Avanti Energy Inc.

Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2016 and 2015

(Expressed in Canadian Dollars)

NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Avanti Energy Inc.
(in Canadian Dollars)

Condensed Consolidated Interim Statements of Financial Position

As at	**June 30, 2016**	December 31, 2015
ASSETS		
Current		
Cash and cash equivalents	**$ 97,724**	$ 109,913
Sales tax and other receivables	**171,377**	208,385
Prepaids and deposits	**2,877**	330
	271,978	318,628
Non-current assets		
Exploration and evaluation assets (Note 6)	**4,329,616**	4,297,992
Long term deposits (Note 5)	**65,363**	65,363
Property and equipment (Note 7)	**80,802**	80,870
	$ 4,747,759	$ 4,762,853
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 173,815**	$ 146,435
Due to related parties (Note 11)	**5,250**	35,784
Advances received (Note 11)	**-**	27,738
	179,065	209,957
Reclamation obligation (Note 6)	**150,000**	158,000
	329,065	367,957
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	**10,690,972**	10,330,297
Equity reserves	**900,537**	596,056
Deficit	**(7,172,815)**	(6,531,457)
	4,418,694	4,394,896
	$ 4,747,759	$ 4,762,853

Nature and continuance of operations (Note 1)
Events after the reporting period (Note 14)

Approved by the board:

"Karl Kottmeier"
Director

"Douglas Ford"
Director

Avanti Energy Inc.
(in Canadian Dollars)

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Revenue				
Oil and gas sales	**$ -**	$ 15,986	**$ -**	$ 19,546
Expenses				
Administrative	**163,609**	120,444	**303,803**	181,509
Consulting fees (Note 11)	**22,174**	108,741	**99,692**	209,352
Depletion and depreciation (Note 7)	**34**	604	**68**	1,104
Loss (gain) on foreign exchange	**(1,037)**	19,153	**862**	13,288
Lease operating expense	**-**	(20,578)	**-**	11,905
Management fees (Note 11)	**75,000**	75,000	**150,000**	150,000
Professional fees	**5,000**	11,528	**31,233**	18,347
Share-based payments (Note 8)	**-**	-	**304,481**	-
Transfer agent and filing fees	**6,448**	4,838	**24,827**	22,904
Recovery of operating expenses Colle Santo (Note 4)	**(222,476)**	(294,925)	**(273,608)**	(294,925)
	48,752	24,805	**641,358**	313,484
Loss and comprehensive loss	**$ (48,752)**	$ (8,819)	**$ (641,358)**	$ (293,938)
Basic and diluted loss per share	**(0.00)**	(0.00)	**(0.01)**	(0.01)
Weighted average number of shares outstanding- basic and diluted	**65,435,910**	59,373,273	**64,229,591**	53,295,026

Avanti Energy Inc.
(in Canadian Dollars)

Condensed Consolidated Interim Statements of Cash Flows

	Six months ended June 30. 2016	2015
OPERATING ACTIVITIES		
Net loss for the period	**$ (641,358)**	$ (293,938)
Items not affecting cash:		
Depletion and depreciation	**68**	1,104
Share-based payments	**304,481**	-
Non-cash expenses	**-**	21,007
Unrealized foreign exchange loss	**(8,000)**	13,288
Changes in non-cash working capital items:		
Sales tax and other receivables, prepaids and deposits	**34,461**	40,127
Accounts payable and accrued liabilities	**(30,892)**	6,867
Cash used in operating activities	**(341,240)**	(211,545)
INVESTING ACTIVITIES		
Cash advances paid to CMI	**-**	(63,630)
Cash disbursed on asset acquisition	**-**	(175,966)
Exploration and evaluation assets expenditures	**(31,624)**	(33,837)
Cash used in investing activities	**(31,624)**	(273,433)
FINANCING ACTIVITIES		
Common shares issued for cash	**365,000**	500,000
Share issue costs	**(4,325)**	(4,524)
Cash provided by financing activities	**360,675**	495,476
Change in cash and cash equivalents during the period	**(12,189)**	10,498
Cash and cash equivalents, beginning of period	**109,913**	294,634
Cash and cash equivalents, end of period	**97,724**	305,132
Cash paid for:		
Interest	**-**	-
Income taxes	**-**	-

Supplemental disclosure with respect to cash flows (Note 12)

