

Peace River Capital Corp.
(Formerly Petro Basin Energy Corp.)

Condensed Interim Financial Statements

September 30, 2016

(Expressed in Canadian dollars)

(Unaudited – prepared by management)

NOTICE TO READER

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

The accompanying condensed interim financial statements 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 unaudited condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

Peace River Capital Corp.
(formerly, Petro Basin Energy Corp.)
 Statements of Financial Position
 (Expressed in Canadian dollars)

	Notes	September 30, 2016	December 31, 2015
ASSETS			
Current assets			
Cash		\$ 11,174	\$ 1,568
Trade and other receivables	4	8,384	7,489
Prepays		14,969	2,500
Total current assets		34,527	11,557
Non-current assets			
Oil and gas properties	5	-	8,292
Total non-current assets		-	8,292
TOTAL ASSETS		\$ 34,527	\$ 19,849
LIABILITIES			
Current liabilities			
Trade and other payables	7	\$ 114,638	\$ 356,541
Due to related parties	9	132,984	135,541
Total current liabilities		247,622	492,082
Non-current liabilities			
Decommissioning liabilities	10	-	6,207
TOTAL LIABILITIES		247,622	498,289
SHAREHOLDERS' DEFICIENCY			
Share capital	11	7,982,061	7,982,061
Reserves	11	1,048,050	996,551
Accumulated deficit		(9,243,206)	(9,457,052)
TOTAL SHAREHOLDERS' DEFICIENCY		(213,095)	(478,440)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		\$ 34,527	\$ 19,849

Nature and continuance of operations (Note 1)

On behalf of the Board:

"Christopher R. Cooper" Director "Morgan Tincher" Director

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

Peace River Capital Corp.
(formerly, Petro Basin Energy Corp.)

Condensed Interim Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Notes	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine months Ended September 30, 2016	Nine months Ended September 30, 2015
Sales of oil and gas					
Sales	12	\$ 5,575	\$ 7,776	\$ 15,415	\$ 23,841
Less: royalties		(344)	(373)	(912)	(1,291)
		5,231	7,403	14,503	22,530
Operating costs		7,200	5,042	13,108	13,604
Depletion, amortization and accretion		-	2,445	628	12,808
		7,200	7,487	13,736	26,412
Income (loss) from oil and gas operations		(1,969)	(84)	767	(3,862)
Expenses					
Professional and administrative services	9	7,000	6,000	14,805	16,500
Consulting and management fees	9	1,250	8,750	6,250	30,865
Regulatory and transfer agent fees		2,705	2,163	15,858	5,191
General and office		10,384	14,728	22,797	38,096
Filing fees		625	5,748	11,584	11,250
		21,964	37,389	71,294	101,902
Net loss from operating activities and loss for the period		(23,933)	(37,473)	(70,527)	(105,764)
Other income (loss)					
Consulting income		76,000	-	76,000	-
Gain on sale of subsidiaries		208,373	-	208,373	-
Foreign exchange gain (loss) on translation of foreign operations		-	(11,019)	-	(18,755)
Total other income (loss)		284,373	(11,019)	284,373	(18,755)
Total income (loss) for the period		\$ 260,440	\$ (48,492)	\$ 213,846	\$ (124,519)
Basic and diluted earnings per common share		\$ 0.01	\$ (0.00)	\$ 0.01	\$ (0.01)
Weighted average number of common shares outstanding		25,774,396	20,774,396	25,774,396	20,774,396

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

Peace River Capital Corp.
(formerly, Petro Basin Energy Corp.)

