



HALIO ENERGY INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2017

NOTICE OF NO AUDITOR REVIEW

The unaudited condensed interim financial statements, and accompanying notes thereto, for the periods ended January 31, 2017 and January 31, 2016 have not been reviewed by the Company's external auditor.

HALIO ENERGY INC.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	ASSETS	January 31, <u>2017</u>	July 31, <u>2016</u>
Current assets			
Cash		\$ 44,046	\$ 93,549
Receivables – Note 4		9,018	10,078
Prepaid expenses and deposits		9,973	17,325
Total current assets		63,037	120,952
Non-current assets			
Exploration and evaluation assets – Note 5		288,494	-
Total assets		\$ 351,531	\$ 120,952
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities – Notes 6 and 9		\$ 113,919	\$ 82,300
Total current liabilities		113,919	82,300
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital – Note 7		4,799,153	4,686,450
Share subscription received		489,200	-
Reserves – Note 7		582,758	585,961
Accumulated deficit		(5,663,499)	(5,233,759)
Total shareholders' equity (deficiency)		207,612	38,652
Total liabilities and shareholders' equity		\$ 351,531	\$ 120,952

Nature and Continuance of Operations (Note 1) Subsequent Event (Note 12)

APPROVED BY THE DIRECTORS:

<u>“Charles Ross”</u> Charles Ros	Director	<u>“Joseph E. Casabona”</u> Joseph E. Casabona	Director
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HALIO ENERGY INC.
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Three months ended January 31,		Six months ended January 31,	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Operating expenses				
Consulting	\$ 168,615	\$ 98,925	\$ 211,240	\$ 158,925
Management and directors' fees – Note 9	64,200	30,000	85,200	45,000
Office and miscellaneous	30,643	118	41,271	7,204
Professional fees	24,645	15,713	39,647	19,735
Transfer agent and filing fees	13,323	6,509	16,458	11,226
Travel and promotion	-	-	5,924	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(301,426)	(151,265)	(399,740)	(242,090)
Other income	-	17,130	-	17,130
	<hr/>	<hr/>	<hr/>	<hr/>
Net comprehensive loss for the period	\$ (301,426)	\$ (134,135)	\$ (399,740)	\$ (224,960)
	<hr/>	<hr/>	<hr/>	<hr/>
Loss per share – basic and diluted – Note 8	\$ (0.01)	\$ (0.07)	\$ (0.02)	\$ (0.12)
	<hr/>	<hr/>	<hr/>	<hr/>
Weighted average number of shares outstanding – basic and diluted – Note 8	24,372,151	1,895,650	24,351,824	1,839,490
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HALIO ENERGY INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Six months ended January 31,	
	<u>2017</u>	<u>2016</u>
Operating Activities		
Loss for the period	\$ (399,740)	\$ (224,960)
Adjustments for non-cash items:		
Other income	-	(17,130)
Changes in non-cash working capital items:		
Receivables	1,060	(3,243)
Prepaid expenses	7,352	2,600
Accounts payable and accrued liabilities	31,619	225,097
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Cash used in operating activities	(359,709)	(17,636)
	<hr/>	<hr/>
Investing Activities		
Exploration and evaluation assets	(288,494)	(1,750)
	<hr/>	<hr/>
Cash used in investing activities	(288,494)	(1,750)
	<hr/>	<hr/>
Financing Activities		
Shares issued for cash	109,500	-
Shares subscription received	489,200	-
Proceeds from loan issuance	-	18,000
	<hr/>	<hr/>
Cash provided by financing activities	598,700	18,000
	<hr/>	<hr/>
Decrease in cash during the period	(49,503)	(1,386)
Cash, beginning of the period	93,549	4,124
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Cash, end of the period	\$ 44,046	\$ 2,738
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Supplemental disclosure with respect to cash flows (Note 10)

