UMBRAL ENERGY CORP.

Condensed Interim Consolidated Financial Statements

For the period ended July 31, 2016
(Stated in Canadian Dollars)

(Unaudited)

NOTICE OF NO AUDITORS' REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the condensed interim consolidated financial statements.

The accompanying unaudited condensed interim consolidated financial statements of Umbral Energy Corp. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada ("CPA Canada") for a review of interim financial statements by an entity's auditor.

UMBRAL ENERGY CORP.
(An Exploration and Development Stage Company)

Umbral Energy Corp.
Consolidated Statements of Financial Position
(Stated in Canadian Dollars)
(Unaudited)

		AS AT JULY 31, 2016		AS AT OCTOBER 31, 2015
Assets				
Current				
Cash	**$**	**107,994**	$	11,806
GST receivable		**3,470**		5,432
Prepaid expenses and deposits (Note 3)		**179,905**		47,032
Total Current Assets		**291,369**		64,270
Investment in joint venture and advances (Note 4)		**438,554**		438,666
Exploration and evaluation assets (Note 5)		**59,793**		-
Total Assets	**$**	**789,716**	$	502,936
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**216,219**	$	199,063
Provision for flow-through liability		**69,927**		69,927
Due to related parties (Note 7)		**102,278**		110,090
Total Liabilities		**388,424**		379,080
Equity				
Share Capital (Note 6)		**5,913,119**		5,061,580
Share-based Payment Reserve		**691,597**		461,841
Share subscriptions receivable (Note 6)		**(10,000)**		(56,750)
Deficit		**(6,193,424)**		(5,342,815)
Total Equity		**401,292**		123,856
Total Liabilities and Equity	**$**	**789,716**	$	502,936

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 9)

Approved on behalf of the Board of Directors:

"Jagdip Bal"	*"Clint Sharples"*
Director	**Director**

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

Umbral Energy Corp.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Stated in Canadian Dollars)
(Unaudited)

	Three Month Period Ended July 31, 2016 $	Three Month Period Ended July 31, 2015 $	**Nine Month Period Ended July 31, 2016 $**	Nine Month Period Ended July 31, 2015 $
GENERAL AND ADMINISTRATIVE EXPENSES				
Advertising and promotion	**27,408**	-	**27,408**	-
Consulting fees (Note 7)	**24,053**	71,195	**115,235**	118,478
Management fees (Note 7)	**25,000**	15,000	**67,381**	45,000
Office expense and miscellaneous	**9**	6,767	**6,269**	8,095
Professional fees	**13,547**	21,690	**19,260**	28,550
Regulatory fees	**4,213**	8,186	**7,213**	13,349
Shareholder communications	**4,266**	240	**5,866**	479
Stock-based compensation	**466,293**	171,960	**588,835**	221,331
Transfer agent and shareholder information	**8,475**	6,884	**13,031**	12,594
Total general and administrative expenses	**573,264**	301,922	**850,497**	447,876
Loss before other expense	**(573,264)**	(301,922)	**(850,497)**	(447,876)
Other expense				
Equity loss on investment of associate	**(37)**	(111,770)	**(112)**	(192,520)
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	**(573,301)**	(413,692)	**(850,609)**	(640,396)
Basic and diluted loss per common share	**(0.01)**	(0.01)	**(0.02)**	(0.01)
Weighted average number of common shares outstanding	**58,201,304**	46,024,657	**54,366,003**	43,007,617

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

Umbral Energy Corp.
Condensed Interim Consolidated Statements of Changes in Equity
(Stated in Canadian Dollars)
(Unaudited)

