METROPOLITAN ENERGY CORP.

Condensed Interim Financial Statements (Unaudited)

Three and Six Months Ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

METROPOLITAN ENERGY CORP.

(the "Company")

CONDENSED INTERIM FINANCIAL STATEMENTS

Three and six months ended July 31, 2016 and 2015

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The management of Metropolitan Energy Corp. is responsible for the preparation of the accompanying unaudited condensed interim financial statements. The unaudited condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of condensed consolidated interim financial statements and are in accordance with IAS 34 - Interim Financial Reporting.

The Company's auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

September 29, 2016

Metropolitan Energy Corp.

Condensed Interim Statements of Financial Position (Unaudited)
(Expressed in Canadian Dollars)

	July 31, 2016	January 31, 2016
	$	$
Assets		
Current assets:		
Cash and cash equivalents	982	5,884
	982	5,884
Liabilities and Shareholders’ Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	118,806	94,330
Loans payable and accrued interest (Note 4)	65,505	49,641
	184,311	143,971
Shareholders’ deficiency:		
Share capital (Note 6)	1,615,505	1,613,505
Reserves	248,163	248,163
Deficit	(2,046,997)	(1,999,755)
	(183,329)	(138,087)
	982	5,884

Nature of Operations and Going Concern (Note 1)

See accompanying notes to condensed interim financial statements.

Metropolitan Energy Corp.

Condensed Interim Statements of Loss and Comprehensive Loss (Unaudited)
(Expressed in Canadian Dollars)

	Three months ended July 31,		Six months ended July 31,	
	2016	2015	2016	2015
Expenses:				
Audit & other professional fees	$ 18,018	$ 160	$ 18,018	$ 160
Filing and listing fees	3,668	3,520	6,293	10,030
Office and miscellaneous (Note 5)	6,300	7,050	12,600	13,350
Transfer agent	581	794	2,264	1,442
Shareholder's communication	58	-	58	-
Loss before other items	(28,625)	(11,524)	(39,233)	(24,982)
Finance expense:				
Finance and other cost (Note 7)	(5,410)	(2,295)	(8,009)	(9,220)
Net loss and comprehensive loss for the period	(34,035)	(13,819)	(47,242)	(34,202)
Basic and diluted loss per share	$ (0.005	$ (0.002)	$ (0.005)	$ (0.004)
Weighted average number of shares outstanding	9,160,934	9,125,994	9,150,829	9,073,832

See accompanying notes to condensed interim financial statements.

Metropolitan Energy Corp.

Condensed Interim Statements of Changes in Equity (Unaudited)
(Expressed in Canadian Dollars)

		Share capital		Reserves				Deficit	Total
	Notes	Common shares	Amount	Stock options	Warrants	Obligation to issue shares	Total		
		#	$	$	$	$	$	$	$
Balance, January 31, 2015		9,020,499	1,607,505	102,062	146,101	-	248,163	(1,938,828)	(83,160)
Comprehensive loss for the period		-	-	-	-	-	-	(34,202)	(34,202)
Obligation to issue shares pursuant to loan agreement	4(b)	-	-	-	-	6,000	6,000	-	6,000
Share issued pursuant to loan agreement	4(b)	120,000	6,000	-	-	(6,000)	(6,000)	-	-
Balance, July 31, 2015		9,140,499	1,613,505	102,062	146,101	-	248,163	(1,973,030)	(111,362)
Comprehensive loss for the period		-	-	-	-	-	-	(26,725)	(26,725)
Balance, January 31, 2016		9,140,499	1,613,505	102,062	146,101	-	248,163	(1,999,755)	(138,087)
Comprehensive loss for the period		-	-	-	-	-	-	(47,242)	(47,242)
Obligation to issue shares pursuant to loan agreement	4(c)	-	-	-	-	2,000	2,000	-	2,000
Share issued pursuant to loan agreement	4(c)	40,000	2,000	-	-	(2,000)	(2,000)	-	-
Balance, July 31, 2016		9,180,499	1,615,505	102,062	146,101	-	248,163	(2,046,997)	(183,329)

See accompanying notes to condensed interim financial statements.

Metropolitan Energy Corp.

Condensed Interim Statements of Cash Flows (Unaudited)
(Expressed in Canadian Dollars)

	Six months ended July 31,	
	2016	2015
	$	$
Operating activities:		
Net loss for the period	(47,242)	(34,202)
Adjustments for non-cash items:		
Accrued interest	5,864	3,124
Financing fees	2,000	6,000
Changes in non-cash working capital items:		
Amounts receivable	-	(439)
Accounts payable and accrued liabilities	24,476	1,552
	(14,902)	(23,965)
Financing activity:		
Proceeds from loans	10,000	30,000
Change in cash and cash equivalents	(4,902)	6,035
Cash and cash equivalents, beginning of period	5,884	97
Cash and cash equivalents, end of period	982	6,132

See accompanying notes to condensed interim financial statements.