HALIO ENERGY INC.
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	Share Capital		Share Subscription	Reserves	Accumulated Deficit	Total
	Number of shares	Amount				
Balance, July 31, 2015	1,783,331	\$ 2,940,854	\$ -	\$ 582,758	\$ (4,596,210)	\$ (1,072,598)
Shares issued at \$0.15 per share for exploration and evaluation assets	166,667	25,000	-			25,000
Loss for the period	-	-	-	-	(224,960)	(224,960)
Balance, January 31, 2016	1,949,998	2,965,854	-	582,758	(4,821,170)	(1,272,558)
Shares issued at \$0.07 per share for cash	22,000,000	1,540,000	-	-	-	1,540,000
Shares issued at \$0.50 per share for cash	381,500	190,750	-	-	-	190,750
Share issuance costs	-	(10,154)	-	-	-	(10,154)
Share-based payments	-	-	-	3,203	-	3,203
Loss for the period	-	-	-	-	(412,589)	(412,589)
Balance, July 31, 2016	24,331,498	4,686,450	-	585,961	(5,233,759)	38,652
Shares issued at \$1.20 per share for cash	85,000	102,000	-	-	-	102,000
Share subscription received	-	-	489,200	-	-	489,200
Options exercised	50,000	10,703	-	(3,203)	-	7,500
Loss for the period	-	-	-	-	(399,740)	(399,740)
Balance, January 31, 2017	24,466,498	\$ 4,799,153	489,200	\$ 582,758	\$ (5,633,499)	\$ 237,612

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

HALIO ENERGY INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2017

1. NATURE AND CONTINUANCE OF OPERATIONS

Halio Energy Inc. (TSX-V: HOIL) (the “Company”; formerly TAD Mineral Exploration Inc.) was incorporated on April 23, 2007, under the British Columbia Company Act and is listed on the TSX Venture Exchange. The Company’s head office and principal business address is Suite 2300 - 1177 West Hastings Street, Vancouver, British Columbia, V6E 2K3. The Company’s registered and records office is located at 800 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1.

On January 19, 2016 the Company consolidated its share capital, stock options and share purchase warrants on a one-new-for-ten-old basis, changed its name from Tad Mineral Exploration Inc. to Everest Ventures Inc., and changed its trading symbol to “EET”. On May 4, 2016 the Company consolidated its share capital, stock options and share purchase warrants on a one-new-for-three-old basis. These financial statements reflect the January 2016 and May 2016 share consolidations. All common shares, stock options, share purchase warrants and per common share amounts have been retroactively restated.

On June 8, 2016 the Company completed a private placement consisting of the issuance of 22,000,000 units, at a price of \$0.07 per unit, to raise aggregate gross proceeds of \$1,540,000. Each unit is comprised of one share and one warrant, each of which will be exercisable into one share at a price of \$0.09 per share for 5 years from the date of issuance. A private company acquired 20,000,000 units of the private placement, resulting in a change of control of the Company. On Closing, the private company held 82.2 % of the shares on an undiluted basis.

On June 28, 2016 the Company changed its name to Halio Energy Inc., and changed its trading symbol to “HOL” to reflect its new business direction. On November 9, 2016 the symbol was changed to “HOIL”. The Company has changed its business direction from acquiring and exploring mineral properties to investing in North and South American-based oil and gas upstream and producing properties, and intends to procure direct working interests on a non-operated basis as well as limited partnership, joint venture, and MLP interests.

These condensed interim financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. At January 31, 2017, the Company had a working capital deficiency of \$50,882, had not yet achieved profitable operations and has an accumulated deficit of \$5,633,499 since its inception. The Company expects to incur further losses in the development of its business, all of which cast substantial doubt on the Company’s ability to continue as a going concern. The Company will require additional financing in order to conduct its planned work programs on its exploration and evaluation assets, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these condensed interim financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company’s assets and liabilities on a liquidation basis could be material to these condensed interim financial statements.

