CANADA ENERGY PARTNERS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED JANUARY 31, 2017 AND 2016
(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 nine months ended January 31, 2017, 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)

		January 31, 2017		April 30, 2016
A S S E T S				
CURRENT ASSETS				
Cash	$	223,269	$	345,727
Accounts receivable		214,509		-
Prepaid and deposits		10,807		2,289
Reclamation deposit - current (Note 3)		281,250		1,936,460
		729,835		2,284,476
RECLAMATION DEPOSIT (Note 3)		225,350		225,350
OIL AND GAS INTERESTS (Note 4)		1,725,939		1,546,350
	$	2,681,124	$	4,056,176
L I A B I L I T I E S				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities (Note 5)	$	588,049	$	373,784
Loans (Note 7)		56,725		52,965
Current portion of decommissioning liability (Note 5)		-		1,081,954
		644,774		1,508,703
DECOMMISSIONING LIABILITY (Note 5)		226,883		230,068
		871,657		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		(77,864,684)		(77,355,705)
		1,809,467		2,317,405
	$	2,681,124	$	4,056,176

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

SUBSEQUENT EVENT (Note 8)

Approved by the Board of Directors and authorized for issuance on March 17, 2017.

"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 January 31, 2017	Three Months Ended January 31, 2016	Nine Months Ended January 31, 2017	Nine Months Ended January 31, 2016
Revenue	$ 162,240	$ -	$ 162,240	$ -
Operating expenses				
Well operating expenses	91,874	-	91,874	-
Depreciation	17,942	-	17,942	-
Reclamation costs	142,729	-	142,729	-
Administrative and management services (Note 7)	78,614	83,779	237,320	291,117
Audit and accounting	5,000	-	16,000	1,000
Filing and regulatory	5,656	5,061	9,834	9,162
General exploration	(12,569)	44,014	37,050	99,749
Research	26,005	-	68,253	-
Interest expense	4,099	1,253	11,035	2,026
Legal	8,517	8,619	14,773	22,301
Office and miscellaneous	13,250	11,707	36,615	34,399
Professional fees	592	-	723	-
Rent	3,322	4,970	9,734	15,217
Share-based compensation	-	1,683	1,041	10,581
Travel	7,415	4,591	16,612	8,372
	(392,446)	(165,677)	(711,535)	(493,924)
Other items				
Gain on sale of assets	-	149,775	42,027	149,775
Accretion	(571)	(6,999)	(1,711)	(30,241)
Foreign exchange gain	-	7,903	-	7,685
	(571)	150,679	40,316	127,219
Net loss and comprehensive loss	$ (230,777)	$ (14,998)	$ (508,979)	$ (366,705)
Loss per share - Basic and Diluted	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.00)
Weighted Average Number of Common Shares Outstanding	90,394,534	90,394,534	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	-	-	-	(508,979)	(508,979)
Balance as at January 31, 2017	90,394,534	$ 71,124,785	$ 8,549,366	$ (77,864,684)	$ 1,809,467

	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	-	-	10,581	-	10,581
Net loss for the period	-	-	-	(366,705)	(366,705)
Balance as at January 31, 2016	90,394,534	$ 71,124,785	$ 8,546,856	$ (63,022,178)	$ 16,649,463

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)

	Nine Months Ended January 31, 2017	Nine Months Ended January 31, 2016
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Loss for the period	$ (508,979)	$ (366,705)
Accretion	1,711	30,241
Depreciation	17,942	-
Interest expense	6,936	2,026
Share-based compensation	1,041	10,581
Gain on sale of assets	(42,027)	(149,775)
Changes in non-cash working capital balances		
Redemption of reclamation deposit	1,655,210	-
Accounts receivable and prepaid and deposits	(223,027)	5,435
Accounts payable and accrued liabilities	(870,865)	335,404
	37,942	(132,793)
INVESTING ACTIVITIES		
Oil and gas interests	(202,427)	-
Proceeds from sale of assets	42,027	149,775
	(160,400)	149,775
FINANCING ACTIVITIES		
Proceeds from loans	-	49,714
	-	49,714
INCREASE (DECREASE) IN CASH DURING THE PERIOD	(122,458)	66,696
CASH - BEGINNING OF THE PERIOD	345,727	52,008
CASH - END OF THE PERIOD	$ 223,269	$ 118,704

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 650, 669 Howe Street, Vancouver, BC, Canada V6C 0B4.

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 January 31, 2017, the Company incurred a net loss of $508,979 (January 31, 2016: $366,705) and had working capital of $85,061 (April 30, 2016: $775,773). 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 cash flow from its water disposal operation, sale of a portion of its oil and gas interests, raising equity financing, debt agreements, and the commercialization of its cavitation tool. The Company's ability to improve its financial capacity from the cash flow generated from operations cannot be assured.

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.

Revenue Recognition

Revenue is recognized when significant risk and rewards of the delivery of services have transferred to the buyer, recoverability of the consideration is probably and the amount of revenue can be measured reliably. The Company's water disposal services are sold based upon contracts with a customer that includes fixed or determinable prices based upon daily rates. The Company recognizes revenue when the services from the Company's water disposal operations are rendered.

