



HORIZON PETROLEUM LTD.
(formerly Horizon Petroleum PLC)

Condensed Interim Financial Statements
(Expressed in Canadian dollars)
(Unaudited)

For the three and six months ended February 28, 2017

These unaudited condensed interim financial statements of Horizon Petroleum Ltd. for the three and six months ended February 28, 2017 have been prepared by management and approved by the Board of Directors. These unaudited condensed interim financial statements have not been reviewed by the Company's external auditors.

HORIZON PETROLEUM LTD.
(formerly Horizon Petroleum PLC)

Condensed Interim Statements of Financial Position
(Expressed in Canadian dollars)
Unaudited
As at

	February 28, 2017	August 31, 2016
		(Audited)
Assets		
Current assets:		
Cash and equivalents	\$ 1,067,145	\$ 5,853
Receivables	37,485	23,849
Prepaid expenses	6,898	5,898
	\$ 1,111,528	\$ 35,600

Liabilities and Shareholders' Equity (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities (notes 7 & 10)	\$ 141,238	\$ 327,978
Promissory notes payable (note 11)	-	137,636
	141,238	465,614
Shareholders' equity (deficiency):		
Share capital (note 8)	15,903,372	14,198,204
Subscriptions received in advance	29,485	-
Reserves (note 9)	605,378	574,311
Warrants (note 9)	44,954	33,440
Deficit	(15,612,899)	(15,235,969)
	970,290	(430,014)
	\$ 1,111,528	\$ 35,600

Corporate information and going concern (note 1)

Significant transaction (note 14)

Approved by the Board:

“Yogeshwar Sharma”
Director – Yogeshwar Sharma

“David Winter”
Director - David Winter

See accompanying notes to the condensed interim financial statements.

HORIZON PETROLEUM LTD.
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Condensed Interim Statements of Operations, Loss and Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

	Three months February 28, 2017	Three months February 29, 2016	Six months February 28, 2017	Six months February 29, 2016
Expenses:				
Consulting fees	\$ -	\$ -	\$ -	\$ 1,509
Directors' fees (recovery)	-	(30,001)	-	13,559
Foreign exchange loss (gain)	(485)	(1,914)	(1,823)	(228)
Management fees	54,000	30,000	108,000	60,000
Office	3,910	1,391	4,881	6,796
Professional fees	44,623	57,792	67,097	80,343
Property investigation costs (note 6)	-	95,629	-	142,818
Rent	6,000	12,052	12,000	31,805
Shareholder communication	118,783	17,419	118,783	21,773
Share-based payments (note 9)	9,982	22,506	31,067	24,880
Transfer agent and regulatory fees	5,560	12,243	7,909	17,521
Travel and related costs	21,991	-	21,991	1,136
	(264,364)	(196,959)	(369,905)	(400,403)
Other Items:				
Interest income	-	-	-	87
Interest expense (notes 10 & 11)	(3,594)	(455)	(7,025)	(455)
	(3,594)	(455)	(7,025)	(368)
Loss and comprehensive loss for the period	\$ (267,958)	\$ (197,414)	\$ (376,930)	\$ (400,771)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	58,455,343	44,129,654	54,390,162	44,129,654

See accompanying notes to the condensed interim financial statements.

HORIZON PETROLEUM LTD.
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Condensed Interim Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)
Six Months ended February 28,

	2017	2016
Cash provided by (used in):		
Operating activities		
Loss for the period	\$ (376,930)	\$ (400,771)
Items not affecting cash:		
Share-based payments	31,067	24,880
	(345,863)	(375,891)
Receivables	(13,636)	(5,609)
Prepaid expenses	(1,000)	(3,710)
Accounts payable and accrued liabilities	(186,740)	84,150
	(547,239)	(301,060)
Financing activities		
Promissory notes payable	(137,636)	60,000
Shares issued for cash, net	1,716,682	-
Subscriptions received in advance	29,485	-
	1,608,531	60,000
Change in cash and equivalents during the period	1,061,292	(241,060)
Cash and equivalents, beginning of period	5,853	243,273
Cash and equivalents, end of period	\$ 1,067,145	\$ 2,213

There were no non-cash investing or financing transactions during the six months ended February 28, 2017 or during the six months ended February 29, 2016.