HALIO ENERGY INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2017

2. BASIS OF PREPARATION

These condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). Therefore, these condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company’s most recently issued audited financial statements for the year ended July 31, 2016, which includes information necessary or useful to understanding the Company’s business and financial statement presentation. In particular, the Company’s significant accounting policies, use of judgements and estimates were presented in Note 2 and Note 3 of these audited financial statements, and have been consistently applied in the preparation of these condensed interim financial statements.

These condensed interim financial statements were authorized for issue by the Board of Directors on April 03, 2017.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its condensed interim financial statements.

IFRS 9 – Financial Instruments (“IFRS 9”)

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and de-recognition of financial instruments. The amended standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRS 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transaction involving Advertising Service. The new standard is effective for annual periods beginning on or after January 1, 2018.

HALIO ENERGY INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
January 31, 2017

4. RECEIVABLES

The Company's receivables comprise goods and services tax ("GST") receivable due from Canadian government taxation authorities.

5. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are comprised of:

	July 31, 2016	Expenditures	January 31, 2017
	\$	\$	\$
Western Idaho Basin - Oregon			
Deferred exploration costs	-	286,494	286,494
		286,494	286,494
Street Property – Sudbury, Ontario			
Acquisition	-	2,000	2,000
		2,000	2,000
Total	-	288,494	288,494

Deferred exploration costs were as follows:

	Western Idaho Basin, Oregon	Street Property Sudbury, Ontario	Total
	(a)	(b)	
	\$	\$	\$
Balance, July 31, 2016	-	-	-
Exploration:			
Geology and geophysics	286,494	-	286,494
	286,494	-	286,494
Balance, January 31, 2017	286,494	-	286,494

HALIO ENERGY INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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January 31, 2017

5. EXPLORATION AND EVALUATION ASSETS (continued)

a) Western Idaho Basin - Oregon

On October 3, 2016, the Company signed a Farm-in Agreement to drill several high-priority oil and gas prospects in Oregon's Western Idaho Basin. The Company can earn a 50% working interest on an 80% net revenue interest basis in the project by spending \$US 6 million including the cost of drilling three wells.

During the six month ended January 31, 2017, the Company incurred \$286,494 towards exploration and evaluation costs.

b) Street Property – Sudbury, Ontario

During the six month ended January 31, 2017, the Company staked certain claims for \$2,000.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities recognized in the statement of financial position can be analyzed as follows:

	<u>January 31, 2017</u>	<u>July 31, 2016</u>
Trade payables	\$ 113,919	\$ 72,300
Accrued liabilities	-	10,000
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Total payables	\$113,919	\$ 82,300
	<hr/>	<hr/>

All amounts are short-term. The carrying value of trade payables and accrued liabilities is considered a reasonable approximation of fair value.

HALIO ENERGY INC.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

January 31, 2017**7. SHARE CAPITAL AND RESERVES****Authorized:** An unlimited number of common shares, without par value

On January 19, 2016 the Company consolidated its share capital, stock options and share purchase warrants on a one-new-for-ten-old basis. All common shares, stock options, share purchase warrants and per common share amounts have been retroactively restated.

(a) Share purchase warrants

The following is a summary of changes in share purchase warrants from July 31, 2014 to January 31, 2017:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Balance, July 31, 2014	886,410	\$2.52
Expired	(203,334)	\$3.00
	<u>683,076</u>	<u>\$2.38</u>
Granted	22,381,500	\$0.10
Balance, July 31, 2016 and January 31, 2017	<u>23,064,576</u>	<u>\$0.16</u>

At January 31, 2017, the Company had 23,064,576 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
401,343	\$3.00	May 17, 2017
281,733	\$1.50	August 20, 2018
22,000,000	\$0.09	June 8, 2021
<u>381,500</u>	\$0.50	June 27, 2021
<u>23,064,576</u>		

(b) Share-based payments

The Company has a Stock Option Plan (“the Plan”) under which it is authorized to grant options to directors, officers, consultants or employees of the Company. The number of options granted under the Plan is limited to 10% in the aggregate of the number of issued and outstanding common shares of the Company at the date of grant of the options. The exercise price of options granted under the Plan may not be less than the discounted market price of the Company’s common shares at the date the options are granted.

