KING GEORGE FINANCIAL CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NINE MONTHS ENDED AUGUST 31, 2016
(Unaudited)

KING GEORGE FINANCIAL CORPORATION

Under National Instrument 51-102, "Continuous Disclosure Obligations", Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indication that financial statements have not been reviewed by an auditor.

The Company's external auditors, Morgan & Company LLP Chartered Accountants, have not performed a review of these condensed consolidated interim financial statements.

"Andrew E. Saxton"
Director

"Tim Koo"
Director

October 27, 2016

KING GEORGE FINANCIAL CORPORATION

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

	AUGUST 31, 2016	NOVEMBER 30, 2015
ASSETS		
Cash and cash equivalents	$ 7,927,264	$ 12,591,021
Loan Receivable	324,000	1,722,600
Amounts receivable	5,000	14,768
Income tax recovery	67	102,300
Prepaid expenses and other assets	12,752	12,723
Restricted cash	-	7,497
Investments in securities (Note 5)	5,014,587	5,452,248
Property, plant and equipment (Note 6)	10,380,056	35,768
Properties under development (Note 11)	-	3,128,333
Investment in associate	3,543,092	3,952,310
Property held for sale (Note 11)	3,237,506	-
Total Assets	$ 30,444,324	$ 27,019,568
LIABILITIES		
Accounts payable and accrued liabilities	$ 72,871	$ 70,368
Obligations under capital lease	10,232	12,039
Advance from non-controlling interest (Note 10)	2,982,873	-
Liabilities related to property held for sale (Note 11)	16,166	-
Total Liabilities	3,082,142	82,407
EQUITY		
Share capital	21,357,575	21,357,575
Accumulated other comprehensive income (loss)	(31,875)	376,572
Retained earnings	4,540,132	5,203,014
Equity attributable to shareholders of the Company	25,865,832	26,937,161
Non-controlling interest (Note 9)	1,496,350	-
Total Equity	27,362,182	26,937,161
Total Liabilities and Equity	$ 30,444,324	$ 27,019,568

"Andrew E. Saxton"
Director

"Tim Koo"
Director

See accompanying notes to these condensed consolidated interim financial statements.

KING GEORGE FINANCIAL CORPORATION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian dollars)
(Unaudited)

	THREE MONTH ENDED		NINE MONTHS ENDED	
	AUGUST 31, 2016	AUGUST 31, 2015	AUGUST 31, 2016	AUGUST 31, 2015
Expenses				
Depreciation	$ 2,070	$ 2,040	$ 6,212	$ 6,120
Exchange (gain) loss	(17,878)	208,242	110,034	188,704
General and administrative	67,006	40,783	186,498	143,062
Salaries and benefits	101,725	74,545	318,128	278,285
Loss Before Other Income And Income Taxes	(152,923)	(325,610)	(620,872)	(616,171)
Other Income				
Income (loss) from investment in associate	213	453	(409,005)	453
Interest and dividends	89,191	47,218	235,093	153,467
Management fees	-	-	-	800
	89,404	47,671	(173,912)	154,720
Loss Before Income Taxes	(63,519)	(277,939)	(794,784)	(461,451)
Income Tax Expense (Recovery)	(114,558)	(23,203)	10,411	(18,829)
Net Income (Loss) For The Period	51,039	(254,736)	(805,195)	(442,622)
Other Comprehensive Income (Loss) Unrealized income (loss) on available-for-sale financial assets and exchange difference on net investment in a foreign operation	(153,642)	419,739	(389,784)	957,981
Comprehensive Income (Loss) For The Period	$ (102,603)	$ 165,003	$ (1,194,979)	$ 515,359
Net loss and comprehensive income (loss) attributable to:				
Shareholders of the Company	(116,084)	165,003	(1,071,329)	515,359
Non-controlling interest	13,481	-	(123,650)	-
	$ (102,603)	$ 165,003	$ (1,194,979)	$ 515,359
Basic and diluted earnings (loss)	(0.00)	(0.01)	(0.03)	(0.01)
Weighted average number of shares	39,556,460	39,556,460	39,556,460	39,556,460

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

KING GEORGE FINANCIAL CORPORATION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian dollars)
(Unaudited)

