

FREE ENERGY INTERNATIONAL INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
For the period ended November 30, 2015

Management's Responsibility

To the Shareholders of Free Energy International Inc.:

Management is responsible for the preparation and presentation of the accompanying condensed consolidated interim financial statements, including responsibility for significant accounting judgments and estimates in accordance with IFRS and ensuring that all information in the interim report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions which require objective judgment.

The Company maintains an accounting system and related controls to provide management with reasonable assurance that transactions are executed and recorded in accordance with its authorization, that assets are properly safeguarded and accounted for, and that financial records are reliable for preparation of financial statements.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Company's independent auditors, MNP LLP, have not audited or performed a review of these financial statements.

"Dean Bethune" (signed)
Dean Bethune
President
January 29, 2016

"Scott Hamilton" (signed)
Scott Hamilton
Chief Financial Officer
January 29, 2016

Free Energy International Inc.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

As at	November 30, 2015	August 31, 2015
Assets		
Current		
Cash	\$ 57,267	\$ 75,870
GST receivable	4,410	4,322
Prepaid expenses	12,609	2,159
	74,286	82,351
Intangible assets (note 6)	611,000	590,000
	\$ 685,286	\$ 672,351
Liabilities		
Current		
Accounts payable and accrued liabilities (note 3)	\$ 204,171	\$ 164,150
Subscriptions received (note 4)	50,000	-
	254,171	164,150
Shareholders' Equity (Deficiency)		
Share capital	5,178,058	5,178,058
Other equity reserve	1,331,537	1,327,126
Deficit	(6,078,480)	(5,996,983)
	431,115	508,201
	\$ 685,286	\$ 672,351

Nature and Continuation of Operations (note 1)
Related Party Transactions (note 7)

Approved on behalf of the Board of Directors:

....."Dean Bethune".....Director

....."Rob Solinger"..... Director

Free Energy International Inc.
Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

Years ended	Three months ended November 30, 2015	Three months ended November 30, 2014
Expenses		
Consulting fees	\$ 9,000	\$ -
General and administrative	3,431	1,970
Management fees (note 7)	60,000	3,750
Marketing	1,124	-
Professional fees	152	-
Stock based compensation	4,411	-
Transfer agent & filing fees	2,551	1,861
Travel	828	-
	81,497	7,581
Net loss and comprehensive loss	\$ 81,497	\$ 7,581
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding – basic and diluted	51,199,990	20,166,250

Free Energy International Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	<u>Share Capital</u>		Other equity reserve	Share subscription received in advance	Deficit	Total
	Number	Amount				
For the three months ended November 30, 2015						
Balance, August 31, 2015	51,199,990	5,178,05€	1,327,126	-	(5,996,983)	508,201
Stock based compensation	-	-	4,411	-	-	4,411
Loss for the period	-	-	-	-	(81,497)	(81,497)
Balance, November 30, 2015	51,199,990	5,178,05€	1,331,537	-	(6,078,480)	431,115
For the three months ended November 30, 2014						
Balance, August 31, 2014	16,429,990	3,714,117	878,752	160,000	(5,323,068)	(570,199)
Private placement	10,000,000	496,7	-	(160,000)	-	336,750
Loss for the period	-	-	-	-	(7,581)	(7,581)
Balance, November 30, 2014	26,429,986	4,210,867	878,752	-	\$ (5,330,649)	(241,030)

Free Energy International Inc.
Notes to Condensed Consolidated Interim Financial Statements
For the Three Month Periods Ended November 30, 2015 and 2014
(Unaudited - Prepared by Management)

Free Energy International Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – Prepared by Management)
 (Expressed in Canadian dollars)

Period ended	November 30, 2015	November 30, 2014
Operating Activities		
Net loss for the period	\$ (81,497)	\$ (7,581)
Add back:		
Stock based compensation	4,411	-
Changes in non-cash operating working capital items:		
Accounts payable and accrued liabilities	40,021	(32,764)
Prepaid expenses	(10,450)	(47,330)
GST/HST receivable	(88)	(1,372)
	(47,603)	(89,047)
Financing Activities		
Subscriptions received in advance	50,000	(160,000)
Share issuance	-	496,750
	50,000	336,750
Investing Activities		
Development costs of intangible asset	(21,000)	-
	(21,000)	-
Inflow (outflow) of Cash	(18,603)	154,038
Cash at Beginning of year	75,870	3,606
Cash at End of period	\$ 57,267	\$ 157,644

Free Energy International Inc.
Notes to Condensed Consolidated Interim Financial Statements
For the Three Month Periods Ended November 30, 2015 and 2014
(Unaudited - Prepared by Management)

1. NATURE AND CONTINUANCE OF OPERATIONS

Free Energy International Inc. (the "Company") was incorporated in Vancouver, British Columbia on February 11, 2005. The primary office is located at Suite 306 – 1088 Quebec Street, Vancouver, British Columbia, Canada.