Options granted under the Plan vest at the discretion of the Board of Directors and have a maximum life of five years.

HALIO ENERGY INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
January 31, 2017

7. SHARE CAPITAL AND RESERVES (continued)

(c) Share-based payments (continued)

The following is a summary of changes in share purchase options from July 31, 2015 to January 31, 2017:

	Number	Weighted Average Exercise Price
Outstanding and exercisable, July 31, 2015	133,167	\$2.10
Expired	(21,667)	\$3.60
Forfeited	(111,500)	\$1.74
Granted	50,000	\$0.15
Exercised	-	-
Outstanding and exercisable, July 31, 2016	<u>50,000</u>	<u>-</u>

	Number	Weighted Average Exercise Price
Outstanding and exercisable, July 31, 2016	50,000	\$0.15
Expired	-	-
Forfeited	-	-
Granted	-	-
Exercised	(50,000)	\$0.15
Outstanding and exercisable, January 31, 2017	<u>-</u>	<u>-</u>

8. LOSS PER SHARE

The calculation of basic and diluted loss per share was based on the following data:

	Six months ended January 31,	
	<u>2017</u>	<u>2016</u>
Net Loss	<u>\$ 399,740</u>	<u>\$ 224,960</u>
Weighted average number of common shares for the purpose of basic and diluted loss per share	<u>24,351,824</u>	<u>1,839,490</u>

Basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution of common share equivalents, such as stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and share purchase warrants currently issued (see Note 6) were anti-dilutive for the six months ended January 31, 2017 and 2016.

The loss per share for the six months ended January 31, 2017 was \$0.02 (six months ended January 31, 2016: \$0.12).

HALIO ENERGY INC.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

January 31, 2017**9. RELATED PARTY TRANSACTIONS***Key management personnel compensation*

Key management of the Company are directors and officers of the Company and their remuneration includes the following:

	Six months ended January 31,	
	<u>2017</u>	<u>2016</u>
Management fees to a director	\$ 81,000	\$ -
Management fees to a former director	-	45,000
Consulting fees to a director	67,000	-
Professional fees to the former CFO	-	3,000
Director's fees to a former director	4,200	-
	<u>4,200</u>	<u>-</u>

Related party balances

As at January 31, 2017 and July 31, 2016 the Company's accounts payable and accrued liabilities included the following amounts due to related parties:

	January 31, 2017	July 31, 2016
Former director and private company controlled by the former director,	-	\$1,259
Director for travel expenses	-	146
	<u>\$ -</u>	<u>\$ 1,405</u>

January 31, 2017 and July 31, 2016 the Company's prepaid expenses included the following amounts due from related parties:

	January 31, 2017	July 31, 2016
Due from Director, Miodrag Andric, for prepaid expenses	(9,548)	-
	<u>\$ (9,548)</u>	<u>\$ -</u>

10. SEGMENTAL REPORTING

At January 31, 2017, the Company operated in two business segments, being the acquisition and exploration of oil and gas properties located in the United States of America and the acquisition and exploration of mineral properties in Canada

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows. The following transaction was excluded from the statements of cash flows:

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

HALIO ENERGY INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2017

There were no non-cash financing or investing activities during the six months ended January 31, 2017 and 2016.

12. SUBSEQUENT EVENT

Subsequent to January 31, 2017, the Company completed private placements of 535,817 shares for gross proceeds of \$642,980. The net proceeds of the private placements will be used to finance the acquisition and exploration of the Company's Western Idaho Basin, Oregon and Sudbury, Ontario properties and for general working capital purposes.