

UMBRAL ENERGY CORP.

Condensed Interim Consolidated Financial Statements

For the three and six month periods ended April 30, 2017
(Stated in Canadian Dollars)

(Unaudited)

**NOTICE OF NO AUDITORS' REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed interim consolidated financial statements of Umbral Energy Corp. (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 condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada ("CPA Canada") for a review of interim financial statements by an entity's auditor.

UMBRAL ENERGY CORP.

(An Exploration and Development Stage Company)

Umbral Energy Corp.
Condensed Interim Consolidated Statements of Financial Position
(Stated in Canadian Dollars)
(Unaudited)

	AS AT APRIL 30, 2017	AS AT OCTOBER 31, 2016
Assets		
Current		
Cash	\$ 130,224	\$ 85,057
GST receivable	21,588	2,909
Prepaid expenses and deposits (Note 3)	332,414	96,231
Marketable securities at fair value (Note 4)	230,000	-
Total Current Assets	714,226	184,197
Investment in joint venture and advances (Note 5)	523,754	433,914
Exploration and evaluation assets (Note 6)	-	146,350
Total Assets	\$ 1,237,980	\$ 764,461
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 197,009	\$ 223,093
Provision for flow-through liability	69,927	69,927
Due to related parties (Note 8)	102,278	102,278
Total Liabilities	369,214	395,298
Equity		
Share Capital (Note 7)	7,726,437	6,067,501
Share-based Payment Reserve	406,744	674,170
Share Subscription Receivable	(32,500)	-
Deficit	(7,231,915)	(6,372,508)
Total Equity	868,766	369,163
Total Liabilities and Equity	\$ 1,237,980	\$ 764,461

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 10)

Approved on behalf of the Board of Directors:

"Jagdip Bal"
Director

"Clint Sharples"
Director

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

Umbral Energy Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Stated in Canadian Dollars)

(Unaudited)

	Three Month Period Ended April 30, 2017 \$	Three Month Period Ended April 30, 2016 \$	Six Month Period Ended April 30, 2017 \$	Six Month Period Ended April 30, 2016 \$
GENERAL AND ADMINISTRATIVE EXPENSES				
Advertising and promotion	42,612	-	83,725	-
Consulting fees	197,310	21,635	207,347	91,181
Management fees (Note 8)	30,390	27,381	45,390	42,381
Office expense and miscellaneous	1,321	2,003	3,150	2,796
Professional fees	18,399	4,160	21,138	6,260
Regulatory fees	4,240	4,213	5,740	5,713
Shareholder communications	5,790	1,600	10,800	1,600
Stock-based compensation	433,674	122,542	466,310	122,542
Transfer agent and shareholder information	3,275	3,498	4,596	4,556
Total general and administrative expenses		187,032	848,196	277,029
Loss before other items	(737,011)	(187,032)	(848,196)	(277,029)
Other items				
Equity loss on investment of associate	(9,377)	(37)	(22,115)	(75)
Loss on sale of mineral properties	(69,096)	-	(69,096)	-
Fair value change in marketable securities	80,000	-	80,000	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(735,484)	(187,069)	(859,407)	(277,104)
Basic and diluted loss per common share	(0.01)	(0.00)	(0.01)	(0.01)
Weighted average number of common shares outstanding	72,425,413	52,897,816	67,853,406	52,427,280

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

Umbral Energy Corp.
Condensed Interim Consolidated Statements of Changes in Equity
(Stated in Canadian Dollars)
(Unaudited)