For the nine months ended August 31, 2016 and 2015

	ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY					
	AMOUNT	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
Balance, December 1, 2015	$ 21,357,575	$ 376,572	$ 5,203,014	$ 26,937,161	$ -	$ 26,937,161
Net loss for the period	-	-	(662,882)	(662,882)	(142,313)	(805,195)
Other comprehensive income (loss)	-	(408,447)	-	(408,447)	18,663	(389,784)
Acquisition of non-controlling interest by Company					1,620,000	1,620,000
Balance, August 31, 2016	**$ 21,357,575**	**$ (31,875)**	**$ 4,540,132**	**$ 25,865,832**	**$ 1,496,350**	**$ 27,362,182**
Balance, December 1, 2014	$ 21,357,575	$ (1,755,188)	$ 8,908,735	$ 28,511,122	$ -	$ 28,511,122
Net loss for the period	-	-	(442,622)	(442,622)	-	(442,622)
Other comprehensive income (loss)	-	957,981	-	957,981	-	957,981
Balance, August 31, 2015	$ 21,357,575	$ (797,207)	$ 8,466,113	$ 29,026,481	$ -	$ 29,026,481

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

KING GEORGE FINANCIAL CORPORATION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
(Unaudited)

	FOR THE NINE MONTHS ENDED	
	AUGUST 31, 2016	AUGUST 31, 2015
Cash Flows Provided By (Used In)		
Operating Activities		
Net Loss	$ (805,195)	$ (442,622)
Item not involving current cash flows:		
Properties under development	-	(81,311)
Non-cash item:		
Depreciation	6,212	6,120
Loss (gain) on investment in associate	409,218	(453)
Income tax expense	7,853	-
Changes in non-cash operating assets and liabilities:		
Amounts receivable	9,768	87,927
Prepaid expenses and other assets	12,553	13,649
Accounts payable and accrued liabilities	21,337	(17,916)
Income taxes refund	219,349	-
Malaysian commodity tax paid	(124,969)	-
Net cash flows used in operating activities	(243,874)	(434,606)
Investing Activities		
Capital contribution to investment in associate	-	(11,458)
Collection of loan receivable	1,398,600	-
Decrease in restricted cash	7,497	-
Additions to property held for sale	(109,173)	-
Additions to property, plant and equipment	(5,715,000)	-
	(4,418,076)	(11,458)
Financing Activities		
Repayment of obligations under capital lease	(1,807)	(2,131)
Increase (Decrease) In Cash	(4,663,757)	(448,195)
Cash and Cash Equivalents, Beginning Of Period	12,591,021	14,849,209
Cash and Cash Equivalents, End Of Period	$ 7,927,264	$ 14,401,014

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

1. REPORTING ENTITY

King George Financial Corporation ("the Company") was incorporated under the laws of the Province of British Columbia, Canada and is a public company trading on the TSX Venture Exchange under the symbol "KGF". The Company business is concentrated in hotel and residential real estate development as well as medium to long term investment in real estate, hotel and healthcare related securities.

The address of the Company's registered office and principal place of business is Suite 750, 515 Burrard Street, Vancouver, British Columbia, Canada, V6C 3A8.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements, including the notes thereof, for the year ended November 30, 2015 and 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on October 27, 2016 and are the responsibility of Company's management.

b) Basis of Measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Significant Accounting Judgments and Estimates

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses during the reporting period. Actual outcomes may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The company's significant accounting policies are the same as those disclosed in Note 3 of the Company's consolidated financial statements for the year ended November 30, 2015 and 2014 except for those standards adopted during the period as follows:

Business Combination – When the Company acquires a real estate or hotel property; management considers if the property represents the acquisition of a business where an integrated set of activities is acquired in addition to the property.

When such acquisition does not meet the definition of a business, it is accounted for as an acquisition of a group of assets and liabilities based on their relative fair values at the acquisition date. No goodwill is recognized.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as the acquisition date that, if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date up to a maximum of one year.

Property, Plant and Equipment

Hotel properties, consisting of building, furniture, fixtures and major electrical and mechanical equipment are included in property, plant and equipment. All hotel properties are amortized over their estimated useful lives at the following rates:

Asset	Basis	Rate
Building	Straight -line	50 – 55 years
Major electrical and mechanical equipment	Straight -line	30 years
Furniture, fixtures and equipment	Straight -line	3 – 5 years

When a hotel is under construction, real estate development hard and soft costs are capitalized until such time as the hotel is substantially developed and available for occupancy, and hotel properties are not amortized until put in use.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Comprehensive Income (loss)

Other comprehensive income (loss) includes exchange differences relate to a foreign operation that is consolidated but not wholly-owned. Accumulated exchange difference arising from translation and attributable to non-controlling interests are allocated to, and recognized as part of, non-controlling interests in the consolidated statement of financial position.