Condensed Interim Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian dollars)

	Share Capital		Reserves				Total
	Number of Shares	Amount	Equity Reserve	Foreign Currency Translation Reserve	Deficit		
Balance, December 31, 2014	20,774,396	\$ 7,882,061	\$ 1,048,050	\$ (6,395)	\$ (9,233,164)	\$	(309,448)
Share capital issuance	5,000,000	100,000	-	-	-		100,000
Currency translation adjustment	-	-		(18,755)	-		(18,755)
Loss for the period	-	-	-	-	(105,764)		(105,764)
Balance, September 30, 2015	25,774,396	7,982,061	1,048,050	\$ (25,150)	\$ (9,338,928)	\$	(333,967)
Corporate restructuring (Note 15)	-	-	-	-	(42,000)		(42,000)
Currency translation adjustment	-	-	-	(26,349)	-		(26,349)
Net loss for the period	-	-	-	-	(76,124)		(76,124)
Balance, December 31, 2015	25,774,396	\$ 7,982,061	\$ 1,048,050	\$ (51,499)	\$ (9,457,052)	\$	(478,440)
Currency translation adjustment	-	-	-	51,499	-		51,499
Net income (loss) for the period	-	-	-	-	213,846		213,846
Balance, September 30, 2016	25,774,396	\$ 7,982,061	\$ 1,048,050	\$ -	\$ (9,243,206)	\$	(213,095)

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

Peace River Capital Corp.
(formerly, Petro Basin Energy Corp.)
Condensed Interim Statements of Cash Flows
(Expressed in Canadian dollars)

	Nine months Ended September 30, 2016	Nine months Ended September 30, 2015
Cash provided by (used in):		
Operating activities		
Net income (loss) for the period	\$ 213,846	\$ (105,764)
Adjustments for:		
Gain on sale of subsidiaries (net of cash forfeited)	(206,032)	
Depletion		12,129
Change in non-cash working capital items:		
Trade and other receivables	(3,667)	6,492
Prepays	(12,471)	2,500
Trade and other payables	13,814	30,725
Due to related parties	7,444	20,063
Net cash provided by (used in) operating activities	12,934	(33,855)
Investing activities		
Expenditures on oil and gas properties	-	-
Net cash used in investing activities	-	-
Financing activities		
Proceed from issuance of capital stock	-	100,000
Accretion (recovery) of decommissioning liabilities	628	679
Net cash provided by financing activities	628	100,679
Foreign exchange differences	(3,956)	(25,853)
Change in cash	9,606	40,971
Cash, beginning of the period	1,568	11,802
Cash, end of the period	\$ 11,174	\$ 52,773

During the period ended September 30, 2016, the significant non-cash transactions were \$15,384 in accounts payable included in foreign currency translation reserve.

There were no significant non-cash transactions during the period ended September 30, 2015.

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

Peace River Capital Corp.

(formerly, Petro Basin Energy Corp.)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

Nine months ended September 30, 2016

1. Nature and continuance of operations

Peace River Capital Corp. (formerly Petro Basin Energy Corp.) (the “Company”) is evaluating opportunities in different sectors of the resource industry. Until September 28, 2016, the Company was engaged in the exploration and production of oil and gas in Ontario (Canada) and Montana (USA). The address of the Company’s registered office and its head office is 1920 – 1177 W Hastings St, Vancouver, BC, V6E 2K3.

On September 15, 2016, the Company announced that it changed its name from Petro Basin Energy Corp. and continued from Ontario into British Columbia under the new name “Peace River Capital Corp.”, listed on the NEX Board (“NEX”) of the TSX Venture Exchange (“TSX-V”) under the symbol “PRC.H.”

Going concern

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future.

At September 30, 2016, the Company had working capital deficiency of \$213,095 (December 31, 2015 - \$480,525) and had accumulated a deficit of \$9,243,206 since inception. The Company has not yet reached a profitable level of production from its oil and gas operations. Realizing the carrying value of the Company’s proven oil and gas properties requires continued cost efficient production or sale of the properties. While the Company has been successful in obtaining financing in the past, there is no assurance that it will be able to do so in the future. Additional financing will be required by the Company to explore and develop unproven resource properties and to carry out the business development required to achieve a self-sustaining level of revenue. These uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

The financial statements were authorized for issue on November 29, 2016 by the directors of the Company.