Six Month Periods Ended April 30, 2017, 2016 and Year Ended October 31, 2016

	SHARE CAPITAL		SHARE-BASED PAYMENT RESERVE	SHARE SUBSCRIPTION RECEIVABLE	DEFICIT	TOTAL
	NUMBER	AMOUNT				
Balance, October 31, 2015	51,966,972	\$ 5,061,580	\$ 461,841	\$ (56,750)	\$ (5,342,815)	\$ 123,856
Issued for cash						
Share options exercised	2,038,000	216,352	(105,952)	-	-	110,400
Share subscription receivable (Note 7)	-	-	-	56,750	-	56,750
Stock based compensation	-	-	122,542	-	-	122,542
Net loss for the period	-	-	-	-	(277,104)	(277,104)
Balance, April 30, 2016	54,004,972	\$ 5,277,932	\$ 478,431	\$ -	\$ (5,619,919)	\$ 136,444
Issued shares for cash						
Share options exercised	6,047,000	629,659	(300,009)	-	-	329,650
Warrants exercised	1,790,174	107,410	-	-	-	107,410
Shares issued on acquisition	1,500,000	52,500	-	-	-	52,500
Stock based compensation	-	-	495,748	-	-	495,748
Net loss for the period	-	-	-	-	(752,589)	(752,589)
Balance, October 31, 2016	63,342,146	\$ 6,067,501	\$ 674,170	\$ -	\$ (6,372,508)	\$ 369,163
Issued shares for cash						
Share options exercised	10,680,000	1,464,485	(733,736)	-	-	730,749
Warrants exercised	1,226,000	81,951	-	-	-	81,951
Shares issued for mineral property	1,500,000	112,500	-	-	-	112,500
Share subscription receivable (Note 7)	-	-	-	(32,500)	-	(32,500)
Stock based compensation	-	-	466,310	-	-	466,310
Net loss for the period	-	-	-	-	(859,407)	(859,407)
Balance, April 30, 2017	76,748,146	\$ 7,726,437	\$ 406,744	\$ (32,500)	\$ (7,231,915)	\$ 868,766

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

Umbral Energy Corp.

Condensed Interim Consolidated Statements of Cash Flows

(Stated in Canadian Dollars)

(Unaudited)

	SIX MONTH PERIODS ENDED	
	APRIL 30,	
	2017	2016
Operating Activities		
Net loss for the period	\$ (859,407)	\$ (277,104)
Adjustments for non-cash expenses and income		
Loss on investment in joint venture	22,115	76
Stock based compensation	466,310	122,542
Loss on sale of exploration and evaluation properties	69,096	-
Unrealized gain on marketable securities	(80,000)	-
Changes in non-cash operating assets and liabilities		
GST receivable	(18,679)	2,371
Prepaid expenses and deposits	(236,183)	3,370
Accounts payable and accrued liabilities	(26,084)	6,888
Due to related parties	-	(7,750)
Cash Used In Operating Activities	(662,832)	(149,607)
Investing Activities		
Advances	(111,955)	-
Exploration and evaluation projects	39,754	(10,000)
Cash Used In Investing Activities	(72,201)	(10,000)
Financing Activities		
Share capital proceeds	780,200	167,150
Cash Provided By Financing Activities	780,200	167,150
Change In Cash	45,167	7,543
Cash, Beginning Of Period	85,057	11,806
Cash, End Of Period	\$ 130,224	\$ 19,349
Supplementary Information		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

Non-cash Investing and Financing Transactions (Note 9)

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

Umbral Energy Corp.
Notes to the Condensed Interim Consolidated Financial Statements
Three and six month periods ended April 30, 2017
(Stated in Canadian Dollars)
(Unaudited)

1. Nature of Operations and Going Concern

The Company is a development stage public company whose common shares trade on the Canadian Securities Exchange under the symbol "UMB.C" The Company was incorporated on October 25, 2007 in British Columbia, Canada, under the Business Corporations Act and commenced operations on November 1, 2007. The head office and principal address of the Company is 929 Mainland Street, Vancouver, British Columbia, Canada V6C 2B3 and the registered and records office of the Company is located at Suite 1500-1055 West Georgia St., Vancouver, B.C., V6E 4N7.

The Company is principally engaged in the acquisition, exploration, and development of resource properties. The Company also participates in, through its joint venture investment of PhyeinMed Inc., which has submitted an application to acquire a Health Canada license under the Access to Cannabis for Medical Purposes Regulations ("ACMPR") for the purpose of entering the medical marijuana industry.

Although the Company has started to invest resources for a medical marijuana business, there is no guarantee the Company will be awarded a license to grow medical marijuana. As the Company does not yet have cash flow from operations, it must rely on equity financing to fund operations. To date the Company's main source of funding has been the issuance of equity securities for cash, through private placements to sophisticated investors and through public offering to institutional investors. The Company has historically raised operating capital from the sale of equity, and will continue to do so.

The condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. This assumes the Company will operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has incurred operating losses since inception, does not have positive operating cash flow, and there can be no assurances that sufficient funding, including adequate financing, will be available to explore its mineral properties, develop its ACMPR business plans and to cover general and administrative expenses necessary for the maintenance of a public company. The ability of the Company to arrange additional financing in the future depends in part, on the prevailing capital market conditions, resource property exploration success and its progress on obtaining an ACMPR license. These factors may cast significant doubt on the Company's ability to continue as a going concern. Accordingly, the condensed interim consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments other than in the normal course of business and at amounts different from those in these consolidated financial statements.

2. Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB ("International Accounting Standards Board") applicable to the preparation of condensed interim consolidated financial statements, including International Accounting Standard ("IAS") 34 - Interim Financial Reporting. The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in the Company's audited annual financial statements for the year ended October 31, 2016.

Umbral Energy Corp.
Notes to the Condensed Interim Consolidated Financial Statements
Three and six month periods ended April 30, 2017
(Stated in Canadian Dollars)
(Unaudited)

2. Basis of Presentation (Continued)

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 1005477 B.C. Ltd. and Umbral Energy LLC (Washington State). The condensed interim financial statements of the subsidiaries are prepared using consistent accounting policies and reporting dates of the Company. All inter-company transactions and accounts have been eliminated upon consolidation.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of June 21, 2017, the date the Audit Committee approved the statements. Any subsequent changes to IFRS after this date could result in changes to the condensed interim consolidated financial statements for the period ended April 30, 2017. The condensed interim consolidated financial statements do not contain all disclosures required under IFRS and should be read in conjunction with Company's annual financial statements and the notes thereto for the year ended October 31, 2016.

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods. Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include but are not limited to exploration and evaluation assets, oil and gas interests, share-based payments, allocation of financing proceeds, and income and mining taxes. Differences may be material.

3. Prepaid Expenses and Deposits

The Company's current prepaid expenses and advances consist mainly of ACMPR growing, marketing and distribution consulting fees paid in advance of services and an additional 25% interest in PhyeinMed.

	April 30, 2017	October 31, 2016
ACMPR growing, marketing and distribution consulting fees	\$ 266,666	\$ -
25% interest in PhyeinMed (See Note 5)	50,000	-
Digital marketing contract	13,707	95,931
Others	2,041	300
	<u>\$ 332,414</u>	<u>\$ 96,231</u>

4. Marketable Securities

During the period ended April 30, 2017, the Company received 2,000,000 common shares of Equitorial Exploration Corp. ("Equitorial") in accordance with the assignment agreement of the Tule Valley and Gerlach Projects (see Note 6). The shares were valued at \$0.075 on the date they were issued to the Company. The fair market value at April 30, 2016 was \$230,000 or \$0.115 per common share. The Company has recorded a temporary fair value gain of \$80,000.

Umbral Energy Corp.
Notes to the Condensed Interim Consolidated Financial Statements
Three and six month periods ended April 30, 2017
(Stated in Canadian Dollars)
(Unaudited)

5. Investment in Joint Venture and Advances

	April 30, 2017	October 31, 2016
Investment in joint venture	\$ 167,539	\$ 189,654
Advances to joint venture	356,215	244,260
	\$ 523,754	\$ 433,914

The Company holds all the issued and outstanding shares of 1005477 B.C. Ltd., a holding company which owns 50% of the common shares of PhyeinMed Inc. ("PhyeinMed"), an operating company incorporated in British Columbia which has submitted an application to Health Canada for a Marihuana for Medical Purposes Regulations license. Management determined that the 50% interest in PhyeinMed is a joint venture under IFRS 11 as Umbral management has no control over strategic, financial, permitting, development or operating decisions of PhyeinMed. The investment in the joint venture is accounted for using the equity method.

The Company announced on March 6, 2017 that, through its wholly owned subsidiary, 1005477 BC Ltd., it had signed a binding Letter of Intent to acquire an additional 25% interest in PhyeinMed Inc. Terms of the agreement are \$100,000 cash payment (\$50,000 paid) and the issuance of 8,000,000 common shares to be released over a 3 year period or upon receipt of its ACMPR license.

a) Investment in Joint Ventures

The continuity of this investment of the joint venture is as follows:

	SIX MONTH PERIODS ENDED APRIL 30,	
	2017	2016
Balance, beginning of the period	\$ 189,654	\$ 194,406
Equity loss on investment in joint venture	(22,115)	(38)
Balance, end of the period	\$ 167,539	\$ 194,368

Summary financial information of the investment of the joint venture is as follows:

Statements of Financial Position	April 30, 2017	October 31, 2016
Total Assets	\$ 71,647	\$ 13,431
Current Liabilities	25,000	34,509
Advances from Joint Venture Partner	485,713	373,759
Shareholders' Deficiency	(439,066)	(394,837)
Total liabilities and shareholders' deficiency	\$ 71,647	\$ 13,431
Statements of Comprehensive Loss	SIX MONTH PERIODS ENDED APRIL 30,	
	2017	2016
Expenses	\$ 44,229	\$ 76
Comprehensive loss for the period	\$ 44,229	\$ 76

Umbral Energy Corp.
Notes to the Condensed Interim Consolidated Financial Statements
Three and six month periods ended April 30, 2017
(Stated in Canadian Dollars)
(Unaudited)

6. Investment in Joint Venture and Advances (Continued)

a) Investment in Joint Ventures (Continued)

Statements of Cash Flow	SIX MONTH PERIODS ENDED APRIL 30,	
	2017	2016
Comprehensive loss for the period	\$ (44,229)	\$ (76)
Changes in non-cash operating assets and liabilities		
GST receivable	(2,144)	-
Deposits	(33,000)	-
Accounts payable and accrued liabilities	(9,508)	-
Cash Used in Operating Activities	<u>(88,881)</u>	<u>(76)</u>
Cash Used in Investing Activities	-	-
Cash Provided by Financing Activities	<u>111,954</u>	<u>-</u>
Change In Cash	23,073	(76)
Cash, Beginning Of Period	-	222
Cash, End Of Period	<u>\$ 23,073</u>	<u>\$ 146</u>

b) Advances

During the year ended October 31, 2015 the Company entered into a loan agreement whereby the Company will advance up to \$2,000,000 to PhyeinMed for working capital purposes. The advances are unsecured and are due within 36 months from the date of the advance. The first \$550,000 advanced does not accrue interest prior to 36 months from the date of the advance after which interest shall be accrued at prime plus 2%. All advances subsequent to the initial \$550,000 will accrue interest at prime plus 2% from the date of the advance. PhyeinMed can only repay the initial \$550,000 advanced as follows:

- a) \$25,000 once an application for a medical marihuana growing operation is awarded to PhyeinMed by Health Canada;
- b) \$150,000 once the final ACMPR license is awarded to PhyeinMed by Health Canada;
- c) \$150,000 once PhyeinMed has achieved an accumulated EBITDA of \$1,000,000; and
- d) \$225,000 once PhyeinMed has achieved an accumulated EBITDA of \$2,000,000

Umbral Energy Corp.
Notes to the Condensed Interim Consolidated Financial Statements
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(Stated in Canadian Dollars)
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6. Exploration and Evaluation Assets

	Six month period ended April 30, 2016	Year ended October 31, 2016
<i>Acquisition Costs:</i>		
Balance, beginning of period	\$ 112,500	\$ -
Cash payment	100,000	60,000
Shares issued	112,500	52,500
	<hr/>	<hr/>
Balance, end of period	325,000	112,500
	<hr/>	<hr/>
<i>Exploration Costs:</i>		
Balance, beginning of period	33,850	-
Assaying and geochemical	-	975
Claim fees	52,226	6,964
Geological consulting, surveys and reports	2,606	14,930
Travel, supplies and field expenses	-	10,981
	<hr/>	<hr/>
Balance, end of period	88,682	33,850
	<hr/>	<hr/>
Less: Cash received	194,611	-
Deemed fair value of shares received	150,000	-
	<hr/>	<hr/>
Total sale proceeds	344,611	-
	<hr/>	<hr/>
Loss on sale of exploration and evaluation assets	(69,071)	-
	<hr/>	<hr/>
Total Acquisition and Exploration Costs	\$ -	\$ 146,350

Tule Valley Project, Utah and Gerlach Project, Nevada

Pursuant to a property purchase agreement dated April 20, 2016, the Company was granted the right to acquire an undivided 100% interest in 26 contiguous mineral claims totaling 4,800 acres located in Millard County, Utah known as the Tule Valley Project and a further 89 contiguous mineral claims totaling 1,780 acres located in Washoe County, Nevada known as the Gerlach Project.