Periods Ended July 31, 2016, 2015 and Year Ended October 31, 2015

	SHARE CAPITAL		SHARE-BASED PAYMENT	SHARE SUBSCRIPTIONS		
	NUMBER	AMOUNT	RESERVE	RECEIVABLE	DEFICIT	TOTAL
Balance, October 31, 2014	37,902,972	3,860,082	373,579	-	(4,219,339)	14,322
Issued shares for cash				-		
Share options exercised	5,614,000	504,877	(219,997)	-	-	284,880
Share issued for acquisition	3,000,000	165,000	-	-	-	165,000
Shares issued for finders' fees	500,000	27,500		-		27,500
Stock based compensation	-	-	221,331	-	-	221,331
Net loss for the period	-	-	-	-	(640,396)	(640,396)
Balance, July 31, 2015	47,016,972	4,557,459	374,913	-	(4,859,735)	72,637
Issued shares for cash				-		
Share options exercised	4,844,000	497,761	(242,410)	-	-	255,351
Warrants exercised	106,000	6,360	-	-	-	6,360
Stock based compensation	-	-	329,338	-	-	329,338
Share subscription receivable (Note 6)	-	-	-	(56,750)	-	(56,750)
Net loss for the period	-	-	-	-	(483,080)	(483,080)
Balance, October 31, 2015	51,966,972	$ 5,061,580	$ 461,841	$ (56,750)	$ (5,342,815)	$ 123,856
Issued shares for cash				-		
Share options exercised	6,985,000	744,129	(359,079)	-	-	385,050
Warrants exercised	1,790,174	107,410	-	-	-	107,410
Share subscription receivable (Note 6)	-	-	-	46,750	-	46,750
Stock based compensation	-	-	588,835	-	-	588,835
Net loss for the period	-	-	-	-	(850,609)	(850,609)
Balance, July 31, 2016	**60,742,146**	**$ 5,913,119**	**$ 691,597**	**$ (10,000)**	**$ (6,193,424)**	**$ 401,292**

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

Umbral Energy Corp.
Condensed Interim Consolidated Statements of Cash Flows
(Stated in Canadian Dollars)
(Unaudited)

	NINE MONTH PERIOD ENDED JULY 31, 2016	2015
Operating Activities		
Net loss for the period	**$ (850,609)**	$ (640,396)
Adjustments for non-cash expenses and income		
Loss on investment in joint venture	**112**	100,021
Stock based compensation	**588,835**	221,331
Changes in non-cash operating assets and liabilities		
GST receivable	**1,962**	7,699
Prepaid expenses and deposits	**(132,873)**	(39,184)
Accounts payable and accrued liabilities	**17,156**	22,971
Due to related parties	**(7,812)**	(35,489)
Cash Used In Operating Activities	**(383,229)**	(363,047)
Investing Activities		
Advances	**-**	(40,580)
Acquisition of investment in joint venture	**-**	(129,500)
Acquisition of exploration and evaluation projects	**(59,793)**	
Cash Used In Investing Activities	**(59,793)**	(170,580)
Financing Activities		
Share capital proceeds	**539,210**	284,880
Cash Provided By Financing Activities	**539,210**	284,880
Change In Cash	**96,188**	(248,247)
Cash, Beginning Of Period	**11,806**	267,413
Cash, End Of Period	**$ 107,994**	$ 19,166
Supplementary Information		
Cash paid for interest	**$ -**	$ -
Cash paid for income taxes	**$ -**	$ -

Non-cash Investing and Financing Transactions (Note 8)

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

1. Nature of Operations and Going Concern

The Company is a development stage public company whose common shares trade on the Canadian Securities Exchange under the symbol "UMB.C" The Company was incorporated on October 25, 2007 in British Columbia, Canada, under the Business Corporations Act and commenced operations on November 1, 2007. The head office and principal address of the Company is 929 Mainland Street, Vancouver, British Columbia, Canada V6C 2B3 and the registered and records office of the Company is located at Suite 1500-1055 West Georgia St., Vancouver, B.C., V6E 4N7.

The Company is engaged in the acquisition, exploration, and development of resource properties. The Company also participates in, through its investment of Phyeinmed Inc., which has submitted an application to acquire a Health Canada license under the Marihuana for Medical Purposes Regulations ("MMPR") for the purpose of entering the medical marijuana industry.

Although the Company has started to invest resources for a medical marijuana business, there is no guarantee the Company will be awarded a license to grow medical marijuana. As the Company does not yet have cash flow from operations, it must rely on equity financing to fund operations. To date the Company's main source of funding has been the issuance of equity securities for cash, through private placements to sophisticated investors and through public offering to institutional investors. The Company has historically raised operating capital from the sale of equity, and will continue to do so.

The condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. This assumes the Company will operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has incurred operating losses since inception, does not have positive operating cash flow, and there can be no assurances that sufficient funding, including adequate financing, will be available to explore its mineral properties, develop its MMPR business plans and to cover general and administrative expenses necessary for the maintenance of a public company. The ability of the Company to arrange additional financing in the future depends in part, on the prevailing capital market conditions, resource property exploration success and its progress on obtaining an MMPR license. These factors may cast significant doubt on the Company's ability to continue as a going concern. Accordingly, the condensed interim consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments other than in the normal course of business and at amounts different from those in these consolidated financial statements.

2. Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB ("International Accounting Standards Board") applicable to the preparation of condensed interim consolidated financial statements, including International Accounting Standard ("IAS") 34 - Interim Financial Reporting. The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in the Company's audited annual financial statements for the year ended October 31, 2015.

2. Basis of Presentation (Continued)

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 1005477 B.C. Ltd. and Umbral Energy LLC (Washington State). The condensed interim financial statements of the subsidiaries are prepared using consistent accounting policies and reporting dates of the Company. All inter-company transactions and accounts have been eliminated upon consolidation.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of September 22, 2016, the date the Audit Committee approved the statements. Any subsequent changes to IFRS after this date could result in changes to the condensed interim consolidated financial statements for the period ended July 31, 2016. The condensed interim consolidated financial statements do not contain all disclosures required under IFRS and should be read in conjunction with Company's annual financial statements and the notes thereto for the year ended October 31, 2015.

The preparation of condensed interim financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the condensed interim financial statements and the reported amounts of revenues and expenses during the reporting period. The condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods. Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include but are not limited to exploration and evaluation assets, oil and gas interests, share-based payments, allocation of financing proceeds, and income and mining taxes. Differences may be material.

3. Prepaid Expenses and Deposits

Prepaid expenses and deposits includes a US$25,000 refundable deposit relating to the following:

During the year ended October 31, 2015, the Company entered into a letter of intent to acquire 90% interest in a Washington State limited liability company ("LLC"). The LLC is the sole owner of a Provisional Tier 3 recreational marijuana production and processing license application (the "License") which, once issued by the Washington State Liquor and Cannabis Board, shall allow the LLC to own and operate recreational marijuana production and processing facility.

Terms of the letter of intent are as follows:

- US$25,000 cash paid upon signing to be held in escrow which is fully refundable if a definitive agreement is not executed as agreed by both parties (paid);
- US$100,000 cash paid and the issuance of 1,000,000 common shares to the vendor upon issuance of the License by the Washington State Liquor and Cannabis Board; and
- US$125,000 cash paid to the vendor upon completion of the first harvest or marijuana produced under the License.

During the period ended July 31, 2016, the Company determined not to proceed with this acquisition.

In June 2016, the Company advanced US$125,000 for a 12 month digital marketing program to raise awareness of the Company's projects to current and potential investors.

(Stated in Canadian Dollars)

4. Investment in Joint Venture and Advances

		July 31, 2016		October 31, 2015
Investment in joint venture	$	**194,294**	$	194,406
Advances to joint venture		**244,260**		244,260
	$	**438,554**	$	438,666

a) Investment in Joint Ventures

On December 9, 2014, the Company entered into a share exchange agreement for the acquisition of all the issued and outstanding shares of 1005477 B.C. Ltd., a holding company which owns 50% of the common shares of PhyeinMed Inc. ("PhyeinMed"), an operating company incorporated in British Columbia which has submitted an application to Health Canada for a Marihuana for Medical Purposes Regulations license. Management determined that the 50% interest in PhyeinMed is a joint venture under IFRS 11. Consequently, the investment in the joint venture is accounted for using the equity method. The consideration paid for the shares was as follows:

i. 3,000,000 common shares of the Company with a fair value of $165,000 measured on the date of issuance;
ii. $129,500 of verifiable expenses reimbursed to the vendor.

In connection with the transaction, the Company issued 500,000 common shares of the Company for finders' fees. The fair value of these shares was $27,500, measured on the date of issuance and has been recorded as finder's fees in the statement of comprehensive loss.

The continuity of this investment is as follows:

		Period Ended July 31, 2016		Year Ended October 31, 2015
Balance, beginning of the period/year	**$**	**194,406**	$	-
Acquisition costs - Cash		**-**		129,500
Acquisition costs - Shares		**-**		165,000
Total Acquisition costs		**194,406**		294,500
Equity loss on investment in joint venture		**(112)**		(100,094)
Balance, end of the period/year	**$**	**194,294**	$	194,406

b) Advances

During the year ended October 31, 2015 the Company entered into a loan agreement whereby the Company will advance up to $2,000,000 to PhyeinMed for working capital purposes. The advances are unsecured and are due within 36 months from the date of the advance. The first $550,000 advanced does not accrue interest prior to 36 months from the date of the advance after which interest shall be accrued at prime plus 2%. All advances subsequent to the initial $550,000 will accrue interest at prime plus 2% from the date of the advance. PhyeinMed can only repay the initial $550,000 advanced as follows:

a) $25,000 once an application for a medical marihuana growing operation is awarded to PhyeinMed by Health Canada;
b) $150,000 once the final MMPR license is awarded to PhyeinMed by Health Canada;
c) $150,000 once PhyeinMed has achieved an accumulated EBITDA of $1,000,000; and
d) $225,000 once PhyeinMed has achieved an accumulated EBITDA of $2,000,000