2. Significant accounting policies

Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting” (“IAS 34”) as issued by the International Financial Accounting Standards Board (“IASB”). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the IASB, have been omitted or condensed.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies

Peace River Capital Corp.
(formerly, Petro Basin Energy Corp.)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

Nine months ended September 30, 2016

2. Significant accounting policies (cont'd)

Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted in Canada, as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Basis of consolidation

Subsidiaries are all entities controlled by the Company. Control exists when the Company has the power to, directly or indirectly; to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account in the assessment of whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

On September 28, 2016, the Company sold certain wholly-owned subsidiaries holding non-operated oil and natural gas interests in Ontario, Canada and Montana, USA to an arm's length third party for total cash consideration of \$1,000 and accordingly the financial statements are not consolidated.

The previously owned subsidiaries of the Company as follows:

	Country of incorporation	Percentage owned*	
		September 30, 2016	December 31, 2015
1084251 Ontario Inc.	Canada	-	100%
OSE Montana Corp.	U.S.A.	-	100%
Petro Basin Energy, LLC	U.S.A.	-	100%
OSE Texas Corp.	U.S.A.	-	100%

*Percentage of voting power is in proportion to ownership.

3. Accounting standards issued but not yet effective

In July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

Peace River Capital Corp.
(formerly, Petro Basin Energy Corp.)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

Nine months ended September 30, 2016

4. Trade and other receivables

	September 30, 2016	December 31, 2015
Taxes recoverable	\$ 7,384	\$ 4,825
Trade receivables	-	2,664
Other receivables	1,000	-
Total	\$ 8,384	\$ 7,489

5. Oil and gas properties

Cost	Ontario, Canada	Montana, USA	Total
As at December 31, 2014	\$ 315,772	\$ 487,609	\$ 798,409
Impairment	-	(487,609)	(487,609)
As at December 31, 2015	315,772	-	315,772
Sale of subsidiary	(315,772)		(315,772)
As at September 30, 2016	\$ -	\$ -	\$ -
Depletion and impairment			
As at December 31, 2014	\$ (307,480)	\$ (432,077)	\$ (739,557)
Impairment	(3,821)	432,077	432,077
As at December 31, 2015	(307,480)	-	(307,480)
Sale of subsidiary	(307,480)	-	(307,480)
As at September 30, 2016	\$ -	\$ -	\$ -
Net book value			
As at December 31, 2015	\$ 8,292	\$ -	\$ 8,292
As at September 30, 2016	\$ -	\$ -	\$ -

Ontario well, Canada

At September 28, 2016 (date of disposition) and December 31, 2015, the Company had a 8.36% working interest, subject to 12.5% freehold royalty in a producing oil well located in Gosfield Township, Ontario.

Hawkins Well, Montana, USA

On August 16, 2011, the Company had entered into an agreement, electing to participate as a non-operator in the drilling and completion of the Hawkins Well in Roosevelt County, Montana. The Company had a 3.125% working interest subject to a freehold royalty rate of 12.96% for a net revenue interest of 2.72%.

During the year ended December 31, 2015, an impairment was recognized and the asset was written down to \$nil and subsequently disposed of as at September 28, 2016.

Peace River Capital Corp.
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Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

Nine months ended September 30, 2016

6. Exploration and evaluation assets

	Montana, USA
As at December 31, 2014	\$ 3,839
Impairment	(3,839)
As at December 31, 2015 and September 30, 2016	\$ -

Oil and gas leases, Montana, USA

During the year ended December 31, 2008, the Company purchased working interests ranging from 25% to 100% in certain oil and gas leases in the state of Montana. These leases were subject to 12.5% to 16.67% gross over-riding royalty interests on production held by the land-owners.

During the year ended December 31, 2010, the Company sold certain interests in properties owned by its subsidiary, OSE Montana Corp. to an arms-length party and held Overriding Royalty Interest of 2.5% of oil, gas and minerals produced from or pursuant to each of the Leases assigned pursuant to the Agreement.

On December 31, 2015, an impairment was recognized. The remaining leases were written down to \$nil and all interests in the leases were subsequently disposed of as at September 28, 2016.