See accompanying notes to the condensed interim financial statements.

HORIZON PETROLEUM LTD.
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Condensed Interim Statements of Changes in Equity (Deficit)
(Expressed in Canadian dollars)
(Unaudited)

	Number of shares	Share capital	Subscription Received	Warrants	Reserves	Deficit	Total
Balance, August 31, 2015	44,129,654	\$ 13,927,594	\$ -	\$ 51,244	\$ 451,619	\$ (14,367,539)	\$ 62,918
Loss for the period	-	-	-	-	-	(400,771)	(400,171)
Share-based payments	-	-	-	-	24,880	-	24,880
Balance, February 29, 2016	44,129,654	\$ 13,927,594	\$ -	\$ 51,244	\$ 476,499	\$ (14,768,310)	\$ (312,973)
Balance, August 31, 2016	50,369,654	\$ 14,198,204	\$ -	\$ 33,440	\$ 574,311	\$ (15,235,969)	\$ (430,014)
Shares issued for cash, net	90,964,000	1,705,168	-	15,514	-	-	1,716,682
Subscription received in advance	-	-	29,485	-	-	-	29,485
Loss for the period	-	-	-	-	-	(376,930)	(376,930)
Share-based payments	-	-	-	-	31,067	-	31,067
Balance, February 28, 2017	141,333,654	\$ 15,903,372	\$ 29,485	\$ 48,954	\$ 605,378	\$ (15,612,899)	\$ 970,290

See accompanying notes to the condensed interim financial statements.

1. Corporate information and Going Concern

Horizon Petroleum Ltd. (“Horizon” or the “Company”) was incorporated in British Columbia. During the year ended August 31, 2014, the Company’s domicile was officially changed to Jersey, Channel Islands. During the year ended August 31, 2016, the Company changed its domicile again from Jersey, Channel Islands to Alberta, Canada. Consequently, the Company changed its name from Horizon Petroleum PLC to Horizon Petroleum Ltd. The principal business of the Company is the acquisition, exploration, and development of oil and gas properties.

The head office of the Company is located at 1500, 700 4th Ave. SW, Calgary, Alberta, T2P 3J4. The registered and records office of the Company is located at 15th Floor, 850 – 2nd Street SW, Calgary, Alberta T2P 0R8.

The Company has incurred losses since inception and is currently not generating any revenues aside from interest income. For the six months ended February 28, 2017, the Company used cash in operating activities of \$547,239 (2016 - \$301,060). As at February 28, 2017, the Company’s cash and equivalents balance was \$1,067,145 (August 31, 2016 - \$5,853) and its working capital position was \$970,290 (August 31, 2016 – deficiency of \$430,014).

These unaudited condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. If this assumption were not appropriate, adjustments to these unaudited condensed interim financial statements may be necessary. When assessing the Company’s ability to continue on a going concern basis, material uncertainties as to the Company’s ability to obtain additional financing to fund future operations may cast significant doubt on the Company’s ability to continue as a going concern. The successful future operations of the Company are dependent on the ability of the Company to secure sufficient funds through financing or other sources, and there are no assurances that such financing will be obtained.

During the six months ended February 28, 2017, the Company entered into a definitive agreement to acquire a 100% working interest in two hydrocarbon licences in southwest France and received net proceeds of \$1,716,682 in conjunction with the closing of a private placement (See note 14).

2. Basis of presentation and statement of compliance

These unaudited condensed interim financial statements were authorized for issue on April 26, 2017 by the directors of the Company.

These unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee.

These unaudited condensed interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited annual financial statements of the Company for the year ended August 31, 2016.

3. Significant accounting policies

The preparation of these unaudited condensed interim financial statements required management to make estimates and judgments and to form assumptions that affect the reported amounts of assets and liabilities. Management's estimates and judgments are continually evaluated and are based on historical experience and other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates. The significant accounting estimates and judgments applied in the preparation of these unaudited condensed interim financial statements are consistent with those applied and disclosed in notes 3 and 4 to the Company's audited annual financial statements for the year ended August 31, 2016.

