to deficit. The Company estimates a forfeiture rate and adjusts the corresponding expense each period based on an updated forfeiture estimate.

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

Income taxes

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

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

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

Foreign currencies

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

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate of the transaction. Monetary assets and liabilities of the Company that are denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the end of each reporting period with the difference recorded in profit or loss. Non-monetary assets and liabilities are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Exchange gains and losses arising on translation of foreign subsidiaries are recognized directly into equity and transferred to the foreign currency transactions reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Cash and cash equivalents

Cash and cash equivalents include cash on deposit and are highly liquid investments that are readily convertible to cash which are subject to an insignificant risk of change in value.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets requiring a substantial period of time to get ready for their intended use or sale are capitalized as part of the cost of that asset.

Financial instruments

Financial assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss ("FVTPL") – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Loans and receivables ("LAR") - Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

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

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

The Company classified its cash and cash equivalents and long-term investment as FVTPL. The Company's long-term bonds are classified as LAR. Purchases and sales of financial assets are accounted for at settlement date.

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the final asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities

Financial liabilities are classified in one of two categories, based on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Fair value through profit or loss ("FVTPL") – This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities ("OFL") - This category consists of liabilities carried at amortized cost using the effective interest method. Such liabilities are initially recognized at fair value less directly attributable transactions costs and subsequently measured at amortized cost.

The Company classified its accounts payable and accrued liabilities and loans payable as OFL.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or they expire.

Impairment

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

New accounting standards and recent pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for the Company's September 30, 2016 reporting period. These standards and interpretations have not been adopted and have yet to be assessed by the Company unless otherwise stated. The Company plans to adopt these standards and interpretations during the period required.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

New accounting standards and recent pronouncements (cont'd...)

Effective for annual periods beginning on or after January 1, 2016

- New standard IFRS 9, Financial Instruments, Classification and Measurement is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, "Financial Instruments: Recognition and Measurement." IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. This standard is effective for years beginning on or after January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its condensed consolidated interim financial statements.
- Amendments to IFRS 11 – Joint Arrangements, require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to: (a) apply all of the business combinations accounting principles in IFRS 3 and other IFRS standards, except for those principles that conflict with the guidance in IFRS 11; and (b) disclose the information required by IFRS 3 and other IFRS standards for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured). These amendments are effective for reporting periods beginning on or after January 1, 2016.
- New standard IFRS 16 – Leases, brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. The application of this standard is effective for annual periods beginning on or after January 1, 2019.

4. LONG-TERM INVESTMENTS

	September 30, 2016			December 31, 2015		
	Number of shares	Cost	Fair value	Number of shares	Cost	Fair value
Global Resources Investment Trust Plc.	-	\$ -	\$ -	380,256	\$ 687,500	\$ 49,433

On March 7, 2014, the Company issued 5,500,000 common shares of the Company to Global Resources Investment Trust Plc. ("GRIT"), an arm's length party to the Company in exchange for the issuance of 380,256 ordinary shares of GRIT ("GRIT shares"). GRIT shares were initially valued at the trading price of \$1.808 per share. The Company classified the GRIT shares as a financial asset at fair value through profit or loss.

During the nine months ended September 30, 2016, the Company sold the GRIT shares for proceeds totaling \$39,323 and, as a result, recorded a gain on the sale of its investment of \$16,508.

5. FURNITURE AND EQUIPMENT

	Computer equipment	Furniture	Telephone	Total
Cost				
Balance, December 31, 2015 and September 30, 2016	\$ 9,667	\$ 7,978	\$ 5,826	\$ 23,471
Accumulated amortization				
Balance, December 31, 2014	\$ 8,557	\$ 6,612	\$ 4,946	\$ 20,115
Amortization for the period	<u>333</u>	<u>273</u>	<u>176</u>	<u>782</u>
Balance, December 31, 2015	8,890	6,885	5,122	20,897
Amortization for the period	<u>171</u>	<u>168</u>	<u>105</u>	<u>444</u>
Balance, September 30, 2016	\$ 9,061	\$ 7,053	\$ 5,227	\$ 21,341
Carrying amounts				
As at December 31, 2015	\$ 777	\$ 1,093	\$ 704	\$ 2,574
As at September 30, 2016	\$ 606	\$ 925	\$ 599	\$ 2,130

6. EXPLORATION AND EVALUATION ASSETS

On May 14, 2014, the Company entered into a Heads of Agreement, with First Sahara Energy Inc., for fees and expenses incurred during the acquisition of the Reconnaissance Contract (“the Contract”) on the Hassi Berkane Block (formerly Beni Znassen Block) in the Kingdom of Morocco. The Contract was valid for 12 months from June 18, 2014 and was extended to July 15, 2016. Upon completion of the work program, the bond was to be released back to the Company.