7. Trade and other payables

	September 30, 2016	December 31, 2015
Trade payables	\$ 111,988	\$ 303,041
Accrued liabilities	2,650	53,500
Total	\$ 114,638	\$ 356,541

8. Line of credit

On March 25, 2015, the Company entered into a line of credit agreement with Charterhouse Capital Inc. ("Charterhouse") whereby Charterhouse provided a line of credit to the Company in the principal amount of \$500,000. Amounts drawn against the line of credit are due on demand and interest bearing at a rate of 6% per annum. To date, the Company has drawn \$nil against the line of credit.

Peace River Capital Corp.
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Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

Nine months ended September 30, 2016

9. Related party transactions

The Company entered into the following transactions with related parties during the nine months ended September 30, 2016 and 2015:

Key management personnel compensation:

	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Consulting and management fees	\$ 3,750	\$ 25,000
Professional fees	2,805	-
Total	\$ 6,555	\$ 25,000

Due to related parties:

	September 30, 2016	December 31, 2015
Amounts due to a director or a company controlled by a director	\$ 86,984	\$ 79,541
Amounts due to shareholders	46,000	56,000
Total	\$ 132,984	\$ 135,541

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

10. Decommissioning liabilities

The Company's decommissioning liabilities arose from working interests in oil and gas assets including well sites, gathering systems and processing facilities. The decommissioning liabilities represent the present value of decommission costs relating to oil and gas properties, which costs are expected to be incurred up to 2036. The Company's obligations at September 30, 2016 reflect the present value of the liability using a weighted average credit-adjusted risk-free rate of 1.72% (December 31, 2015 - 2.21%) and an inflation rate of 1.567% (December 31, 2015 - 1.13%) where the balance is zero as function of relinquishing the Company's oil and gas assets effective September 28, 2016.

	September 30, 2016	December 31, 2015
Balance, beginning of the year	\$ 6,207	\$ 19,065
Accretion expense (recovery)	628	(12,858)
Sale of subsidiary	(6,835)	-
Balance, end of the period	\$ -	\$ 6,207

Peace River Capital Corp.
(formerly, Petro Basin Energy Corp.)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

Nine months ended September 30, 2016

11. Share capital

Authorized share capital

Preferred shares

500,000 non-participating, voting preferred shares.

Issued: Nil.

Common shares

Unlimited number of common shares.

(a) Issued share capital

As at September 30, 2016 and December 31, 2015, the issued and outstanding share capital is comprised of 25,774,396 common shares.

On June 24, 2015, the Company closed a non-brokered private placement of units of 5,000,000 units at a price of \$0.02 per unit for total proceeds of \$100,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.05 until June 24, 2016.

(b) Reserves

Equity reserve records items recognized as share-based payments until such time that the stock options and share purchase warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Foreign currency translation reserve records exchange differences arising from translation of the Company's subsidiaries' results and financial position from their functional currencies into the presentation currency.

(c) Share purchase warrants

	Number of warrants	Exercise Price	Expiry date
Balance, December 31, 2014	-	-	
Issued	5,000,000	\$ 0.05	June 24, 2016
Balance, December 31, 2015 and September 30, 2016	5,000,000	\$ 0.05	

(d) Share-based payments

The Company has a rolling stock option plan (the "Plan") to provide incentive for the directors, officers, employees and consultants of the Company. The maximum number of shares which may be set aside for issuance under the Plan is 10% of the issued and outstanding common shares of the Company.

The exercise price of options granted under the Plan will be fixed by the Board at the time of grant, provided that such exercise price may not be less than the discounted market price of the common shares. The options granted under the Plan will vest and be exercisable on a basis determined by the board at the time of the grant, and will be exercisable for a period not exceeding ten years.

As at September 30, 2016 and December 31, 2015, there were no stock options outstanding.

Peace River Capital Corp.
(formerly, Petro Basin Energy Corp.)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

Nine months ended September 30, 2016

12. Segmented information

Prior to the disposal of the subsidiaries (see note 2), the Company operated in two reporting segments: Canada and the USA. Set out below is segmented information on a geographic basis.