These unaudited condensed consolidated interim financial statements were authorized by the Board of Directors on January 29, 2016.

The unaudited condensed consolidated interim financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and/or upon obtaining additional financing. The outcome of these matters cannot be predicted at this time. As at November 30, 2015, the Company had not achieved profitable operations and has a cumulative deficit of \$6,078,480 and a working capital deficiency of \$179,885 (2014 - \$81,799). These factors indicate a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The interim financial statements, including comparative figures, have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* and using International Financial Reporting Standards ("IFRS"). Accounting policies and methods of their application followed in the preparation of these interim financial statements are consistent with those used in the consolidated financial statements for the year ended August 31, 2015, except for the adoption of new standards and interpretations effective January 1, 2015 as disclosed below.

The following new accounting standards that have been adopted had no material impact on the interim financial statements.

- IAS 36 – Impairment of Assets
- IAS 39 – Financial Instruments: Recognition and Measurement
- IAS 32 – Financial Instruments: Presentation

Recent Accounting Pronouncements

The IASB has issued the following applicable standards, which have not yet been adopted by the Company. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

The following is a description of the new standards:

- IFRS 9 – Financial Instruments: Classification and Measurement, effective January 1, 2015
- IAS 19 – Employee Benefits

These standards and interpretations have not been adopted and are yet to be assessed by the Company.

Free Energy International Inc.
Notes to Condensed Consolidated Interim Financial Statements
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3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	November 30, 2015	August 31, 2015
Trade accounts payable	\$ 104,171	\$ 94,150
Due to Officers (note 9)	100,000	70,000
	\$ 204,171	\$ 164,150

4. SUBSCRIPTIONS RECEIVED

On November 25, 2015, the Company announced its intention to complete a private placement of 15,000,000 units ("Unit"), at \$0.035 per Unit, to provide the Company with gross proceeds of \$525,000. Each Unit will consist of one (1) common share of the Company and one share purchase warrant of the Company. Each whole warrant will be exercisable for a period of 36 months to purchase one (1) additional common share of the Company for \$0.05. Subscriptions received in advance of the issue of common shares are non-interest bearing.

5. STOCK OPTIONS

As at November 30, 2015, the following stock options were outstanding and exercisable:

Exercise Price	Number of options outstanding	Expiry date	Number of options exercisable	Remaining contractual life (years)
\$ 0.30	25,000	December 22, 2015	25,000	0.01
\$ 0.50	1,100,000	June 23, 2019	1,072,222	3.54
\$ 0.05	1,000,000	February 10, 2020	683,333	4.17
	2,125,000		1,780,556	

The weighted-average remaining contractual life of options outstanding at November 30, 2015 was 3.91 years.

6. INTANGIBLE ASSETS

Development costs	
Balance as at August 31, 2015	362,352
Additions	21,000
Balance as at November 30, 2015	383,352
Goodwill	
Balance as at August 31, 2015	227,648
Impairment	-
Balance as at November 30, 2015	227,648
Carrying amount	
At November 30, 2015	611,000

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7. RELATED PARTY TRANSACTIONS

These transactions were in the normal course of operations and were valued in these consolidated financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties:

- During the period, the Company incurred and recorded \$60,000 (2014 - \$3,750) as management fees pursuant to contracts with two companies owned by two officers of the Company. Under the terms of the agreements dated February 6, 2015, each officer will receive a monthly consulting fee of \$10,000 of which \$5,000 will be deferred in terms of payment for a six month period. At November 30, 2015, \$100,000 (August 31, 2015 – \$70,000) was included in accounts payable to these companies for consulting fees rendered.

Key Management Personnel	November 30, 2015	November 30, 2014
Consulting fees	\$ 60,000	\$ 3,750
	\$ 60,000	\$ 3,750

8. CHANGE IN PRESENTATION

The Company has reclassified certain prior period expenses to conform to the current year presentation of expenses.