CANADA ENERGY PARTNERS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JULY 31, 2016 AND 2015
(Expressed in Canadian Dollars)

CANADA ENERGY PARTNERS INC.

NOTICE OF NO AUDITOR REVIEW OF THESE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Canada Energy Partners Inc. (the "Company") for the three months ended July 31, 2016, have been prepared by management and are the responsibility of the Company's management and have not been reviewed by an auditor.

CANADA ENERGY PARTNERS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

	July 31, 2016	April 30, 2016
A S S E T S		
CURRENT ASSETS		
Cash	$ 167,891	$ 345,727
Accounts receivable	22,856	-
Prepaid and deposits	6,069	2,289
Reclamation deposit (Note 3)	1,998,239	2,161,810
	2,195,055	2,509,826
OIL AND GAS INTERESTS (Note 4)	1,563,274	1,546,350
	$ 3,758,329	$ 4,056,176
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	$ 844,868	$ 373,784
Loans (Note 7)	54,219	52,965
Current portion of decommissioning liability (Note 5)	482,414	1,081,954
	1,381,501	1,508,703
DECOMMISSIONING LIABILITY (Note 5)	236,759	230,068
	1,618,260	1,738,771
S H A R E H O L D E R S ' E Q U I T Y		
SHARE CAPITAL (Note 6)	71,124,785	71,124,785
SHARE-BASED PAYMENT RESERVE (Note 6)	8,549,366	8,548,325
DEFICIT	(77,534,082)	(77,355,705)
	2,140,069	2,317,405
	$ 3,758,329	$ 4,056,176

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

Approved by the Board of Directors and authorized for issuance on September 23, 2016.

"John Proust" , Director *"Ben Jones"* , Director

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

CANADA ENERGY PARTNERS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	Three Months Ended July 31, 2016	Three Months Ended July 31, 2015
GENERAL AND ADMINISTRATIVE EXPENSES		
Accretion	$ 690	$ 10,835
Administrative and management services (Note 7)	79,040	102,112
Filing and regulatory	626	683
General exploration	10,230	-
Research	34,701	-
Impairment of oil and gas interests (Note 4)	-	20,945
Interest expense	3,442	-
Office and miscellaneous	37,026	11,367
Professional fees	5,605	(1,548)
Rent	3,275	8,468
Share-based compensation	1,041	6,188
Travel	2,701	315
	(178,377)	(159,365)
OTHER ITEMS		
Foreign exchange loss	-	(297)
	-	(297)
NET LOSS AND COMPREHENSIVE LOSS	$ (178,377)	$ (159,662)
LOSS PER SHARE - BASIC AND DILUTED	$ (0.00)	$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	90,394,534	90,394,534

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

CANADA ENERGY PARTNERS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian Dollars)

	Number of Issued and Outstanding Shares	Share Capital	Share-based Payment Reserve	Deficit	Total Shareholders' Equity
Balance as at May 1, 2016	90,394,534	$ 71,124,785	$ 8,548,325	$ (77,355,705)	$ 2,317,405
Share-based compensation	-	-	1,041	-	1,041
Net loss for the period	-	-	-	(178,377)	(178,377)
Balance as at July 31, 2016	90,394,534	$ 71,124,785	$ 8,549,366	$ (77,534,082)	$ 2,140,069

	Number of Issued and Outstanding Shares	Share Capital	Share-based Payment Reserve	Deficit	Total Shareholders' Equity
Balance as at May 1, 2015	90,394,534	$ 71,124,785	$ 8,536,275	$ (62,655,473)	17,005,587
Share-based compensation	-	-	6,188	-	6,188
Net loss for the period	-	-	-	(159,662)	(159,662)
Balance as at July 31, 2015	90,394,534	$ 71,124,785	$ 8,542,463	$ (62,815,135)	$ 16,852,113