4. New accounting standards, amendments and interpretations:

The Company has not early adopted these standards and is currently assessing the impact these standards will have on its financial statements:

- i) IFRS 9: New standard that replaced IAS 39 for classification and measurement of financial assets, effective for annual periods beginning on or after January 1, 2018;
- ii) IFRS 15: On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the standard to have a material impact on the financial statements; and
- iii) As of January 1, 2019, the Company will be required to adopt IFRS 16 Leases, which will replace IFRS 17 Leases. For lessees applying the new standard, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. As of November 30, 2016, the Company is still determining the impact that the adoption of this standard will have on its financial statements.

5. Receivables

The Company's receivables are as follows:

	Feb 28, 2017	August 31, 2016
GST receivable	\$ 37,485	\$ 23,849

6. Property investigation costs

All property investigation costs were related to the investigation of oil and gas opportunities within Africa and Europe.

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Notes to the Condensed Interim Financial Statements
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7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are as follows:

	Feb 28, 2017	August 31, 2016
Accounts payable	\$ 125,014	\$ 223,003
Due to related parties (Note 12)	6,000	88,975
Accrued liabilities	10,224	16,000
	\$ 141,238	\$ 327,978

8. Share capital

Authorized:

- Unlimited common shares without par value and an unlimited number of preferred shares without par value, all issued shares, consisting only of common shares that are fully paid.

During the year ended August 31, 2016, the Company:

- Issued 3,200,000 common share units for gross proceeds totaling \$160,000 pursuant to the completion of a private placement. Each unit consists of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share at a price of \$0.075 per share for a period of two years. In conjunction with the issuance of the shares, the Company incurred total share issuance costs of \$9,390, which included cash costs comprised of legal and filing fees of \$750 and a finder's fee payment of \$7,200, as well as a non-cash cost of \$1,440 relating to the valuation of the issuance of 144,000 finders' warrants. Each finders' warrant enabled the holder to acquire one additional common share for \$0.075 per share. The fair value of the warrants was determined using the Black-Scholes option- pricing model with the following assumptions: expected life two year; volatility – 84%; dividend rate – nil; risk free interest rate – 0.55%.
- Issued 3,040,000 common shares to three directors of the Company at a deemed price of \$0.05 per share pursuant to the settlement of debt totaling \$152,000.

During the six months ended February 28, 2017, the Company:

- Issued 90,964,000 common shares for gross proceeds totaling \$1,819,280 pursuant to the completion of a private placement. In conjunction with the issuance of the shares, the Company incurred total share issuance costs of \$114,112 which included cash costs comprised of legal and filing fees of \$10,481 and a finders' fees payments of \$92,117, as well as a non-cash cost of \$11,514 relating to the valuation of the issuance of 4,605,840 finders' warrants. Each finders' warrant enabled the holder to acquire one additional common share for \$0.02 per share for a one-year period. The fair value of the warrants was determined using the Black-Scholes option- pricing model with the following assumptions: expected life two year; volatility – 92%; dividend rate – nil; risk free interest rate – 0.52%.

As at February 28, 2017, there are 141,333,654 common shares issued and outstanding.

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9. Reserves

(a) Stock options:

Option plan:

The Company has a stock option plan covering the grant of options to its directors, officers and employees. A limit of 10% of the issued and outstanding common shares base can be issued in stock options without shareholder approval. The stock option plan provides that the options are for a maximum term of ten years and that the option exercise price shall be for not less than the market price on the grant date.

As at February 28, 2017, the Company had the following outstanding stock options:

	Number of options	Weighted average exercise price
Balance, August 31, 2015	572,000	0.15
Granted	3,700,000	0.10
Cancelled	(325,000)	0.10
Balance, August 31, 2016 and February 28, 2017	3,947,000	0.11
Number of options currently exercisable	1,697,000	\$ 0.12

(a) Stock options:

Option plan:

The weighted average remaining contractual life for the share options outstanding as at February 28, 2017 is 5.91 years (August 31, 2016 – 6.41 years).

As at February 28, 2017, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of options	Exercise price	Expiry date
572,000	\$ 0.15	August 4, 2023
3,375,000	0.10	December 4, 2022
3,947,000		

During the year ended August 31, 2016, the Company granted 3,700,000 stock options to certain directors and officers of the Company with an exercise price of \$0.10 per share, expiring December 4, 2022. These stock options vest as to 1/3 on December 4, 2016, 1/3 on December 4, 2017 and the final 1/3 on December 4, 2018.