(Stated in Canadian Dollars)

5. Exploration and Evaluation Assets

	LITHIUM PROPERTIES
Acquisition Costs:	
Balance, beginning of period	$ -
Cash payment	30,000
Balance, end of period	30,000
Exploration Costs:	
Balance, beginning of period	-
Assaying and geochemical	938
Claim fees	5,624
Geological consulting, surveys and reports	12,250
Travel, supplies and field expenses	10,981
Balance, end of period	29,793
Total Acquisition and Exploration Costs, July 31, 2016	**$ 59,793**

Tule Valley Project, Utah and Gerlach Project, Nevada

Pursuant to a property purchase agreement dated April 20, 2016, the Company was granted the right to acquire an undivided 100% interest in 26 contiguous mineral claims totaling 4,800 acres located in Millard County, Utah known as the Tule Valley Project and a further 89 contiguous mineral claims totaling 1,780 acres located in Washoe County, Nevada known as the Gerlach Project.

As consideration for the properties, the Company is required to make the following cash payments and issue the following shares:

	CASH PAYMENTS	COMMON SHARES
On signing of option agreement April 20, 2016 (cash paid)	$ 10,000	1,500,000
On or before June 20, 2016 (paid)	20,000	Nil
On or before July 20, 2016	30,000	Nil
On or before April 20, 2017	100,000	1,500,000
	$ 160,000	3,000,000

The properties are subject to a net smelter return royalty of 2%. The Company has an option to purchase 1% of the 2% net smelter return royalty for $1,000,000 at any time. See Subsequent Events (Note 9).

6. Share Capital and Reserve

a) Authorized

Unlimited number of common shares without par value

(Stated in Canadian Dollars)

6. Share Capital and Reserve (Continued)

b) Issued

Period ended July 31, 2016

The Company issued 6,985,000 common shares for the exercise of 6,985,000 stock options between $0.05 and $0.08 per share for total proceeds of $385,050 which resulted in the transfer from share-based payment reserve to share capital of $359,079.The Company issued 1,790,174 common shares for the exercise of 1,790,174 warrants at $0.06 per share for total proceeds of $107,410.

See Subsequent Events (Note 9).

Year ended October 31, 2015:

The Company issued 10,458,000 common shares for the exercise of 10,458,000 stock options between $0.05 and $0.06 per share for total proceeds of $540,231 which resulted in a transfer from share-based payment reserve to share capital of $462,407.The Company issued 106,000 common shares for the exercise of 106,000 warrants at $0.06 per share for total proceeds of $6,360.

The Company issued 3,000,000 common shares with a fair value of $165,000 measured on the date of issuance in accordance with the share exchange agreement dated December 9, 2014 included in the acquisition costs for all the issued and outstanding shares of 1005477 B.C. Ltd (Note 4). The Company also issued 500,000 common shares with a fair value of $27,500 measured on the date of issuance for finders' fees.

c) Warrants

The following is a summary of the changes in warrants:

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, October 31, 2014	13,741,400	$0.06
Exercised	(106,000)	0.06
Balance, October 31, 2015	13,635,400	$0.06
Exercised	(1,790,174)	0.06
Balance, July 31, 2016	11,845,226	$0.06

The following table summarizes the warrants outstanding and exercisable at July 31, 2016:

NUMBER OF WARRANTS	EXERCISE PRICE	EXPIRY DATE
7,489,962	$0.06	March 19, 2018
922,966	$0.10	March 19, 2018
975,989	$0.06	May 16, 2018
293,809	$0.10	May 16, 2018
2,162,500	$0.06	December 20, 2018
11,845,226		

As at July 31, 2016, the weighted average remaining contractual life of all warrants outstanding was 1.79 years (July 31, 2015 – 2.81 years).

(Stated in Canadian Dollars)

6. Share Capital and Reserve (Continued)

d) Stock Options

The Company has adopted 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 Canadian Stock Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable 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. Options will be exercisable for a period to be determined by the board of Directors, but not exceeding 10 years.

