

SPARX ENERGY CORP.

FINANCIAL STATEMENTS

DECEMBER 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Sparx Energy Corp.,

We have audited the accompanying financial statements of Sparx Energy Corp. which comprise the statements of financial position as at December 31, 2015 and 2014, the statements of comprehensive loss, cash flows and changes in deficiency for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sparx Energy Corp. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has limited working capital, no sources of revenue, and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

De Visser Gray LLP

SPARX ENERGY CORP.
 STATEMENTS OF FINANCIAL POSITION
 AS AT DECEMBER 31,

	2015	2014
ASSETS		
Current assets		
Cash	\$ 40	\$ 316
Amounts receivable	309	-
Prepaid expenses	-	2,040
	\$ 349	\$ 2,356
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 87,687	\$ 68,869
Loans payable (note 3)	123,205	110,000
	210,892	178,869
SHAREHOLDERS' DEFICIENCY		
Share capital (note 4)	52,500	52,500
Deficit	(263,043)	(229,013)
	(210,543)	(176,513)
	\$ 349	\$ 2,356

Nature and continuance of operations (note 1)

Event after the reporting period (note 10)

Approved on behalf of the Board

Director "Richard W. Grayston"
 Richard W. Grayston

Director "Anita Algie"
 Anita Algie

The accompanying notes are an integral part of these financial statements

SPARX ENERGY CORP.
STATEMENTS OF COMPREHENSIVE LOSS
YEARS ENDED DECEMBER 31,

	2015	2014
EXPENSES		
Bank charges	\$ 153	\$ 179
Consulting and management fees (note 7)	8,400	8,400
Interest	11,875	10,472
Office	10	85
Professional fees	6,194	(1,105)
Regulatory and transfer agent fees	7,398	5,664
Net and comprehensive loss for the year	\$ 34,030	\$ 23,695
Basic and diluted loss per share (note 8)	\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding	13,111,431	13,111,431

The accompanying notes are an integral part of these financial statements

SPARX ENERGY CORP.
STATEMENTS OF CHANGES IN DEFICIENCY
YEARS ENDED DECEMBER 31,

	Number of Shares	Share Capital	Deficit	Total Shareholders' Deficiency
Balance at January 1, 2014	13,111,431	\$ 52,500	\$ (205,318)	\$ (152,818)
Net and comprehensive loss for the year	-	-	(23,695)	(23,695)
Balance at December 31, 2014	13,111,431	52,500	(229,013)	(176,513)
Balance at January 1, 2015	13,111,431	52,500	(229,013)	(176,513)
Net and comprehensive loss for the year	-	-	(34,030)	(34,030)
Balance at December 31, 2015	13,111,431	\$ 52,500	\$ (263,043)	\$ (210,543)

The accompanying notes are an integral part of these financial statements

SPARX ENERGY CORP.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,

	2015	2014
Cash provided by (used for):		
Operating activities		
Net and comprehensive loss	\$ (34,030)	\$ (23,695)
Change in non-cash working capital:		
Amounts receivable	(309)	464
Prepaid expenses	2,040	(2,040)
Accounts payable and accrued liabilities	18,818	15,278
	<u>(13,481)</u>	<u>(9,993)</u>
Financing activities		
Loan advances (note 3)	13,205	9,500
	<u>13,205</u>	<u>9,500</u>
Change in cash during the year	(276)	(493)
Cash, beginning of the year	316	809
Cash, end of the year	\$ 40	\$ 316

The accompanying notes are an integral part of these financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Sparx Energy Corp. ("Sparx" or the "Corporation") was incorporated in the Province of British Columbia on October 5, 2012. For the period October 5, 2012 to May 31, 2013, the Corporation was a wholly owned subsidiary of Aldever Resources Inc. (formerly Glenmark Capital Corp.) ("Aldever"), which is a junior exploration company engaged in the business of identification, acquisition and exploration of mineral interests.

During October, 2012, Aldever's board of directors approved a plan of arrangement (the "Arrangement") between Aldever and its four wholly-owned subsidiaries, including Sparx. As a result of the completion of the Arrangement on May 31, 2013, Aldever ceased to be a shareholder of Sparx and the Corporation became a reporting issuer in its own right. Sparx is a junior exploration company engaged in the business of identification, acquisition and exploration of mineral interests.

The Corporation's principal office and registered and records office is located at 2200-885 West Georgia Street, Vancouver, BC V6C 3E8.