Avanti Energy Inc.
(in Canadian Dollars)

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
For the six months ended June 30,

	Number of shares	Share capital	Equity reserves	Deficit	Total
Balance, December 31, 2014	47,149,243	$ 5,943,821	$ 596,056	$ (4,151,439)	$ 2,388,438
Private placement	1,666,667	500,000	-	-	500,000
Share issue costs	-	(4,524)	-	-	(4,524)
Share issue on asset acquisition	12,970,000	3,891,000	-	-	3,891,000
Comprehensive loss for the period	-	-	-	(293,938)	(293,938)
Balance, June 30, 2015	61,785,910	$ 10,330,297	$ 596,056	$ (4,445,377)	$ 6,480,976
Balance, December 31, 2015	**61,785,910**	**$ 10,330,297**	**$ 596,056**	**$ (6,531,457)**	**$ 4,394,896**
Private placement	3,650,000	365,000	-	-	365,000
Share issue costs (private placement)	-	(4,325)	-	-	(4,325)
Share-based payments	-	-	304,481	-	304,481
Comprehensive loss for the period	-	-	-	(641,358)	(641,358)
Balance, June 30, 2016	**65,435,910**	**$ 10,690,972**	**$ 900,537**	**$ (7,172,815)**	**$ 4,418,694**

1. NATURE AND CONTINUANCE OF OPERATIONS

Avanti Energy Inc. (the "Company" or “AVN”) is a resource company whose common shares trade on the TSX Venture Exchange (“TSX-V”) and is in the business of acquiring, developing, exploring and evaluating oil and gas properties. The Company was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the *British Columbia Business Corporations Act* on March 7, 2011.

On May 31, 2013, the Company announced the successful completion of the acquisitions of Avanti Exploration SA LLC (“Avanti SA”) and Avanti Oil, LLC (“Avanti Oil”). The acquisition of Avanti SA and Avanti Oil were deemed to be acquisitions of a group of assets that do not constitute a business. As a result, the Company has acquired all of the issued and outstanding interests in Avanti SA and Avanti Oil.

On April 15, 2015, the Company completed the acquisition of CMI Energia S.p.A. (“CMI Energia”). The acquisition of CMI Energia was deemed an asset acquisition, as a result, the Company has acquired all of the issued and outstanding interests in CMI Energia (Note 4).

The Company’s head office is located at Suite 1450, 701 West Georgia Street, Vancouver, British Columbia V6C 2T4 and its registered and records office address is Suite 1750, 1185 West Georgia Street, Vancouver, British Columbia, V6E 4B6.

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The 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.

The Company had only recently commenced generating revenue from its USA based operations until the sale of that segment (Note 7). The Company will require additional financing or outside participation to undertake further exploration and subsequent development of its exploration and evaluation assets. Future operations of the Company are dependent on its ability to raise additional equity or debt financing, and the attainment of profitable operations. These uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

The Company has determined that its exploration and evaluation assets which comprise the Colle Santo project in Italy, contains established reserves that are economically recoverable (Note 6). The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the Company’s ability to obtain the required permitting, and the necessary financing, to complete the development of those reserves, and upon future production or proceeds from the disposition thereof.

(in Canadian dollars)

2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). The unaudited condensed consolidated interim financial statements follow the same accounting policies and methods of application as our most recent annual financial statements and do not include all of the information required for full annual financial statements. Accordingly, they should be read in conjunction with our IFRS financial statements for the fiscal year ended December 31, 2015. The accounting policies applied in these unaudited condensed consolidated interim financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as of August 29, 2016, the date the Board of Directors approved these unaudited condensed consolidated interim financial statements and they are consistent with those disclosed in the annual financial statements.

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on August 29, 2016.

Principles of consolidation

The consolidated financial statements include the financial statements of the Company and the following subsidiaries:

CMI Energia	100%	Development/exploration company
Avanti SA	100%	Inactive company
Avanti Oil	100%	Inactive company
Lucana Idrocarburi S.R.L.	80%	Inactive company

All intercompany transactions, balances, revenues and expenses are eliminated on consolidation.

Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Critical judgments in applying accounting policies

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1. In addition, management has made judgments regarding the functional currency of the Company, and has determined that the functional currency of the Company and its subsidiaries is the Canadian dollar.