In connection with the Contract, the Company had placed a bond for \$676,490 (US\$483,000) (2015 - \$668,472 (USD\$483,000)) with the National Office of Hydrocarbon and Mines (“ONHYM”) in the Kingdom of Morocco. The Company has been committed to undertake a Work Program pursuant to the Contract for an estimated total of USD \$483,000 and contribute up to USD \$50,000 (paid) to training ONHYM personnel for the duration of the Contract.

However, during July 2016, the Company received notice from the ONHYM that it has declined the Company’s request to extend the Hassi Berkane licence. As a result, the ONHYM has issued a notice of default on the licence. The Company is assessing its position.

As a result of receiving this notice of default, the Company has written down to operations its exploration and evaluation asset by \$713,149 to \$1 and it has written off to operations its long-term bond in the amount of \$676,490.

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6. EXPLORATION AND EVALUATION ASSETS (cont'd...)

For the periods ended September 30, 2016 and December 31, 2015, the following exploration expenses were incurred on the exploration and evaluation assets:

	Hassi Berkane Block
Acquisition costs	
Balance, December 31, 2015	\$ 280,000
Written down	<u>(279,999)</u>
Balance, September 30, 2016	<u>1</u>
Exploration costs	
Balance, December 31, 2015	433,150
Written down	<u>(433,150)</u>
Balance, September 30, 2016	<u>-</u>
Total balance, September 30, 2016	<u>\$ 1</u>

	Hassi Berkane Block
Acquisition costs	
Balance, December 31, 2014 and 2015	<u>\$ 280,000</u>
Exploration costs	
Balance, December 31, 2014	109,522
Geological and consulting	254,841
Field cost	63,050
Maintenance	<u>5,737</u>
Balance, December 31, 2015	<u>433,150</u>
Total balance, December 31, 2015	<u>\$ 713,150</u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the Company are broken down as follows:

	September 30, 2016	December 31, 2015
Trade payables	\$ 202,177	\$ 257,588
Accrued liabilities	267,189	260,597
Due to related parties (Note 9)	<u>274,107</u>	<u>357,633</u>
Total	<u>\$ 743,473</u>	<u>\$ 875,818</u>

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8. LOANS PAYABLE

	September 30, 2016	December 31, 2015
Loan payable, unsecured, at 12% per annum, simple interest ⁱ⁾	\$ 117,580	\$ 133,900
Loan payable, unsecured, non-interest bearing	-	7,600
	<u>\$ 117,580</u>	<u>\$ 141,500</u>

i) During the year ended December 31, 2015, the Company received a loan of \$130,000, fully payable on April 1, 2016. The terms of the loan are set at 12% per annum. During the nine months ended September 30, 2016, the Company repaid the loan by \$27,724. The interest accrued on this loan is \$11,404 (2015 - \$nil) for the nine months ended September 30, 2016.

9. RELATED PARTY TRANSACTIONS

Amounts paid or accrued to related parties are as follows:

	Nature of transactions	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
A company controlled by the former Chairman	Consulting	\$ 24,314	\$ 112,418
A company controlled by the former CEO	Consulting	20,262	93,666
A firm of which the former CFO is a partner	Professional fees	15,000	36,600
A company controlled by the former CFO	Consulting	7,447	42,476
A company controlled by the VP of Corporate Affairs	Consulting	<u>14,183</u>	<u>65,566</u>
		<u>\$ 81,206</u>	<u>\$ 350,726</u>

The amounts due to/from related parties included in accounts payable and accrued liabilities are as follows:

	September 30, 2016	December 31, 2015
Due to a firm of which the former CFO is a partner	\$ 117,913	\$ 102,913
Due to a company controlled by the former CFO	58,751	35,501
Due to a company controlled by the former Chairman	75,180	42,311
Due to a company controlled by the VP of Corporate Affairs	10,729	23,086
Due to a company of which a director is a shareholder	-	128,822
Due to the former CEO	<u>11,534</u>	<u>25,000</u>
	<u>\$ 274,107</u>	<u>\$ 357,633</u>

As at September 30, 2016, the Company had advances of \$17,645 (December 31, 2015 - \$78,736) recognized in prepaids for directors and officers of the Company.