These financial statements have been prepared on a going concern basis which presumes the realization of assets and settlement of liabilities in the normal course of operations in the foreseeable future. The Corporation has no source of operating revenue, has incurred operating losses and at December 31, 2015 had a deficit of \$263,043 and net negative working capital of \$210,543. The continuing operations of the Corporation are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Corporation be unable to continue in existence. The aforementioned factors indicate the existence of a material uncertainty which may cast significant doubt about the Corporation's ability to continue as a going concern. Further discussion of liquidity risk is included in notes 5 and 6.

These financial statements were authorized for issue on April 29, 2016 by the directors of the Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The presentation and functional currency of the Corporation is the Canadian dollar. These financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows:

Use of Estimates and Assumptions

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Judgments

The preparation of financial statements in accordance with IFRS requires the Corporation to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Corporation's financial statements include:

- the assessment of the Corporation's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification/allocation of expenditures as exploration and evaluation expenditures or operating expenses; and
- the classification of financial instruments.

Financial instruments

Financial assets

The Corporation classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Corporation's accounting policy for each category is as follows:

Fair value through profit or loss – This category involves financial instruments held for the purpose of selling them in the short term. All of the financial instruments in this category meet the definition of financial assets held for trading and include cash.

The financial instruments included in this category are initially recognized at fair value and the transaction costs are expensed to the statement of comprehensive income (loss).

Subsequently, financial assets at fair value through profit or loss are measured at fair value and all gains and losses, realized and unrealized, measured on the basis of market transactions, are recognized directly in the statement of comprehensive income (loss).

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Corporation's financial assets classified as loans and receivables consist of amounts receivable.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Held-to-maturity investments – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive income (loss). The Corporation has no financial assets classified as held-to-maturity investments

Available-for-sale – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of comprehensive income (loss). The Corporation has no financial assets classified as available-for-sale assets.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

At each reporting date, the Corporation assesses whether there is objective evidence that a financial instrument has been impaired.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. The Corporation's non-derivative liabilities consist of accounts payable and accrued liabilities and loans payable.

Derivative liabilities are classified as fair value through profit or loss. The Corporation has no derivative assets or liabilities.

Asset retirement obligations

The fair value of a liability for an asset retirement or environmental obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement or environmental obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement or environmental cost is charged to operations using a systematic and rational method and the resulting liability is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. As of December 31, 2015, the Corporation does not have any asset retirement or environmental obligations.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Corporation intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

New standards, amendments and interpretations to existing standards adopted by the Corporation

The Corporation has applied the following new and revised IFRS in these audited financial statements:

- IFRS 9, *Financial Instruments*

New accounting standards issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee (“IFRIC”) but not yet effective as at December 31, 2015. The Corporation intends to adopt these standards and interpretations when they become effective. The Corporation does not expect these standards to have an impact on its financial statements.

3. LOANS PAYABLE

These loans represent funds advanced by an investor who is assisting in implementing the Corporation's business plan. It is not presently known what business, organizational or management changes may be necessary to complete this plan. Receipt of these loans is providing the working capital for the Corporation to prepare financial statements and for corporate registrations. As a result, the Corporation has gained further time in which to implement its intended business plan.

Loans payable in the amount of \$123,205 (December 31, 2014 - \$110,000) are unsecured, bear interest at 10% per annum and will be repaid once the Corporation's business plan is implemented. The lender has the option to be repaid in cash or shares of the Corporation.

4. SHARE CAPITAL

Authorized

Unlimited number of common shares, without par value.

Issued

On April 24, 2013, the Corporation issued 2 common shares at a price of \$0.05 per share to two officers of Sparx for gross proceeds of \$0.10. On May 7, 2013, these shares were redeemed and cancelled for \$95,000 in cash.

On May 31, 2013, the Corporation cancelled its 1 incorporating share and issued 13,111,431 common shares for \$17,500 in cash and an assignment of the Doran mineral property interest, valued at \$35,000, under a plan of arrangement.

Warrants

Details of common share purchase warrants outstanding at December 31, 2015 and 2014 are as follows:

	<u>Number of</u> <u>Warrants</u>	<u>Exercise</u> <u>price</u>	<u>Expiry</u>
Share purchase warrants			
Issued pursuant to amended Arrangement	12,100,000	\$ 0.10	April 8, 2018

There were no common share purchase warrant transactions during the years ended December 31, 2015 and 2014.