Key sources of estimation uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting our financial statements include, but are not limited to, the following:

2. BASIS OF PREPARATION (cont'd)

Significant accounting judgments, estimates and assumptions (cont'd)

Share-based payments

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based payment expense for the year along with the assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 8.

Reserve estimates

Reserve engineering is an inherently complex and subjective process of estimating underground accumulations of petroleum and natural gas. The process relies on interpretations of available geological, geophysical, engineering and production data. The accuracy of a reserves estimate is a function of the quality and quantity of available data, the interpretation of that data, the accuracy of various economic assumptions and the judgment of those preparing the estimate. Because these estimates depend on many assumptions, all of which may differ from actual results, reserves estimates and estimates of future net revenue may be different from the sales volumes ultimately recovered and net revenues actually realized. Changes in market conditions, regulatory matters and the results of subsequent drilling, testing and production may require revisions to the original estimates. Estimates of reserves impact: (i) the assessment of whether or not a new well has found economically recoverable reserves; (ii) depletion rates; and (iii) the determination of the realizable value of oil and gas properties for impairment tests, all of which could have a material impact on earnings.

Impairment of Non-Financial Assets

The Company assesses its oil and gas properties within property and equipment, and its exploration and evaluation assets, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least annually. The assessment of any impairment of property and equipment, and exploration and evaluation assets is dependent upon estimates of recoverable amounts that take into account factors such as reserves, economic and market conditions, timing of cash flows, the useful lives of assets and their related salvage values.

Depreciation and depletion

Depletion of petroleum and natural gas properties is provided using the unit-of-production method based on production volumes before royalties in relation to total estimated reserves as determined using estimates as described above. Changes in forward price estimates, production levels or results of future drilling may change the economic status of reserves and may result in reserves being revised.

2. BASIS OF PREPARATION (cont'd)

Significant accounting judgments, estimates and assumptions (cont'd)

Decommissioning provisions

Provisions for decommissioning obligations associated with the Company's oil and gas operations are based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, prices, discovery and analysis of site conditions and changes in clean up technology.

Share consideration in asset acquisition

The Company estimates the fair value of common shares issued in an asset acquisition. The subscription price of concurrent private placements as well as quoted market prices and trading volumes can result in differing estimates.

Deferred tax Assets and Liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

The Company considers cash and cash equivalents to include cash on deposit, cash held in trust, highly liquid short term interest bearing variable rate Guaranteed Investment Certificates, and Bankers' Acceptance. As at June 30, 2016, the Company had cash and cash equivalents on hand of $97,724 (2015 year-end: $109,913).

Share-based payments

The Company's stock option plan allows Company employees, directors, officers and consultants to acquire shares of the Company. The fair value of options granted is recognized as share-based payment expense with a corresponding increase in equity reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based payments (cont'd)

Fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. In situations where equity instruments are issued to consultants and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Intangible assets

Intangible assets include the proprietary data of Avanti SA and Avanti Oil on the date of acquisition.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Exploration and evaluation assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to capital assets are capitalized by property. Consulting, management and lease operating costs are expensed to profit or loss. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a resource interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written- off to profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be under development. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

Property – Oil and Gas interests

Property, which includes oil and gas interests, represents costs incurred in developing oil and natural gas reserves and maintaining or enhancing production from such reserves. Future decommissioning costs, related to producing assets, are also capitalized to property. Property is carried at cost, less accumulated depletion, depreciation and amortization and accumulated impairment losses. Gains and losses on disposal of property are determined as the difference between proceeds from disposal and the carrying amount of the asset sold and is recognized in earnings.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as oil and gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are expensed to earnings as incurred. Such capitalized petroleum and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property – Oil and Gas interests (cont'd)

component is derecognized. The costs of the day-to-day servicing of property and equipment are expensed as incurred.

Exchanges of development and production assets (swaps, farm-outs or farm-ins) are measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. The cost of the acquired asset is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. Any gain or loss on derecognition of the asset given up is recognized in earnings.

Reclamation obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement or reclamation (decommissioning) of property interests (exploration and evaluation assets). The net present value of future rehabilitation cost estimates is capitalized to the related assets along with a corresponding increase in the reclamation provision in the year incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the reclamation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year.