Depreciation

Depreciation of the Company's disposal well is based on a straight line basis and is calculated over the estimated useful life of the asset, which is determined to be 7 years.

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 reclamation deposits totaling $506,600 (April 30, 2016: $2,161,810) that is held by the British Columbia Oil and Gas Commission ("BCOGC") as a financial guarantee of the abandonment costs for the Company's wells and gas processing plant and its water disposal well. Out of this amount $281,250 is related to the plug and abandonment program that is near completion (April 30, 2016: $1,936,460) and $225,350 (April 30, 2016: $225,300) is related to future abandonment costs for the water disposal well. During the period ended January 31, 2017, the Company redeemed $1,655,210 (April 30, 2016: $Nil) of its reclamation deposit to fund its plug and abandonment program.

4. OIL AND GAS INTERESTS

For the period ended January 31, 2017		Total
Acquisition costs		
Balance, beginning of period	$	1,546,350
Additions		202,427
Depreciation		(17,942)
Change in estimate		(4,896)
Balance, end of period	$	1,725,939
Total oil and gas interests	**$**	**1,725,939**

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. As at January 31, 2017, the Company holds one section within the shallow rights which surround its water disposal well. The Company's interest in the shallow 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 of the leasehold rights it sold which allows the Company contractual rights to drill additional water disposal wells under 48 additional sections adjacent to the Company's current water disposal well. As at January 31, 2017, the cost capitalized for the water disposal well, net of depreciation is $1,725,939 (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 January 31, 2017, the Company is near completion of its plug and abandonment program. No additional impairment was recorded during the period ended January 31, 2017.

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.

Water Disposal Well

On November 17, 2016, the Company entered into an agreement with a major operator ("Disposer") in northeast British Columbia to dispose of produced water in its water disposal operations at Peace River. The agreement is for a one year term. The Disposer is responsible for delivery of the water to the Company's disposal facility. Disposal is on a "best efforts" basis with no penalty for failure to dispose. Disposal operations started in January 2017. During the period ended January 31, 2017, the Company capitalized $202,427 in improvements related 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 $225,350 which is related to the water disposal well and 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 1.39% (2016: 1.2%). The following table summarizes the Company's decommissioning liability:

		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		(4,896)
Accretion expense		1,711
Balance, as at January 31, 2017	$	226,883

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 January 31, 2017, the Company incurred $1,224,683 (January 31, 2016: $Nil) on costs related to its plug and abandonment program. As at January 31, 2017, accounts payable and accrued liabilities included $96,544 (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 January 31, 2017 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 - January 31, 2017	2,082,500	$ 0.10

The following table summarizes information about share options outstanding and exercisable as at January 31, 2017:

	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	1.99	1,782,500	1.91
$0.20	100,000	1.61	-	-
	2,082,500	1.97	1,782,500	1.91

There were no options granted during the period ended January 31, 2017.

Warrants

There were no warrants outstanding as at January 31, 2017.

(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 January 31, 2017, administrative and management fees of $192,320 (January 31, 2016: $192,117) were charged by a company controlled by the Chief Executive Officer in connection with the Company's Baton Rouge, Louisiana office. As at January 31, 2017, accounts payable and accrued liabilities included $160,276 (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 January 31, 2017, the balance owed to this party includes an accrued interest amount of $6,195(April 30, 2016: $381).

During the period ended January 31, 2017, administrative and management fees of $45,000 were charged to a company controlled by the Chairman in connection with the Company's Vancouver head office (January 31, 2016: $99,000). As at January 31, 2017, accounts payable and accrued liabilities included $67,354 (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 January 31, 2017, the balance owed to this party includes an accrued interest amount of $1,637 (April 30, 2016: $176).

	Three months ended January 31, 2017	Three months ended January 31, 2016	Nine months ended January 31, 2017	Nine months ended January 31, 2016
Administrative and management services	$ 78,614	$ 83,779	$ 237,320	$ 291,117
Share-based compensation	-	1,122	481	8,590
	$ 78,614	$ 84,901	$ 237,801	$ 299,707

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 January 31, 2017, total interest expense of $4,225 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 January 31, 2017, total interest expense of $1,414 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 January 31, 2017, total interest expense of $1,373 was accrued on this loan.

Other related parties transactions

During the period ended January 31, 2017, rent of $9,734 (January 31, 2016: $15,217) was charged by a company controlled by the CEO of the Company for rent for the office in Baton Rouge.

During the period ended January 31, 2017, the Company recorded interest expense of $11,035 (January 31, 2016: $2,026) on loans and balances owed to the directors of the Company.

8. SUBSEQUENT EVENT

On March 16, 2017, the Company received a General Order from the British Columbia Oil & Gas Commission ("OGC") ordering a suspension of all disposal activities at the Company's water disposal well in northeast British Columbia. The Order shall remain in effect until amended or terminated in whole or in part by the OGC pending a review of additional technical information. The Company immediately ceased disposing and has secured the well.

The reasons given were concern over enhanced seismicity alleged to be related to water disposal. The OGC gave no evidence of increased seismicity related to the Company's disposal well but referenced increased seismicity in other areas of British Columbia. The General Order states that the Company has met the conditions stipulated in its disposal permit.

The Company will be requesting a review and, if appropriate, an appeal of this order.