In connection with the foregoing, the number of common shares reserved for issuance to any technical consultant will not exceed two percent (2%) of the issued and outstanding common shares in any twelve month period. The number of common shares reserved for issuance to individuals providing investor relation services will not exceed two percent (2%) of issued and outstanding common shares in any twelve month period. Further, these options must vest over twelve months with a maximum of one quarter of the options vesting in any three month period. Options may be exercised no later than 30 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

During the period ended July 31, 2016, stock based compensation in the amount of $588,835 (2015 – $221,331) was recognized on the issuance of stock options to directors, officers and consultants.

The following is a summary of the changes in stock options:

	NUMBER OF OPTIONS OUTSTANDING
Balance, October 31, 2014	2,275,000
Cancelled	(367,000)
Granted	12,100,000
Exercised	(10,458,000)
Balance, October 31, 2015	3,550,000
Granted	8,550,000
Exercised	(6,985,000)
Balance, July 31, 2016	5,115,000

The following table summarizes the options outstanding and exercisable at July 31, 2016:

NUMBER OF OPTIONS	**EXERCISE PRICE**	**EXPIRY DATE**
3,265,000	$0.08	May 30, 2021
1,500,000	$0.085	June 2, 2021
350,000	$0.05	July 22, 2021
5,115,000		

As at July 31, 2016, the weighted average remaining contractual life of all options outstanding was 4.85 years (July 31, 2015 – 4.36 years).

(Stated in Canadian Dollars)

6. Share Capital and Reserve (Continued)

d) Stock Options (Continued)

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options granted using the following assumptions:

	PERIODS ENDED JULY 31, 2016	2015
Dividend yield	**Nil**	Nil
Annualized volatility	**208 - 212%**	130 - 186%
Risk-free interest rate	**0.61 - 0.73%**	0.60 - 1.19%
Expected life	**5 years**	5 years

See Subsequent Events (Note 9).

e) Loss Per Share

Basic loss per share amounts are calculated by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. The basic and diluted loss per share are the same as there are no instruments that have a dilutive effect.

	PERIODS ENDED JULY 31, 2016	2015
Issued shares at beginning of period	**51,966,972**	37,902,972
Weighted average issuances	**2,399,031**	5,104,645
Basic weighted average common shares	**54,366,003**	43,007,617

f) Nature and Purpose of Reserve

The 'Share-based Payment Reserve' is used to recognize the fair value of stock option grants and warrants prior to exercise, expiry or cancellation.

g) Share Subscriptions Receivable

During the period ended July 31, 2016, the Company received $56,750 relating to share subscriptions receivable as at October 31, 2015. Subsequent to July 31, 2016, the Company received $10,000 relating to share subscriptions receivable.

7. Related Party Transactions

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All amounts either due from or due to related parties other than specifically disclosed are non-interest bearing, unsecured and have no fixed terms of repayments.

(Stated in Canadian Dollars)

7. Related Party Transactions (Continued)

a) Related party transactions with directors and companies with a director in common.

	PERIODS ENDED JULY 31, 2016	2015
Management fees	$ **67,381**	$ 45,000
Consulting fees	**4,150**	-

b) Advances payable

	JULY 31, 2016	OCTOBER 31, 2015
Advances from directors are unsecured, non-interest bearing and is repayable on demand	$ **102,278**	$ 110,090

c) Management compensation

	PERIODS ENDED JULY 31, 2016	2015
Short-term employee benefits	$ **67,381**	$ 45,000
Share-based payments	$ **307,444**	$ 88,940

8. Non-Cash Investing and Financing Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.

Period ended July 31, 2016

$359,079 was transferred from share based payment reserves to share capital as a result of the exercise of 6,985,000 stock options at prices of $0.05 and $0.08.

Period ended July 31, 2015:

$86,533 was transferred from share based payment reserves to share capital as a result of the exercise of 1,891,000 stock options.

The Company issued 3,000,000 common shares with a fair value of $165,000 on the date of issuance included in the acquisition costs of 1005477 B.C. Ltd., a holding company which owns 50% of PhyeinMed Inc., an operating company which has submitted an application to Health Canada for a Marihuana for Medical Purposes Regulations License.

9. Subsequent Events

Subsequent to July 31, 2016, the Company:

- issued 350,000 common shares for the exercise of 350,000 options at $0.05 per share for total proceeds of $17,500 which resulted in a transfer from share-based payment reserve to share capital of $17,427;
- ,issued 1,500,000 common shares with a deemed fair value of $75,000 and paid $30,000 cash in accordance with the payment terms of the Gerlach/Tule Lithium property agreement.