1. Nature of Operations and Going Concern

Metropolitan Energy Corp. ("the Company") was incorporated on July 16, 2007 under the Business Corporations Act of British Columbia and is currently engaged in identifying and evaluating potential transactions and/or acquisitions in the resource or other business sectors. The Company is a reporting issuer in the Provinces of Ontario, Alberta and British Columbia and its common shares trade on NEX effective July 10, 2015 under the trading symbol "MOE.H".

The head office and principal address of the Company are located at 610 – 700 West Pender Street, Vancouver, BC V6C 1G8. The Company's registered office address is Suite 800, 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5.

The ability of the Company to attain profitable operations is dependent upon the identification and acquisition of resource properties, the completion of exploration programs, discovery and development of economic ore reserves and the ability to arrange sufficient financing to acquire the resource properties and to bring the ore reserves into production. The ultimate outcomes of these matters cannot presently be determined because they are contingent on future events.

These condensed interim financial statements have been prepared using accounting policies applicable to a going concern which contemplate the realization of assets and settlement of liabilities in the normal course of business. As at July 31, 2016, the Company had no operating revenue, an accumulated deficit of $2,046,997 (January 31, 2016 - $1,999,755), working capital deficiency of $183,329 (January 31, 2016 - $138,087) and expects to incur further losses in the development of its business. The Company will require additional financing in order to fund working capital requirements, and as it determines, to acquire additional properties. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations. These material uncertainties cast significant doubt on the entity's ability to continue as a going concern.

These condensed interim financial statements do not reflect adjustments to the carrying amounts of assets and liabilities, the reported revenues and expenses and the statement of financial position classifications used that would be necessary if the going concern assumptions were not appropriate.

2. Significant Accounting Policies

(a) Basis of Presentation

The condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standards 34, "*Interim Financial Reporting"* ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies and methods of computation applied by the Company in these condensed interim financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended January 31, 2016.

The 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 annual financial statements for the year ended January 31, 2016.

2. Significant Accounting Policies (continued)

(a) Basis of Presentation (continued)

These condensed interim financial statements were approved and authorized for issue by the Board of Directors of the Company on September *, 2016.

(b) Functional and Presentation of Foreign Currency

The condensed interim financial statements are presented in Canadian dollars unless otherwise noted. The presentation currency of the Company is the Canadian dollar.

(c) Foreign Currency Translation

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated at historical rates. Foreign currency gains and losses arising from translation are included in profit or loss for the reporting period.

(d) Use of Estimates and Judgments

The preparation of the Company's condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The presentation of these condensed interim financial statements requires judgments regarding the ability of the Company to continue as a going concern, as described in Note 1.

(e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash balances and highly liquid investments having maturities of three months or less from the date of purchase which are readily convertible into cash and that are subject to an insignificant risk of changes in value. The Company's cash and cash equivalents are held by major financial institutions in business and savings accounts or guaranteed investment certificates which are readily available on demand by the Company.

(f) Exploration and Evaluation Expenditures

Exploration and evaluation activity begins when the Company obtains legal rights to explore a specific area and involves the search for mineral reserves, the determination of technical feasibility and the assessment of commercial viability of an identified mineral resource. Expenditures incurred in the exploration and evaluation phase include the cost of acquiring interests in mineral rights, licenses and properties and the costs of the Company's exploration activities, such as researching and analyzing existing exploration data, gathering data through geological studies, exploratory drilling, trenching, sampling, and certain feasibility studies.

2. Significant Accounting Policies (continued)

(f) Exploration and Evaluation Expenditures (continued)

Exploration and evaluation expenditures incurred prior to the determination of commercially viable mineral resources, the feasibility of mining operations and a positive development decision are expensed as incurred. Mineral property acquisition costs and development expenditures incurred subsequent to such a determination are capitalized and amortized over the estimated life of the property following the commencement of commercial production, or are written off if the property is sold, allowed to lapse or abandoned or when an impairment is determined to have occurred.

(g) Decommissioning Obligations

A liability for a decommissioning obligation, such as site reclamation costs, is recorded when a legal or constructive obligation exists and is recognized in the period in which it is incurred. The Company records the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for the same amount. Subsequently, these capitalized decommissioning costs will be depreciated over the life of the related assets. The liability is accreted to reflect the passage of time and adjusted to reflect changes in the timing and amount of estimated future cash flows.