As consideration for the properties, the Company is required to make the following cash payments and issue the following shares:

	<u>CASH PAYMENTS</u>	<u>COMMON SHARES</u>
On signing of option agreement		
April 20, 2016 (cash paid, shares issued))	\$ 10,000	1,500,000
On or before June 20, 2016 (cash paid)	20,000	Nil
On or before July 20, 2016 (cash paid)	30,000	Nil
On or before April 20, 2017 (cash paid, shares issued)	100,000	1,500,000
	<hr/>	<hr/>
	\$ 160,000	3,000,000

The properties are subject to a net smelter return royalty of 2%. The Company has an option to purchase 1% of the 2% net smelter return royalty for \$1,000,000 at any time.

Umbral Energy Corp.
Notes to the Condensed Interim Consolidated Financial Statements
Three and six month periods ended April 30, 2017
(Stated in Canadian Dollars)
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6. Exploration and Evaluation Assets (Continued)

Tule Valley Project, Utah and Gerlach Project, Nevada (Continued)

During the period ended April 30, 2017, the Company entered into an assignment agreement with Equitorial Exploration Corp., an arm's length party, to assign the Company's right, title and interest of the Tule Valley and Gerlach Projects. Under the terms of the Assignment Agreement, Equitorial paid \$150,000 plus claim staking costs of \$44,611 and issued 2,000,000 common shares upon closing at a deemed value of \$0.075 per common share (April 7, 2017, the date of closing). The Company recorded a \$69,071 loss on the sale of the property.

7. Share Capital and Reserve

a) Authorized

Unlimited number of common shares without par value

b) Issued

Six month period ended April 30, 2017:

The Company issued 10,680,000 common shares for the exercise of 10,680,000 stock options at prices between \$0.05 and \$0.08 per share for total proceeds of \$730,750 which resulted in the transfer from share-based payment reserve to share capital of \$733,736. The Company issued 1,226,000 common shares for the exercise of 1,226,000 warrants at prices of \$0.06 and \$0.10 per share for total proceeds of \$81,951.

The Company issued 1,500,000 common shares with a fair value of \$112,500 measured on the date of issuance in accordance with the option agreement for the right to acquire an interest in the Tule Valley and Gerlach Lithium properties (See Note 6).

Year ended October 31, 2016:

The Company issued 8,085,000 common shares for the exercise of 8,085,000 stock options between \$0.05 and \$0.08 per share for total proceeds of \$440,050 which resulted in a transfer from share-based payment reserve to share capital of \$405,961. The Company issued 1,790,174 common shares for the exercise of 1,790,174 warrants at \$0.06 per share for total proceeds of \$107,410.

The Company issued 1,500,000 common shares with a fair value of \$52,500 measured on the date of issuance in accordance with the option agreement for the right to acquire an interest in the Tule Valley and Gerlach Lithium properties (Note 6).

c) Warrants

The following is a summary of the changes in warrants:

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, October 31, 2015	13,635,400	\$0.06
Exercised	(1,790,174)	0.06
Balance, October 31, 2016	11,845,226	\$0.06
Exercised	(1,226,000)	0.07
Balance, April 30, 2017	10,619,226	\$0.06

Umbral Energy Corp.
Notes to the Condensed Interim Consolidated Financial Statements
Three and six month periods ended April 30, 2017
(Stated in Canadian Dollars)
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7. Share Capital and Reserve (Continued)

c) Warrants (Continued)

The following table summarizes the warrants outstanding and exercisable at April 30, 2017:

NUMBER OF WARRANTS	EXERCISE PRICE	EXPIRY DATE
6,473,725	\$0.06	March 19, 2018
922,966	\$0.10	March 19, 2018
975,989	\$0.06	May 16, 2018
84,406	\$0.10	May 16, 2018
2,162,500	\$0.06	December 20, 2018
10,619,226		

As at April 30, 2017, the weighted average remaining contractual life of all warrants outstanding was 1.06 years (April 30, 2016 – 2.06 years).

d) Stock Options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Canadian Stock Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Options will be exercisable for a period to be determined by the board of Directors, but not exceeding 10 years.

In connection with the foregoing, the number of common shares reserved for issuance to any technical consultant will not exceed two percent (2%) of the issued and outstanding common shares in any twelve month period. The number of common shares reserved for issuance to individuals providing investor relation services will not exceed two percent (2%) of issued and outstanding common shares in any twelve month period. Further, these options must vest over twelve months with a maximum of one quarter of the options vesting in any three month period. Options may be exercised no later than 30 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

During the period ended six month period ended April 30, 2017, stock based compensation in the amount of \$466,310 (2016 – \$122,542) was recognized on the issuance of stock options to directors, officers and consultants.