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9. Reserves (continued)

(b) Share-based payments:

During the year ended August 31, 2016, the Company granted 3,700,000 (2015 – Nil) stock options. The fair value of the options granted during the period is \$138,414 (2015 - \$Nil), based on the Black-Scholes option pricing model. For the six months ended February 28, 2017, the share-based payments expense recognized was \$31,067 (2016 - \$24,880).

The following assumptions were used for the Black-Scholes option pricing model:

	2016
Risk-free interest rate	1.14%
Expected life of options	7 years
Annualized volatility	153%
Dividend rate	0.00%
Forfeiture rate	0.00%

(c) Warrants:

Warrant transactions and the number of warrants are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, August 31, 2015	13,333,302	\$ 0.16
Issued	3,344,000	0.075
Expired	(13,333,302)	0.16
Balance, August 31, 2016	3,344,000	\$ 0.075
Issued	4,605,840	0.02
Balance, February 28, 2017	7,949,840	\$ 0.04

As at February 28, 2017, the Company had outstanding warrants enabling the holders to acquire common shares as follows:

Number of warrants	Exercise price	Expiry date
3,200,000	\$ 0.075	August 2, 2018
144,000	0.075	August 2, 2018 ⁽ⁱ⁾
<u>4,605,840</u>	0.020	February 20, 2018 (i)
7,949,840		

(i) finder's warrants

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10. Related party transactions

The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel:

	February 28, 2017	February 29, 2016
Executive compensation ^{(1) to (5)}	\$ 147,000	\$ 142,085
Non-executive directors' fees ⁽⁶⁾	-	13,058
Rent ⁽⁷⁾	12,000	31,805
Interest ⁽⁸⁾	7,025	-
Share-based payments	31,067	24,880
	\$ 197,092	\$ 212,328

(1) Includes \$48,000 (2016 - \$60,000) in management fees paid or accrued to the Company's former interim CEO (resigned November, 2015).

(2) Includes \$3,000 (2016 - \$18,000) in professional fees paid or accrued to the Company's former CFO.

(3) Includes \$15,000 (2016 - \$Nil) in professional fees paid or accrued to the Company's current CFO.

(4) Includes \$Nil (2016 - \$60,000) in property investigation costs and \$60,000 (2016 - \$Nil) in management fees paid or accrued to the current CEO of the Company.

(5) Includes \$21,000 (2016 - \$21,000) in professional fees paid or accrued to a company controlled by the corporate secretary of the Company.

(6) Includes \$Nil (2016 - \$13,558) in directors' fees paid or accrued to non-executive directors and former non-executive directors of the Company.

(7) Includes \$12,000 (2016 - \$31,805) in rent paid or accrued to a company with three directors of the Company in common.

(8) Includes \$7,025 (2016 - \$Nil) in interest expense paid or accrued to directors of the Company (Note 11).

Included in accounts payable and accrued liabilities at February 28, 2017 is \$6,000 (August 31, 2016 - \$148,836) owing to related parties, all in respect of the above transactions. All related party transactions were conducted on arm's length terms.

11. Loans payable

Promissory notes payable

During the year ended August 31, 2016, the Company received \$137,636 from the issuance of additional promissory notes to three related parties. During the six months ended February 28, 2017, a further \$20,000 was received by the Company from the issuance of an additional promissory note issued to a related party with the same terms as the promissory notes disclosed above. The promissory notes bore interest at 10% per annum with maturity dates between July 28, 2016 and October 2, 2016. During the six months ended February 28, 2017, the Company repaid, in full, all of the promissory notes along with related accrued interest of \$13,065.

12. Financial instruments and risk management

IFRS 7, Financial Instruments: Disclosures ("IFRS 7") establishes a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantively the full term of the asset or liability; and
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company does not have any financial instruments recognized at fair value. The carrying values of cash and equivalents, receivables, and accounts payable and accrued liabilities approximate their fair values because of their short terms to maturity.

(a) Financial instrument risk exposure and risk management:

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided below:

Credit risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and equivalents, and accounts receivable. The Company limits the exposure to credit risk by only investing its cash and equivalents with high credit quality financial institutions in business and saving accounts, and guaranteed investment certificates, which are available on demand by the Company. The carrying amount of cash and equivalents and receivables represents the Company's maximum exposure to credit risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest bearing financial assets are comprised of cash, which bear interest at fixed or variable rates. The Company is not exposed to material interest rate risk.