4. FUTURE ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

The following standards and interpretations are not yet effective and will only be applied for the first time in future periods. They may result in consequential changes to the accounting policies and note disclosures. The Company has not yet assessed the impacts of the standards or determined whether it will adopt the standards early:

Amendments to IAS 1 Presentation of Financial Statement are designed to encourage companies to apply professional judgement to determine what information to disclose in the financial statements. In addition, the amendments clarify that companies should use professional judgement in determining where and what order information is presented in financial disclosures. The amendment is effective for annual periods beginning on or after January 1, 2016.

IFRS 9 Financial Instruments was issued in November 2009 and covers the classification and measurement of financial assets as part of its project to replace IAS 39 Financial instruments: Recognition and Measurement. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is applicable for periods beginning on or after January 1, 2018.

IFRS 15 Revenue from Contracts with Customers establishes a five-step model that will apply to revenue earned from a contract, regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted.

IFRS 16 Leases replaces IAS 17 – Leases and requires lessees to account for leases on the balance sheet by recognizing a right to use asset and lease liability. The standard is effective for annual reports beginning on or after January 1, 2019, with earlier adoption permitted.

KING GEORGE FINANCIAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
NINE MONTHS ENDED AUGUST 31, 2016 AND 2015
(Expressed in Canadian dollars)
(Unaudited)

5. INVESTMENTS IN SECURITIES

AUGUST 31, 2016	NUMBER OF SHARES/UNITS	COST ($)	ACCUMULATD UNREALIZED GAINS (LOSS) ($)	FAIR VALUE ($)
Allied Hotel Properties Inc (AHP)	3,500,000	560,000	(262,500)	297,500
International Healthway Corporation (IHC)	10,300,000	4,124,582	(3,727,867)	396,715
Oclamon Real Estate Fund 1	253	2,629,176	691,196	3,320,372
MacDonald Lakeshore Properties Limited Partnership	20	1,000,000	-	1,000,000
Total Equity Securities	13,800,273	8,313,758	(3,299,171)	5,014,587

AUGUST 31, 2015	NUMBER OF SHARES/UNITS	COST ($)	ACCUMULATD UNREALIZED GAINS (LOSS) ($)	FAIR VALUE ($)
Allied Hotel Properties Inc (AHP)	3,500,000	560,000	(367,500)	192,500
International Healthway Corporation (IHC)	10,300,000	4,124,582	(1,134,337)	2,990,245
Oclamon Real Estate Fund 1	253	2,629,176	716,243	3,345,419
MacDonald Lakeshore Properties Limited Partnership	20	1,000,000	(11,613)	988,387
Total Equity Securities	13,800,273	8,313,758	(797,207)	7,516,551

(Expressed in Canadian dollars)

6. PROPERTY, PLANT and EQUIPMENT

	HOTEL BUILDING	ELECTRICAL/ MECHANICAL EQUIPMENT	COMPUTER/ OFFICE EQUIPMENT	VEHICLE	LEASEHOLD IMPROVEMENT	TOTAL
COST						
Balance, November 30, 2015	-	-	110,201	30,000	53,371	193,572
Additions	5,715,000	4,635,500	-	-	-	10,350,500
Balance, August 31, 2016	**$ 5,715,000**	**$ 4,635,500**	**$ 110,201**	**$ 30,000**	**$ 53,371**	**$ 10,544,072**
ACCUMULATED DEPRECIATION						
Balance, November 30, 2015	-	-	94,137	30,000	33,667	157,804
Depreciation for the period	-	-	2,438	-	3,774	6,212
Balance, August 31, 2016	**$ -**	**$ -**	**$ 96,575**	**$ 30,000**	**$ 37,441**	**$ 164,016**
CARRYING AMOUNTS						
November 30, 2015	-	$ -	$ 16,064	$ -	$ 19,704	$ 35,768
August 31, 2016	**$ 5,715,000**	**$ 4,635,500**	**$ 13,626**	**$ -**	**$ 15,930**	**$ 10,380,056**

KING GEORGE FINANCIAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
NINE MONTHS ENDED AUGUST 31, 2016 AND 2015
(Expressed in Canadian dollars)
(Unaudited)

7. SEGMENT DISCLOSURES

Reportable operating segments are strategic business units that offer different products and services. They are managed separately because each business unit requires different marketing strategies.