New Accounting Standards

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018.
- IAS 27: Amended to restore option to use equity method to account for investments in subsidiaries, joint ventures and associates.
- IAS 12: Amended to clarify the recognition of a deferred tax asset for unrealized losses.
- IFRS 15: New standard to establish principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

(in Canadian dollars)

4. ASSET ACQUISITIONS

CMI Energia

Effective April 15, 2015, pursuant to the terms of an amended purchase and sale agreement ("PSA") with Dove Energy BV, the Company completed the 100% acquisition of CMI Energia. The Company acquired CMI Energia for a cash payment of $1.53-million (U.S.) of which $1.43-million (U.S.) was financed as described below, and 12,970,000 common shares of AVN with a fair value of $0.30 per share.

As additional consideration, Dove retained a 15% working interest in the Colle Santo project – a key asset of CMI Energia. Concurrent with closing of the acquisition, AVN arranged for a syndicate of investors to acquire a 41.66% working interest in the Colle Santo project for:

- $1.43-million (U.S.); plus
- The commitment of $1.3-million (U.S.) to finance the 2015 operating budget for the Colle Santo project commencing as at January 1, 2015.

CMI reflects the receipt of funds under the work commitment as a recovery of expenses. During the period ended June 30, 2016, $273,608 (2015: $294,925) was recorded as recovery of expenses.

Upon completion of the PSA, CMI remained operator of Colle Santo and the 90% working interest held by CMI is owned as follows:

- 33.34% - AVN (Note 6)
- 41.66% - Syndicate of investors including Avanti Exploration (Note 11)
- 15% - Dove

The acquisition of CMI Energia and the concurrent syndicate financing and contribution has been treated as a single transaction and recorded as an asset acquisition. The fair value of the assets acquired and liabilities assumed as at the date of acquisition were as follows:

Cash	$ 195
Other current assets	157,947
Equipment	81,041
Other assets	1,924
Exploration and evaluation assets	4,239,534
Accounts payable	(160,720)
Reclamation obligation	(139,000)
Net assets acquired	$ 4,180,921

Consideration paid:

Fair value of 12,970,000 common shares of the Company	$ 3,891,000
Transaction related expenses	176,161
Cash (net of syndicate investors) – $100,000 (U.S.)	113,760
	$4,180,921

Deferred acquisition costs of $134,767 which were capitalized as at December 31, 2014, were applied in connection with the consideration paid.

The Company's results of operations and cash flows include those of CMI Energia from the date of acquisition being April 15, 2015, to date.

(in Canadian dollars)

4. ASSET ACQUISITIONS (cont'd)

Avanti SA and Avanti Oil

Effective May 15, 2013, the Company acquired Avanti SA and Avanti Oil and treated the acquisitions as an asset acquisition. In part, the acquisitions resulted in the Company recording intangible assets with a carrying value totaling $1,903,043 to the statement of financial position.

In the prior year, based upon a number of factors including the shift of the Company's focus to the Colle Santo project in Italy and away from existing projects in the United States, the Company has recorded an impairment of intangible assets of $1,903,043 (2014: $nil) to reduce the carrying value to $nil.

5. LONG TERM DEPOSIT

On June 10, 2010, the Company's subsidiary, Avanti Oil, entered into an agreement with an Italian company, whereby Avanti Oil paid 50,000 Euros ($65,363) as consideration for the deposit to purchase 75% of the shares of the Italian company. At Avanti Oil's option, the Company may alternatively receive a like amount of the gas development activities of the Italian company in the Cugno le Macine concession, an oil and gas concession in the Region of Bascilicata, Italy.

6. EXPLORATION AND EVALUATION ASSETS

	Colle Santo, Italy	Total
Balance – December 31, 2014	$ -	$ -
Acquired in CMI asset	4,239,534	4,239,534
Additions	58,458	58,458
Balance – December 31, 2015	$ 4,297,992	$ 4,297,992
Additions	31,624	31,624
Balance – June 30, 2016	$ -	$ -

Colle Santo, Italy
Further to the acquisition of CMI effective April 15, 2015, the Company has retained a 33.3% interest in the gas field and is the operator. The field has established reserves, but is not yet permitted to produce.