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

CANADA ENERGY PARTNERS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

	Three Months Ended July 31, 2016	Three Months Ended July 31, 2015
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Loss for the period	$ (178,377)	$ (159,662)
Accretion	690	10,835
Interest expense	3,442	-
Share-based compensation	1,041	6,188
Impairment of oil and gas interests	-	20,945
Changes in non-cash working capital balances		
Redemption of reclamation deposit	163,571	
Accounts receivable and prepaid and deposits	(26,636)	(1,170)
Accounts payable and accrued liabilities	(130,644)	108,329
	(166,913)	(14,535)
INVESTING ACTIVITIES		
Oil and gas interests	(10,923)	(20,945)
	(10,923)	(20,945)
INCREASE (DECREASE) IN CASH DURING THE PERIOD	(177,836)	(35,480)
CASH - BEGINNING OF THE PERIOD	345,727	52,008
CASH - END OF THE PERIOD	$ 167,891	$ 16,528
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Accounts payable related to oil and gas interests	$ -	$ -
Interest expense paid	$ -	$ -

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Canada Energy Partners Inc. ("the Company") is an independent natural gas exploration and development company focused primarily on resource opportunities in northeast British Columbia. The Company was formed on May 18, 2006, by Certificate of Incorporation and Notice of Articles pursuant to the provisions of the Business Corporations Act (British Columbia). The Company's principal and executive office is located at Suite 3123, 595 Burrard Street, Vancouver, BC, Canada V7X 1J1.

The amounts shown as oil and gas interests represent exploration and development expenditures incurred to date and acquisition costs for the working interests in the Company's prospects, and do not necessarily represent present or future values. The underlying value of oil and gas interests is entirely dependent on the ability of the Company to obtain the necessary financing to complete its share of the development, and future profitable production.

Going Concern

These condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

For the period ended July 31, 2016, the Company incurred a net loss of $178,377 (July 31, 2015: $159,662) and had working capital of $813,554 (April 30, 2016: $1,001,123). The Company does not generate sufficient cash flow from operations to adequately fund its future activities and has relied principally upon issuance of securities to fund its exploration, development and administrative expenditures.

The Company continues to pursue a number of options to increase its financial capacity, including the sale of a portion of its oil and gas interests, raising equity financing, debt agreements, and the commercialization of its cavitation tool.

The Company will require additional capital to fund its future property acquisitions and its exploration and research programs as well as for administrative purposes. There is material uncertainty about whether the Company will be able to obtain additional capital, which casts significant doubt on the Company's ability to continue as a going concern. If management is unable to obtain new funding, the Company may be unable to continue its operations, realize its assets and discharge its liabilities in the normal course of business.

These condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended April 30, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

Basis of Consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, Hudson's Hope Gas, Ltd. ("HHG"). Control exists when the Company has the power over its subsidiaries, exposure or right, to variable returns from its involvement with the subsidiary, and the ability to use its power over the subsidiary to affect the amount of the subsidiaries return. Control of HHG was obtained effective June 26, 2012 when the Company acquired all of the outstanding shares of HHG. All intercompany balances and transactions, income and expenses have been eliminated upon consolidation.

New Accounting Standards and Recent Pronouncements

The following is an overview of accounting standard change that the Company will be required to adopt in future years. The Company continues to evaluate the impact of these standards on its financial statements.

- IFRS 9 - Financial Instruments. This IFRS introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39 - Financial Instruments: Recognition and measurement, derecognition of financial assets and financial liabilities. The required adoption date for IFRS 9 is January 1, 2018.

- IFRS 15 - Revenue from Contracts with Customers. This IFRS establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- IFRS 16 – Leases. This IFRS, which supersedes IAS 17 – Leases, specifies how to recognize, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied.

(Expressed in Canadian Dollars)

3. RECLAMATION DEPOSIT

The Company has a reclamation deposit of $1,998,239 (April 30, 2016: $2,161,810) that is held by the British Columbia Oil and Gas Commission ("BCOGC") as a financial guarantee of the future abandonment costs for the Company's wells and gas processing plant. During the period ended July 31, 2016, the Company redeemed $163,571 (April 30, 2016: $Nil) of its reclamation deposit to fund its plug and abandonment program.