The Company has the following reportable operating segments: Real Estate Development, Hotel Development and Operations, Management and Finance Services, and Other.

Total Assets - Operating Segments:	AUGUST 31, 2016	AUGUST 31, 2015
Real Estate Development	$ 6,904,436	$ 7,229,266
Hotel Development and Operations	10,350,954	-
Management and Finance Services	7,850,347	11,631,504
Other	5,338,587	10,216,248
Total Assets	$ 30,444,324	$ 29,077,018

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	AUGUST 31, 2016	AUGUST 31, 2015	AUGUST 31, 2016	AUGUST 31, 2015
Revenue				
Real Estate Development	$ 213	$ 453	$ (409,005)	$ 453
Hotel Development and Operations	-	-	-	-
Management and Finance Services	-	-	-	800
Other	89,191	47,218	235,093	153,467
	$ 89,404	$ 47,671	$ (173,912)	$ 154,720
Depreciation Of Capital Assets				
Management and Finance Services	$ 2,070	$ 2,040	$ 6,212	$ 6,120
Total Depreciation	$ 2,070	$ 2,040	$ 6,212	$ 6,120
Segmented income (loss)				
Real Estate Development	$ 213	$ (2,000)	$ (409,005)	$ (15,525)
Hotel Development and Operations	(32,754)	-	(235,537)	-
Management and Finance Services	(23,491)	(91,165)	(347,449)	(391,813)
Other	107,071	(161,571)	186,796	(35,284)
Total Segmented Income (Loss)	$ 51,039	$(254,736)	$ (805,195)	$ (442,622)

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS

During the nine months ended 31 August 2016, the Company received $Nil in management fees (2015 - $800) from the Company's majority shareholders. The transaction was measured at the amounts agreed upon by the transacting parties.

Key management compensation	NINE MONTHS ENDED AUGUST 31, 2016	NINE MONTHS ENDED AUGUST 31, 2015
Short-term employee benefits	$ 125,300	$ 99,000

9. BUSINESS ACQUISITION

During Q2-16, the Company acquired 61.02% controlling interest of a Malaysian company Glittering Team Sdn Bhd (GTSB) entered into for the purpose of developing and operating a hotel in Kuala Lumpur, Malaysia. Presented below was the consideration paid and net assets acquired by the Company on March 16, 2016 acquisition date.

Consideration:		
Cash and assumption of payment obligation	$	2,429,250
Allocation of purchase price:		
Property, Plant and Equipment		10,350,500
Liabilities		(6,301,750)
		4,048,750
		60%
Net assets acquired	$	2,429,250

As at August 31, 2015, non-controlling interest totals $1,496,350 (38.98%). The value of the non-controlling interest is their proportional share of the acquiree's identifiable net assets.

The purchase price allocation for this transaction has not been finalized as of the current reporting date as management is still assessing the fair value of the net identifiable assets and resulting non-controlling interest. Under IFRS, the allocation must be finalized within one year of the acquisition date.

10. ADVANCE FROM NON-CONTROLLING INTEREST

Advance from non-controlling interest consisted of shareholder advance to GTSB in the amount of $2,982,873 from a director of non-controlling interest party. The shareholder advance carries a holding cost of 8% per annum on a non-compounding basis to GTSB. Repayment will be on a semi annual basis or at GTSB Board's discretion and drawn from 50% of GTSB profit available for distribution after deducting current liabilities, taxes and future funding requirements for debt servicing, capital expenditure and operating budget.

11. PROPERTY HELD FOR SALE

On July 13, 2016, the Company entered into a conditional agreement to sell its properties under development in City of Surrey, BC for $15,550,000. There was a 67-day due diligence period and a list of Purchaser's Condition that must be waived by the Purchaser on or before the Purchaser's Condition Waiver Date. Accordingly, the Company reclassified its properties under development in the condensed consolidated interim financial statements as property held for sale. Liabilities related to property held for sale were comprised of consultant fees totaling $16,166.

12. SUBSEQUENT EVENT

On September 19, 2016, Purchaser of property held for sale in Note 11 waived its purchaser's conditions precedent and placed a $3,000,000 nonrefundable deposit in its solicitor's trust account. Closing date of the sale is December 12, 2016. Management is currently reviewing and assessing the financial effect, closing adjustments and income tax implication to the Company.