Forestar 8 Well, Louisiana, USA
During the year ended December 31, 2013, the Company earned a 25% interest in this well as well as two other nearby wells known as the Dubose and Turnkey Temple Inland, from Avanti Exploration. The results obtained during the year ended December 31, 2014 were negative and as a result the Company no longer plans to develop the well. As a result, costs totaling $47,699 were written off to the statement of loss and comprehensive loss during the year ended December 31, 2014.

(in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

Reclamation Obligation

Balance, December 31, 2014	$	15,000
Addition of Colle Santo (a) (Note 4)		139,000
Disposal of Louisiana Wells (b)		(15,000)
Foreign Exchange		19,000
Balance, December 31, 2015	$	158,000
Foreign Exchange resulting from translation		(8,000)
Balance, June 30, 2016	$	150,000

(a) The Company's reclamation obligation consists of costs accrued based on the current best estimate of the plug and abandonment liability expense to be incurred upon the cessation of economic use of well locations. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the reporting date, known legal requirements and estimates prepared by a third party specialist. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

The present value of the estimated costs for the decommissioning of the Colle Santo wells at the end of their useful lives is estimated to be $150,000 (€104,493). As operator, the Company has recorded the obligation at 100%. The obligation is subject to a pro-rata allocation to the working interest holders who are expected to incur their proportionate expenditure for the 66.67% working interest held by joint venture partners.

The estimated gross costs of the obligation are estimated at $626,630 (€436,524). The Company estimates that the timing of incurring the expenditures is 15 years, an inflation rate of 1%, and a risk free adjusted rate of 10%.

(b) Using the estimation parameters for the Louisiana wells the net undiscounted amount of estimated cash flows required to settle the Company's estimated obligations was $35,000 over the next 8 years. On December 1, 2015, the Company was released from its obligations as part of a Well Sale Agreement (Note 7).

(in Canadian dollars)

7. PROPERTY AND EQUIPMENT

		Louisiana Wells, USA		Well Equipment		Total
Cost						
Balance – December 31, 2014		186,000		-		186,000
Acquired in CMI asset acquisition[(1)]		-		81,041		81,041
Disposal		(186,000)		-		(186,000)
Balance – December 31, 2015	$	-	$	81,041	$	81,041
Balance – June 30, 2016	$	-	$	81,041	$	81,041
Accumulated depletion and depreciation						
Balance – December 31, 2014		93,100		-		93,100
Depreciation		-		171		171
Disposal		(93,100)		-		(93,100)
Balance – December 31, 2015	$	-	$	171	$	171
Depreciation		-		68		68
Balance – June 30, 2016	$	-	$	239	$	239
Carrying amounts						
Balance as at December 31, 2015	$	-	$	80,870	$	80,870
Balance as at June 30, 2016	$	-	$	80,802	$	80,802

(1) In connection with the property and equipment acquired in the CMI asset acquisition. The Company acquired various parts and supplies that are not yet subject to depreciation as these items are not yet in the location and condition necessary to be capable of operating in the manner intended by the Company.

VUA Miller #1 Well; and PWK Well, Louisiana, USA

During the year ended December 31, 2015, the Company disposed of its 25% working interest in the VUA Miller #1 Well, and its 25% interest in the PWK Well, through a Well Sale Agreement for consideration of being released of its reclamation obligations (Note 6(b)). As a result, the Company recorded a loss on disposal of property and equipment of $77,900.

8. SHARE CAPITAL

Authorized

Unlimited common shares with no par value.

During the period ended June 30, 2016, the Company:

(i) the Company closed two tranches of a non-brokered private placement financing - aggregating the issuance of 3,650,000 common shares, and 1,825,000 warrants for gross proceeds of $365,000.

During the year ended December 31, 2015, the Company:

(i) closed a non-brokered private placement for gross proceeds of $500,000 via the issuance of 1,666,667 common shares at $0.30 (US$0.24) per share. In connection with the private placement the Company incurred legal and other costs of $4,524.

(ii) issued 12,970,000 common shares with a fair value of $0.30 per share in consideration of the acquisition of CMI Energia (Note 4).

Escrow shares

(i) *Pre-public shares*

As at June 30, 2016, nil (2015: 300,000) common shares were held in escrow. The remaining shares held in escrow were released on April 27, 2015.