4. OIL AND GAS INTERESTS

For the period ended July 31, 2016		Total
Acquisition costs		
Balance, beginning of period	$	1,546,350
Additions		10,923
Change in estimate		6,001
Balance, end of period	$	1,563,274
Total oil and gas interests	**$**	**1,563,274**

For the year ended April 30, 2016		Total
Acquisition costs		
Balance, beginning of year	$	15,815,574
Impairment of oil and gas interest		(11,026,762)
Change in estimate		(1,071,089)
Gas plant sold		(2,171,373)
Balance, end of year	$	1,546,350
Development costs		
Balance, beginning of year	$	1,190,029
Impairment of development costs	$	(1,190,029)
Balance, end of year	$	-
Total oil and gas interests	**$**	**1,546,350**

4. OIL AND GAS INTERESTS (continued)

Peace River Project, British Columbia

The Company has working interests in oil and gas leases located in the Peace River area near Hudson's Hope in northeast British Columbia. The Peace River Project consists of shallow rights (from surface to the base of Gething formation) and water disposal rights in the deep rights (from the base of Gething to the basement or to the base of Belloy).

Shallow rights

Shallow rights include the Peace River coalbed methane project and Moosebar Shale rights. The Company's interest in the Peace River Project and the Moosebar Shale rights is subject to Crown royalties and, for certain acreage, to overriding royalties of up to 0.05%.

Deep rights

On July 31, 2014, the Company completed the sale of its Montney rights for $15,720,000 and received net proceeds of $12,492,995 after adjustments, including a $2.2 million reclamation deposit paid directly by Crew Energy Inc. ("Crew") on behalf of the Company to the BCOGC and repayments to Crew of a short-term loan and other liabilities. As part of the sale, the Company retained water disposal rights in all the leasehold rights it sold. As at July 31, 2016, the cost capitalized for the water disposal well is $1,563,274 (April 30, 2016: $ $1,546,350).

Impairment

The Peace River Project consisted of the shallow rights and a water disposal well. As at April 30, 2016, the Company evaluated its Peace River Project and determined that the carrying amount of the oil and gas interest for the shallow rights was unlikely to be recovered in full from successful development or by sale. As a result, during the year ended April 30, 2016, the Company recorded an impairment of $12,216,791. During the period ended July 31, 2016, the Company started a plug and abandonment program on its shallow rights project. No additional impairment was recorded during the period ended July 31, 2016.

The Company also evaluated the carrying amount recorded for the water disposal well by using an assessment of net present value. Based on discounted cash flows using future revenue less cost to sell of 1% and a discount rate of 10%, the Company determined the net present value of the water disposal well to be higher than the current carrying value. As a result, the Company did not trigger an impairment to the water disposal well.

(Expressed in Canadian Dollars)

5. DECOMMISSIONING LIABILITY

Total future decommissioning liability was estimated by management based on the Company's working interest in its wells and facilities, estimated costs to remediate, reclaim, and abandon the wells and facilities, and the estimated timing of the costs to be incurred in future periods. The Company estimated the remaining risk adjusted undiscounted amount of cash flows required to settle the decommissioning liability to be $707,764. Out of this amount, $482,414 is expected to be incurred within the next twelve months as the Company has started a plug and abandonment program on its shallow rights project. As a result, the decommissioning liability related to the shallow rights has been reclassified as current. The remaining undiscounted balance of $225,350 relating to the water disposal well is expected to be incurred within the next seven years. To calculate the net present value of its decommissioning liability, the Company used a risk free interest rate of 0.76% (2016: 1.2%). The following table summarizes the Company's decommissioning liability:

Balance, as at April 30, 2015		2,156,707
Moved to current portion of decommissioning liability		(1,081,954)
Change in estimate		(885,007)
Accretion expense		40,322
Balance, as at April 30, 2016	$	230,068
Change in estimate		6,001
Accretion expense		690
Balance, as at July 31, 2016	$	236,759

The present value of the reclamation liability may be subject to change in future periods. Such changes will be recorded in the accounts of the Company as they occur.