The weighted average remaining contractual life of the issued and outstanding warrants as at December 31, 2015 was 2.27 years.

Effective July 10, 2013, the plan of arrangement between the Corporation and Aldever was amended. Under the original plan the Corporation was required to issue one common share to warrant holders of Aldever for each Aldever warrant exercised in return for a portion of the proceeds received by Aldever. The exact amount to be paid would be determined by the fair market value of the assets received by Sparx under the arrangement compared to the total fair market value of the assets of Aldever as of May 31, 2013 immediately prior to the completion of the arrangement.

4. SHARE CAPITAL *(continued)*

Under the amended plan of arrangement, Aldever warrant holders received an equal number of Sparx warrants exercisable on the same terms as the Aldever warrants. Upon exercise of any current outstanding Aldever share purchase warrants, Aldever will not be required to remit any portion of the exercise price of these warrants to Sparx.

In connection with this amendment, Sparx completed the issuance of 12,100,000 share purchase warrants on August 12, 2013. Each warrant entitles the holder to acquire common shares of Sparx at a price of \$0.10 per share until April 8, 2018.

5. FINANCIAL INSTRUMENTS

Fair Values

As at December 31, 2015, the Corporation's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities, and loans payable.

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Corporation classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash, amounts receivable, accounts payable and accrued liabilities, and loans payable is determined on level 1 inputs and the carrying amounts approximate the fair values due to the short-term maturities of these items.

Credit Risk

The Corporation is not exposed to any significant credit risk as it has limited cash balances at December 31, 2015.

Interest Rate and Foreign Exchange Risks

Sparx has cash balances and only fixed interest-bearing debt. The Corporation is not exposed to any significant interest rate or foreign exchange risks.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to pay financial instrument liabilities as they come due. The Corporation's only liquidity risk from financial instruments is its need to meet accounts payable and accrued liabilities and loans payable requirements. The Corporation did not maintain sufficient cash balances to meet its needs at December 31, 2015.

5. FINANCIAL INSTRUMENTS (continued)

Price Risk

The Corporation is not exposed to price risk.

6. CAPITAL MANAGEMENT

The Corporation's capital currently consists of common shares. Its principal source of cash is from the issuance of common shares. The Corporation's capital management objectives are to safeguard its ability to continue as a going-concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets. The Corporation does not have any externally imposed capital requirements to which it is subject. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares.

7. RELATED PARTY TRANSACTION

All transactions with related parties have occurred in the normal course of operations and are measured at their fair value as determined by management. Unless otherwise indicated, the balances are unsecured, non-interest bearing, without specific terms of repayment and have arisen from advances or the provision of services and fees described.

During the year ended December 31, 2015, the Corporation incurred \$7,200 plus GST (2014 - \$6,100 plus GST) in consulting fees paid to a director and a company in which a director is a principal. At December 31, 2015, the Corporation owed the director and a company in which a director is a principal \$16,450 (December 31, 2014 - \$9,995) in respect of these fees and out of pocket expenses.

There were no other transactions with related parties and no remuneration was paid to key management personnel during the year ended December 31, 2015.

8. LOSS PER SHARE

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. The warrants outstanding as at December 31, 2015 have not been included in the calculation of diluted earnings per share as the effect of their inclusion would be anti-dilutive. Loss per share is calculated as follows:

	2015	2014
Loss for the year	\$ (34,030)	\$ (23,695)
Weighted average number of shares outstanding	13,111,431	13,111,431
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)

9. DEFERRED TAX

The net income tax provision differs from that expected by applying the combined federal and provincial tax rate to loss before income taxes for the following reasons:

	2015	2014
Loss before income tax	\$ 34,030	\$ 23,695
Combined federal and provincial income tax rate	26.00%	26.00%
Expected tax recovery	(8,848)	(6,161)
Unrecognized benefit of current non-capital loss	8,848	6,161
Total income tax expense (recovery)	-	-

There are no deferred tax assets presented in the statement of financial position.

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

Exploration and evaluation assets	\$ 35,000	\$ 35,000
Non-capital losses	133,000	99,000
	168,000	134,000

The Corporation has non-capital loss carry forwards of \$133,000 which begin to expire in 2033.

10. EVENT AFTER THE REPORTING PERIOD

On March 1, 2016, the Corporation cancelled 100,000 share purchase warrants previously exercisable at a price of \$0.10 per share until April 8, 2018.