Umbral Energy Corp.
Notes to the Condensed Interim Consolidated Financial Statements
Three and six month periods ended April 30, 2017
(Stated in Canadian Dollars)
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7. Share Capital and Reserve (Continued)

d) Stock Options (Continued)

The following table summarizes the options outstanding and exercisable at April 30, 2017:

NUMBER OF OPTIONS	EXERCISE PRICE	EXPIRY DATE
800,000	\$0.08	May 30, 2021
100,000	\$0.07	February 10, 2022
1,650,000	\$0.065	February 27, 2022
2,550,000		

As at April 30, 2017, the weighted average remaining contractual life of all options outstanding was 4.60 years (April 30, 2016 – 4.41 years).

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options granted using the following assumptions:

	SIX MONTH PERIODS ENDED APRIL 30,	
	2017	2016
Dividend yield	Nil	Nil
Annualized volatility	216% - 222%	208%
Risk-free interest rate	0.91% - 1.02%	0.69%
Expected life	5 years	5 years

See Subsequent Events (Note 10).

e) Loss Per Share

Basic loss per share amounts are calculated by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. The basic and diluted loss per share are the same as there are no instruments that have a dilutive effect.

	THREE MONTH PERIODS ENDED APRIL 30,		SIX MONTH PERIODS ENDED APRIL 30,	
	2017	2016	2017	2016
Issued shares at beginning of period	64,172,146	51,966,972	63,342,146	51,966,972
Weighted average issuances	8,253,267	930,844	4,511,260	460,308
Basic weighted average common shares	72,425,413	52,897,816	67,853,406	52,427,280

Umbral Energy Corp.
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7. Share Capital and Reserve (Continued)

f) Nature and Purpose of Reserve

The 'Share-based Payment Reserve' is used to recognize the fair value of stock option grants and warrants prior to exercise, expiry or cancellation.

g) Share Subscriptions Receivable

During the period ended April 30, 2016, the Company received \$56,750 relating to share subscriptions receivable as at October 31, 2015.

Subsequent to the period ended April 30, 2017, the Company received \$32,500 relating to share subscriptions receivable as at April 30, 2017.

8. Related Party Transactions

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All amounts either due from or due to related parties other than specifically disclosed are non-interest bearing, unsecured and have no fixed terms of repayments.

a) Related party transactions with directors and companies with a director in common.

	SIX MONTH PERIODS ENDED APRIL 30,	
	2017	2016
Management fees	\$ 45,390	\$ 42,381
Consulting fees	\$ 3,410	\$ -

b) Advances payable

	APRIL 30, 2017	OCTOBER 31, 2016
Advances from directors are unsecured, non-interest bearing and is repayable on demand	\$ 102,278	\$ 102,278

c) Management compensation

	SIX MONTH PERIODS ENDED APRIL 30,	
	2017	2016
Short-term management benefits	\$ 45,390	\$ 42,381
Consulting fees	\$ 3,410	\$ -
Share-based payments	\$ 210,201	\$ 78,428

Umbral Energy Corp.
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(Stated in Canadian Dollars)
(Unaudited)

9. Non-Cash Investing and Financing Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.

Six month period ended April 30, 2017:

\$733,736 was transferred from share based payment reserves to share capital as a result of the exercise of 10,680,000 stock options at prices between \$0.05 and \$0.08.

Six month period ended April 30, 2016:

\$105,952 was transferred from share based payment reserves to share capital as a result of the exercise of 2,038,000 stock options at prices of \$0.05 and \$0.055.

10. Subsequent Events

Subsequent to April 30, 2017, the Company:

- Granted 500,000 incentive stock options to directors, officers and consultants of the Company under the Company's Stock Option Plan exercisable at \$0.06 per share expiring May 3, 2022.
- Announced the offer and acceptance to purchase a property in Falkland, BC for the purposes of cannabis production. The purchase price for 13 acres of land, the current structures including 10,500 sq. ft. of potential grow area and a stand-alone administration building is \$995,000. The terms of the offer to purchase the property is the payment of a partial deposit of \$25,000 (paid) upon acceptance of the offer, the balance of the \$75,000 deposit to be paid upon subject removal, July 15, 2017. Possession of the property is September 29, 2017.
- Issued 500,000 common shares for the exercise of 500,000 options at \$0.06 per share for total proceeds of \$30,000 which resulted in a transfer from share-based payment reserve to share capital of \$29,658.