During the period ended July 31, 2016, the Company incurred $599,540 (July 31, 2015: $Nil) on costs related to its plug and abandonment program. As at July 31, 2016, accounts payable and accrued liabilities included $453,643 (April 30, 2016: $Nil) of these costs.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE

Share Options and Share-Based Compensation

The Company grants stock options in accordance with the requirements of the TSX Venture Exchange. Under the Company's stock option plan, up to 10% of outstanding common shares are reserved for the issuance of stock options to directors, officers, employees and consultants. The terms of the options, including the vesting terms and the exercise price, are fixed by the directors at the time of grant, subject to the price not being less than the market price of the Company's stock on the date of grant. The stock options granted are exercisable for a period of five years.

A continuity table of share options for period ended July 31, 2016 and year ended April 30, 2016 is as follows:

	Number of options	Weighted Average Exercise Price	
Balance, outstanding - April 30, 2015	2,440,000	$	0.17
Expired	(357,500)	$	0.57
Balance, outstanding - April 30, 2016	2,082,500	$	0.10
Balance, outstanding - July 31, 2016	2,082,500	$	0.10

The following table summarizes information about share options outstanding and exercisable as at July 31, 2016:

	Options Outstanding		Options Exercisable	
Exercise Price	Number of Options	Weighted Average Contractual Life (Years)	Number of Options	Weighted Average Contractual Life (Years)
$0.10	1,982,500	2.49	1,782,500	2.41
$0.20	100,000	2.11	-	-
	2,082,500	2.47	1,782,500	2.41

There were no options granted during the period ended July 31, 2016.

Warrants

There were no warrants outstanding as at July 31, 2016.

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

Key Management and Personnel Compensation

During the period ended July 31, 2016, administrative and management fees of $64,040 (July 31, 2015: $72,112) were charged by a company controlled by the Chief Executive Officer in connection with the Company's Baton Rouge, Louisiana office. At July 31, 2016, accounts payable and accrued liabilities included $200,938 (April 30, 2016: $184,709) payable to the related entity. The Company began to accrue interest on the balance owed to this party effective April 3, 2016 at a rate of 3% per annum. As at July 31, 2016, the balance owed to this party includes an accrued interest amount of $1,892 (April 30, 2016: $381).

During the period ended July 31, 2016, administrative and management fees of $15,000 were charged to a company controlled by the Chairman in connection with the Company's Vancouver head office (July 31, 2015: $30,000). At July 31, 2016, accounts payable and accrued liabilities included $88,035 (April 30, 2016: $79,483) payable to the related entity. The Company began to accrue interest on the balance owed to this party effective April 3, 2016 at a rate of 3% per annum. As at July 31, 2016, the balance owed to this party includes an accrued interest amount of $853 (April 30, 2016: $176).

		Three months ended July 31,2016		Three months ended July 31,2015
Administrative and management services	$	79,040	$	102,112
Share-based compensation		481		5,318
	$	79,521	$	107,430

Loans

On September 1, 2015, the Company received loans totaling $29,714 from three directors, of which one is an officer of the Company. These loans bear an interest rate of 10% and are payable within 30 days upon demand. As at July 31, 2016, total interest expense of $2,727 was accrued on this loan.

On September 3, 2015, the Company received a $10,000 loan from an officer and director of the Company. This loan bears an interest rate of 10% and is payable within 30 days upon demand. As at July 31, 2016, total interest expense of $910 was accrued on this loan.

On September 18, 2015, the Company received a $10,000 loan from a director of the Company. This loan bears an interest rate of 10% and is payable within 30 days upon demand. As at July 31, 2016, total interest expense of $868 was accrued on this loan.

Other related parties transactions

During the period ended July 31, 2016, rent of $3,275 (July 31, 2015: $8,468) was charged by a company controlled by the CEO of the Company for rent for the office in Baton Rouge.

During the period ended July 31, 2016, the Company recorded interest expense of $3,442 (July 31, 2015: $Nil) on loans and balances owed to the directors of the company.