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12. Financial instruments and risk management (continued)

Foreign currency

The Company is exposed to foreign currency risk as some of its accounts payable and accrued liabilities are held in US Dollars (USD) and Great British Pounds (GBP). The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

The exposure of the Company's cash and cash equivalents does not have significant exposure to changes in exchange rates.

The exposure of the Company's accounts payable and accrued liabilities is as follows:

	<u>February 28, 2017</u>		<u>August 31, 2016</u>	
	Amount in foreign currency	Amount in CAD dollars	Amount in foreign currency	Amount in CAD dollars
United States dollars:				
Accounts payable and accrued liabilities	3,500	\$ 4,620	3,500	\$ 4,615
Great British Pounds:				
Accounts payable and accrued liabilities	29,913	49,057	30,043	51,607
Total financial liabilities		\$ 53,677		\$ 56,222

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, it will have sufficient capital in order to meet short term business requirements, after taking into account cash flows used in operations and the Company's holdings of cash and equivalents. The Company's cash and equivalents is currently invested in business accounts which are available on demand by the Company for its programs. As at February 28, 2017, the Company had cash and equivalents of \$1,067,145 to settle current liabilities of \$141,238. Based on current period expenditures, the Company will have sufficient cash balances to cover its expected cash requirements for the next twelve months. (See note 14).

13. Capital management

The Company's objectives when managing capital are:

To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds to acquire, explore, and develop other mineral properties.

To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk of loss of principal.

To obtain the necessary financing to complete future property acquisitions, if and when it is required.

In the management of capital, the Company includes shareholders' equity in the definition of capital. The Company is not exposed to externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it, based on the level of funds required to manage its operations in light of changes in economic conditions and the risk characteristics of its underlying assets.

In order to maximize ongoing future exploration and development efforts, the Company does not pay dividends. Notwithstanding the risks described in note 1 of these unaudited condensed interim financial statements, the Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

14. Significant transaction

During December 2016, the Company and PMI Resources Ltd. ("PMI"), a company listed on the TSX Venture Exchange in Canada, entered into a non-binding letter of intent ("LOI"), followed in February 2017 by a definitive agreement (share purchase agreement ("SPA")), under which PMI will assign to the Company its two Luxembourg subsidiaries, which hold a 100% working interest in two hydrocarbon licences in southwest France known as Ledeux and Ger, and consisting of approximately 171,520 acres.

Furthermore, under the SPA, PMI has agreed to invest \$1.5-million into the Company by way of a private placement of shares in the capital of the Company at \$0.02 per share. Officers and directors intend to also invest into the Company, along with certain key shareholders and others, for a further \$2,025,895, of which the first tranche of \$1,819,280 closed during February 2017 with a second tranche of \$206,600 closing during March 2017. Issuance costs included finders' fees of cash payments of \$92,117 along with the issuance of 4,605,840 brokers' warrants, as well as other cash issuance costs totaling \$10,481. PMI's investment will constitute the third tranche of this private placement.

Upon completion of the third tranche of this private placement, the Company will have approximately 226,663,654 shares outstanding prior to any consolidation. PMI will hold 75 million shares, which will represent 34.1% of the shares of the Company. Since this will create a control block, according to the regulations of the TSX Venture Exchange ("TSX-V"), the Company sought (and received on March 14, 2017) shareholder consents for the issuance of the 75 million private placement shares to PMI as required by Section 1.12 of Policy 4.1 of the TSX-V corporate governance policies. It is expected that the Company will require the purchasers of such new shares and such shareholders providing consent to the private placement, to covenant to vote for an intended consolidation of the shares at the next annual general meeting of the shareholders of the Company, under a ratio to be determined. This consent was received on March 14, 2017 and a share consolidation ratio of up to 1-for-6 was approved by shareholders.

Concurrent with the investment by PMI into the Company, PMI will have the right to appoint one member to the board of directors of the Company.

The private placement, the appointment and completion of the assignment are subject to regulatory approval, including TSX Venture Exchange review and approval in accordance with its policies.