As at July 31, 2016 and 2015, the Company has determined that it does not have material decommissioning obligations with respect to its previous mineral property interests.

(h) Impairment of Financial Assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss with a corresponding reduction in the financial asset, or in the case of amounts receivable are reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(i) Share Capital

Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded over the vesting periods are recorded as share capital. Share capital issued for non-monetary consideration is recorded at an amount based on the fair value of the common shares on the date of issue.

(j) Share-based Payments

The Company has an employee stock option plan. Share-based payments to employees are measured at the fair value of the stock options at the grant date and amortized to expense over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

2. Significant Accounting Policies (continued)

(j) Share-based Payments (continued)

The corresponding amount is recorded in equity as a stock option reserve. The fair value of options is determined using a Black–Scholes option pricing model which incorporates all market vesting conditions. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(k) Loss Per Share

The Company calculates basic loss per share using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Stock options and warrants are dilutive when the Company has income from continuing operations and the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

All potential common shares are anti-dilutive for the years presented.

(l) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized in the statements of financial position at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to maturity, available-for-sale and other financial liabilities.

<u>Non-derivative financial assets</u>

(i) Financial assets and liabilities at fair value through profit and loss

Financial assets and liabilities at fair value through profit and loss are either ‘held-for-trading’ or classified as fair value through profit or loss. Financial assets are designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch, the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s documented risk management or investment strategy or the financial asset contains one or more embedded derivatives. They are initially and subsequently measured at fair value and changes in fair value are recognized in profit or loss for the period.

The Company does not have any financial assets at fair value through profit and loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

2. Significant Accounting Policies (continued)

(l) Financial Instruments (continued)

Non-derivative financial assets (continued)

(ii) Loans and receivables (continued)

They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

The Company has designated its cash and cash equivalents as loans and receivables.

(iii) Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for- sale or are not classified in any other financial asset categories. They are initially and subsequently measured at fair value and the changes in fair value, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income (loss) and presented within equity in accumulated other comprehensive income. When the financial assets are sold or an impairment write-down is required, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

The Company does not have any available-for-sale financial assets.

Non-derivative financial liabilities

All financial liabilities are recognized initially at fair value plus any directly attributable transaction costs on the date at which the Company becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition, the Company's financial liabilities are measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The Company's non-derivative financial liabilities include its accounts payable and accrued liabilities, and loan payable which are designated as other liabilities.

(m) Income Taxes

Income tax expense comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date. As the Company is in a loss position there is no current tax payable.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets liabilities and assets.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

2. Significant Accounting Policies (continued)

(m) Income Taxes (continued)

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be related tax benefit will be realized.

3. Recent Accounting Pronouncements

There were no new standards effective February 1, 2015 that had an impact on the Company's condensed interim financial statements. The following IFRS standard has been recently issued by the IASB. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

IFRS 9, Financial Instruments

The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 will replace the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. The new standard also requires a single impairment method to be used, provides additional guidance on the classification and measurement of financial liabilities, and provides a new general hedge accounting standard.

The mandatory effective date has been set for January 1, 2018, however early adoption of the new standard is permitted. The Company currently does not intend to early adopt IFRS 9. The adoption of IFRS 9 is currently not expected to have a material impact on the condensed interim financial statements as the classification and measurement of the Company's financial instruments is not expected to change given of the nature of the Company's operations and the types of financial instruments that it currently holds.

4. Loans Payable and Accrued Interest

(a) The Company entered into a loan agreement dated May 28, 2014, with a former director of the Company (the "Lender") in the principal amount of $11,000. The loan is unsecured, bears interest at 24% per annum, compounded monthly, and originally matured on May 28, 2015. In consideration for the loan, the Company issued 27,500 common shares to the Lender at a fair value of $2,200. On May 21, 2015, the Lender signed an amended letter agreement granting the Company an extension to the term of the loan to November 28, 2015. As of September 29, 2016, the loans have not been repaid and continue to bear interest at 24% per annum.

During the six months ended July 31, 2016, the Company accrued $2,093 in interest on this loan.

(b) The Company entered into unsecured loan agreements dated April 22, 2015 in the aggregate principal amount of $30,000, of which $20,000 was received from a director of the Company. The loans are unsecured, bear interest at 18% per annum, compounded monthly, and mature on April 22, 2016. If the loans are not repaid at maturity, interest will be charged at 24% per annum. Of the total loans, $20,000 was from a director of the Company. As of September 29, 2016, the loans have not been repaid and continue to bear interest at 24% per annum. In consideration for the loans, the Company issued 120,000 common shares of the Company to the lenders at a fair value of $6,000. The fair value of the shares are presented as a deferred finance cost netted against the loan and is being accreted over the term of the loans.