(ii) *Avanti acquisition shares*

All shares issued for the acquisition of Avanti SA and Avanti Oil were the subject of an Escrow Agreement dated May 15, 2013. As at June 30, 2016, nil (2015: 3,150,000) common shares were held in escrow. The escrow shares are released from escrow as follows:

- 10% released as of June 4, 2013 (the date of TSX-V acceptance of the Avanti transactions)
- an additional 15% released on each of the six, twelve, eighteen, twenty-four, thirty and thirty-six months following the initial release on June 4, 2013.

(iii) *Private placement shares*

Certain shares issued in the private placement of March 2016 were the subject of an Escrow Agreement dated March 11, 2016. As at June 30, 2016, 826,200 (2015: nil) common shares remained held in escrow, after the original 10% release. The escrow shares are released from escrow as follows:

- 10% released as of March 14, 2016 (the date of TSX-V acceptance of the Avanti transactions)
- an additional 15% released on each of the six, twelve, eighteen, twenty-four, thirty and thirty-six months following the initial release on March 14, 2016.

(in Canadian dollars)

8. SHARE CAPITAL (cont'd)

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less an applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

As at June 30, 2016, the following options were outstanding and exercisable:

Number of options	Exercise price	Remaining life (years)	Expiry date
50,000	$ 0.10	0.80	April 19, 2017
2,575,000	$ 0.20	2.41	November 25, 2018
200,000	$ 0.205	2.60	February 5, 2019
3,025,000	$0.12	4.60	February 4, 2021
5,850,000			

A summary of changes of stock options outstanding is as follows:

	Options	**Weighted average exercise price**
Balance outstanding and exercisable as at December 31, 2014	3,125,000	$ 0.20
Terminated	(100,000)	0.20
Balance outstanding and exercisable as at December 31, 2015	3,025,000	$ 0.20
Granted	3,025,000	0.12
Terminated	(200,000)	0.20
Balance outstanding and exercisable as at June 30, 2016	**5,850,000**	**$ 0.16**

These options entitle the holder thereof the right to acquire one common share for each option held. The weighted average remaining life of outstanding options is 3.66 years.

During the period ended June 30, 2016, the Company granted 3,025,000 (2015: nil) stock options with a fair value of $304,481 (2015: $nil) or $0.10 (2015: $nil) per option. The options granted to directors and officers during the period vested on the grant date. The fair value of each option was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	2016	2015
Risk-free interest rate	0.48%	-
Expected life	5 years	-
Expected volatility	124.73%	-
Expected dividend yield	Nil	-
Weighted average fair value per share	$0.22	-

(in Canadian dollars)

8. SHARE CAPITAL (cont'd)

Warrants

As at June 30, 2016, the following warrants were issued and outstanding:

Number of warrants	Exercise price	Remaining life (years)	Expiry date
550,000	$ 0.15	0.60	February 4, 2017
1,275,000[1]	$ 0.15	0.70	March 11, 2017
1,825,000			

[1] Certain warrants issued in the private placement of March 2016 were the subject of an Escrow Agreement dated March 11, 2016. As at June 30, 2016, 413,100 (2015: nil) warrants were held in escrow.

A summary of changes of warrants outstanding is as follows:

	Warrants	Weighted average exercise price
Balance, December 31, 2014	315,991	$ 0.15
Expired (unexercised)	(188,000)	0.12
Issued	145,991	0.16
Balance, December 31, 2015	145,991	$ 0.16
Expired (unexercised)	(145,991)	0.16
Issued	1,825,000	0.15
Balance, June 30, 2016	**1,825,000**	**$ 0.15**

9. FINANCIAL INSTRUMENTS

Fair value

The Company's consolidated financial instruments consist of cash and cash equivalents, sales tax and other receivables, accounts payable and accrued liabilities, and due to related parties. As at June 30, 2016, the carrying value of sales tax and other receivables, accounts payable and accrued liabilities, and due to related parties approximate their fair value due to their short terms to maturity. Cash and cash equivalents is measured at fair value using level 1 inputs.