Transactions with related parties were in the normal course of operations and are measured at the exchange value. Amounts due to related parties are unsecured, non-interest bearing and due on demand; accordingly fair value cannot be reliably determined.

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10. CAPITAL STOCK AND RESERVES

a) Authorized share capital

As at September 30, 2016, the authorized share capital of the Company was:

Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

b) Issued share capital

During the nine months ended September 30, 2016, the Company closed a non-brokered private placement offering for aggregate gross proceeds of \$386,400. Pursuant to the Offering, the Company issued an aggregate of 15,456,000 units at a price of \$0.025 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each share purchase warrant is exercisable into one common share at a price of \$0.05 per share, expiring May 6, 2021.

c) Warrants

Warrant transactions for the nine months ended September 30, 2016 are summarized as follows:

Expiry Date	Exercise Price	December 31, 2015	Issued	Expired / Cancelled	September 30, 2016	Exercisable
December 29, 2016	\$ 0.18	4,678,000	-	-	4,678,000	4,678,000
December 29, 2016	\$ 0.125	80,000	-	-	80,000	80,000
May 6, 2021	\$ 0.05	-	15,456,000	-	15,456,000	15,456,000
Total		4,758,000	15,456,000	-	20,214,000	20,214,000
Weighted average exercise price	\$ -	\$ -	\$ -	\$ -	\$ 0.08	\$ 0.08
Weighted average remaining contractual life					4.58 years	

d) Stock Options

There were no stock options outstanding as at December 31, 2015 or September 30, 2016.

11. SEGMENTED INFORMATION

The Company operates in one industry segment, being the acquisition, exploration and development of oil and gas properties. Geographic information is as follows:

	September 30, 2016	December 31, 2015
Non-current assets		
Canada	\$ 2,130	\$ 2,574
United Kingdom	-	49,433
Morocco	<u>1</u>	<u>1,381,622</u>
	\$ 2,131	\$ 1,433,629

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liabilities either directly or indirectly;
and

Level 3 – Inputs that are not based on observable market data.

The fair value of these assets and liabilities approximate their respective carrying amounts except as otherwise noted. The fair value of the Company's cash and cash equivalents and long-term investments constitute Level 1 fair value measurements. The Company does not currently hold any financial instruments that would be included in the classification of AFS.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Management believes that the credit risk concentration with cash is remote as it maintains accounts with highly rated financial institutions.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2016, the Company had a cash and cash equivalents balance of \$31,976 (December 31, 2015 - \$7,289) to settle current liabilities of \$861,053 (December 31, 2015 - \$1,017,318). The Company is planning additional financings in the near term to raise working capital to finance its ongoing operations. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms, except for loans payable (refer to Note 8). The Company has not generated significant revenues from operations and continues to seek capital through various means including the issuance of equity and/or debt. These circumstances lend substantial doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, there is material uncertainty to the Company continuing as a going concern.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices, and foreign exchange rates.

a) Interest rate risk

The Company has cash balances, fixed-interest debt and non-interest-bearing debt (refer to Note 8). The Company is satisfied with the credit ratings of its banks. The Company believes it has no significant interest rate risk.

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12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont'd...)

Market risk (cont'd...)

b) Price risk

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

c) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to:

- i) US \$134,499 (\$176,748) of accounts payable and accrued liabilities; and
- ii) GBP \$86,120 (\$146,774) of accounts payable and accrued liabilities.

The Company does not hedge its exposure to foreign currency risk.

Net exposure

Based on the above net exposures as at September 30, 2016, and assuming all other variables remain constant, a 5% change in the value of the US dollar and GBP against the Canadian dollar would impact the Company's comprehensive loss by approximately \$16,176.

13. MANAGEMENT OF CAPITAL RISK

The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued capital, reserves and deficit. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity. The Company manages the capital structure and makes adjustments to it in light of changes in economic condition and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets. This strategy is unchanged from prior year.

The Company is not subject to externally imposed capital requirements.