During the six months ended July 31, 2016, the Company accrued $3,440 in interest on these loans.

(Expressed in Canadian Dollars)

4. Loans Payable and Accrued Interest (continued)

(c) The Company entered into unsecured loan agreements dated May 27, 2016 in the aggregate principal amount of $10,000 (the "Loans"). The Loans bear interest at a rate of 18% per annum, compounded and payable monthly. The Loans have a term of 12 months maturing in May 2017, and are payable on demand. If the Loans are not repaid at maturity, interest will be charged at 24% per annum. Of the total Loans, $5,000 was from a director of the Company. In consideration for the loans, the Company has received the approval of the TSX Venture Exchange to pay a 20% bonus, payable in common shares in the capital of the Company, which has resulted in 40,000 common shares of the Company being issued.

During the six months ended July 31, 2016, the Company accrued $331 in interest on this loan.

5. Related Party Transactions

(a) Related Party Transactions

	Three months ended July 31, 2016	Three months ended July 31, 2015	Six months ended July 31, 2016	Six months ended July 31, 2015
	$	$	**$**	$
Office, rent and administration paid or accrued to companies having a director and officers in common	6,300	6,300	12,600	12,600
Professional fees paid or accrued to companies having a director and officers in common	4,725	-	9,450	-

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

(b) Related Party Balances

In addition to the loan payable to a director of the Company (Note 4 (b) and (c)), the following related party amounts are included in accounts payable and accrued liabilities:

	July 31, 2016	January 31, 2016
	$	$
An officer of the Company	1,636	1,636
Companies having directors and officers in common	103,050	83,058

Any amounts due to related parties are unsecured, non-interest bearing and have no specific repayment terms.

(Expressed in Canadian Dollars)

6. Share Capital

(a) Authorized

The Company is authorized to issue an unlimited number of common voting shares without par value.

(b) Issued

At July 31, 2016, there were 9,180,499 issued and fully paid common shares (January 31, 2016 – 9,140,499).

(c) Stock Options

The Company has an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company.

The continuity of stock options issued and outstanding is as follows:

	Options Outstanding	Weighted Average Exercise Price
	#	$
Balance, January 31, 2014	788,000	0.125
Forfeited	(34,000)[1]	0.100
Balance, January 31, 2015, 2016 and July 31, 2016	754,000	0.126

(1) During the year ended January 31, 2015, the fair value of the 34,000 forfeited options, being $2,900, was reclassified within shareholders' equity from reserves to deficit.

The following is a summary of the status of stock options outstanding and exercisable at July 31, 2016:

Options Outstanding	Exercise Price	Expiry Date	Options Exercisable
#	$		#
399,000	0.15	September 23, 2016	399,000
355,000	0.10	November 1, 2016	355,000
754,000			754,000

During the year ended January 31, 2016, the Company recorded $nil (2015 – $nil) in share-based payments for stock options vested during the year.

(Expressed in Canadian Dollars)

6. Share Capital (continued)

(d) Warrants

The continuity of share purchase warrants issued and outstanding is as follows:

	Warrants	Weighted Average Exercise Price
	#	$
Balance, July 31, 2016 and January 31, 2016 and 2015	5,000,000	0.10

Share purchase warrants outstanding at July 31, 2016 are as follows:

Warrants	Exercise Price	Expiry Date
#	$	
5,000,000	0.10	October 27, 2016

7. Finance and Other Costs

	Three months ended July 31,		Six months ended July 31,	
	2016	2015	2016	2015
	$	$	$	$
Financing fees (Note 4(c))	2,000	-	2,000	6,000
Interest expense (Note 4)	3,293	2,233	5,864	3,124
Bank charges	117	62	145	96
	5,410	2,295	8,009	9,220

8. Subsequent Events

On September 26, 2016, the Company announced a share consolidation and a private placement offering. The Company expects to implement the share consolidation immediately prior to the closing of the offering on the basis of six pre-consolidation common shares for each one post-consolidation common share. Following the share consolidation, but prior to completion of the offering, the Company expects that there will be 1,523,417 common shares issued and outstanding.

The private placement offering
In connection with the offering, the company anticipates issuing up to 11,111,111 post-consolidation common shares at a price of 6.75 cents per share for aggregate gross proceeds of up to $750,000.