The Company's risk exposures and the impact on the condensed consolidated interim financial statements are summarized below.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

9. FINANCIAL INSTRUMENTS (cont'd)

Fair value (cont'd)

Credit risk (cont'd)

The Company's cash and cash equivalents is held at large Canadian, Italian and US financial institutions in interest bearing accounts and in lawyers trust accounts. The Company's sales tax and other receivables consists mainly of government sales tax ("GST") receivable due from the government of Canada, and IVA sales tax receivable from the Government of Italy. As a result, the Company does not believe it is exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The Company intends to settle these with funds from its positive working capital position.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

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

The Company is exposed to interest rate risk to the extent that the cash and cash equivalents maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities that are denominated in a foreign currency. As at June 30, 2016, a 10% fluctuation in the foreign exchange rate of the Euro or United States dollar against the Canadian dollar would affect the Company's loss for the year by approximately $64,136.

c) Price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and gas are impacted not only by the relationship between the Canadian dollar, European dollar and United States dollar, but also by world economic events that dictate the levels of supply and demand. The Company does not have any financial risk management contracts in place as at June 30, 2016 to manage this risk.

(in Canadian dollars)

10. CAPITAL MANAGEMENT

The Company's capital structure consists of the components of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing and amounts payable to related parties. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, high liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements. The Company may raise additional debt or equity financing in the future to meet its obligations.

11. RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

	Period ended June 30,	
Key Management Personnel	**2016**	2015
Salaries and short term benefits(i)	**$ 273,783**	$ 326,355
Share-based payments	**276,801**	-
	$ 550,584	$ 326,355

(i)Salaries and short term benefits include $150,000 (2015: $150,000) in Management fees and $123,783 (2015: $176,355) in Consulting fees; recorded on the Statement of Loss and Comprehensive Loss.

(in Canadian dollars)

11. RELATED PARTY TRANSACTIONS (cont'd)

During the period ended June 30, 2016, the Company entered into the following transactions with key management personnel:

Related party	Nature of transaction
Mark Frascogna. LLC ("Frascogna")	Consulting fees for the services provided by Mark Frascogna as Senior Vice President
Tim Berge LLC ("Berge")	Consulting fees for the services provided by Tim Berge as former Vice President, Exploration and Development
Contact Financial Corp. ("CFC")	Rent and shared office expenses.
Pacific Equity Management Corp. ("PEMC")	Management fees for services provided by CFO, VP Corporate Development, VP Finance, Independent Director, Accountant, and Administrator.

(a) Paid $15,000 (2015: $5,000) in rent to CFC, a company in which a director is a significant shareholder.

(b) Paid $150,000 (2015: $150,000) to PEMC, a company controlled by two officers for management services as disclosed in key management personnel compensation within salaries and short term benefits.

(c) Paid $123,783 (2015: $117,570) to Frascogna, a company controlled by an officer for consulting fees as disclosed in key management personnel compensation within salaries and short term benefits.

(d) Paid $nil (2015: $58,785) to Berge, a company controlled by a former officer for consulting fees as disclosed in key management personnel compensation within salaries and short term benefits.

(e) Granted 2,750,000 (2015: nil) stock options to officers and directors with a fair value of $276,801 (2015: $nil).

(f) Due to related parties includes $5,250 (2015: $7,348) and is unsecured with no fixed terms for payment.

(in Canadian dollars)

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The Company's significant non-cash transaction during the period ended June 30, 2016 was as follows:

(a) granted 3,025,000 options with a value of $304,481 to various directors and officers of the company.

The Company had no significant non-cash transactions during the period ended June 30, 2015.

13. SEGMENT INFORMATION

The Company operates in the acquisition, exploration, and evaluation of exploration and evaluation assets and production of oil and gas properties. Geographic segmentation of the Company's non-current assets is as follows:

	June 30, 2016		
	USA	**Italy**	**Total**
Exploration and evaluation assets	$ -	$ 4,329,616	$ 4,329,616
Property and equipment	-	80,802	80,802
Long term deposits	-	65,363	65,363
	$ -	$ 4,475,781	$ 4,475,781

	December 31, 2015		
	USA	**Italy**	**Total**
Exploration and evaluation assets	$ -	$ 4,297,992	$ 4,297,992
Property and equipment	-	80,870	80,870
Long term deposits	-	65,363	65,363
	$ -	$ 4,444,225	$ 4,444,225

14. EVENTS AFTER THE REPORTING PERIOD

On August 11, 2016, Avanti announced that it has arranged a non-brokered private placement of convertible, redeemable debentures in the principal amount of up to $500,000 (the "Debentures"). Closing of the private placement is expected to take place in tranches during the Company's third quarter.