	Nine months ended September 30, 2016			Nine months ended September 30, 2015		
	Canada	USA	Total	Canada	USA	Total
Revenue from oil and gas						
sales, net of royalties	\$ 6,847	\$ 7,656	\$ 14,503	\$ 9,772	\$ 12,778	\$ 22,550
Operating costs	(1,261)	(11,848)	(13,109)	(2,187)	(11,418)	(13,605)
Depletion and accretion	(628)	-	(628)	(3,363)	(9,446)	(12,809)
Expenses	(104)	(65)	(169)	(99,635)	(2,265)	(101,900)
Loss for the period	\$ 4,854	\$ (4,257)	\$ (597)	\$ (95,413)	\$ (10,351)	\$ (105,764)

The segmented non-current assets and non-current liabilities are as follows:

	September 30, 2016			December 31, 2015		
	Canada	USA	Total	Canada	USA	Total
Non-current assets	\$ -	\$ -	\$ -	\$ 8,292	\$ -	\$ 8,292
Non-current liabilities	\$ -	\$ -	\$ -	\$ 6,207	\$ -	\$ 6,207

13. Financial instruments

The Company's financial instruments are exposed to certain financial risks, including credit risk, capital market risk and liquidity risk, interest rate risk, commodity price risk and foreign exchange risk.

Financial instruments, consisting of trade receivables, trade payables and due to related parties are carried at amortized cost. Cash is reported at fair value. The Company classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash has been assessed on the fair value hierarchy described above and is considered to be Level 1.

As at September 30, 2016, the carrying values of cash, trade receivables, trade payables, and due to related parties approximate their fair values due to their short terms to maturity.

Peace River Capital Corp.
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Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

Nine months ended September 30, 2016

13. Financial instruments (cont'd)

Credit risk

Credit risk is the risk that a counterparty will fail to discharge an obligation and cause the Company to incur a financial loss. The Company's primary exposure to credit risk relates to its cash held in bank accounts. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of off-set exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

(a) Trade credit risk

The Company's trade receivables to September 28, 2016 are due from operators of its oil and gas properties, whose revenue may be affected by fluctuation in oil and natural gas prices. The Company generally extends unsecured credit to its customers and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by the size and reputation of the company to which they extend credit. The Company has not experienced any credit loss in the collection of trade receivables to date. The carrying value of trade receivables reflects management's assessment of the associated risk.

The following is a schedule of the Company's trade receivables:

	September 30, 2016	December 31, 2015
Less than 30 days	\$ -	\$ 747
31 to 60 days	-	792
61 to 90 days	-	1,125
Greater than 90 days	-	-
	\$ -	\$ 2,664

(b) Cash

In order to manage credit and liquidity risk the Company invests only in highly rated investment grade instruments that have maturities of a year or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

(c) Derivative financial instruments

As at September 30, 2016, the Company has no derivative financial instruments. It may in the future enter into derivative financial instruments and in order to manage credit or price risk, it will only enter into derivative financial instruments with highly rated investment grade counterparties.

Capital market risk and liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Peace River Capital Corp.
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Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

Nine months ended September 30, 2016

13. Financial instruments (cont'd)

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at September 30, 2016:

	Within one year	Between one and five years	Total
Trade payables	\$ 114,638	\$ -	\$ 114,638
Due to related parties	132,984	-	132,984
	\$ 247,622	\$ -	\$ 247,622

Interest rate risk

The Company is not exposed to material interest-rate risk as the Company had no interest-bearing debt as of September 30, 2016.

Foreign exchange risk

The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. At September 30, 2016, the Company was not exposed to significant interest rate risk.

Sensitivity analysis

The Company is exposed to foreign currency risk on fluctuations related to cash, trade payables that are denominated in USD. As at September 30, 2016, net assets totaling \$791 were held in USD. Based on the above net exposure as at September 30, 2016 and assuming all other variables remain constant, a 1% depreciation or appreciation of the USD against the Canadian dollar would result in an increase or decrease of approximately \$8 in the Company's loss and comprehensive loss.

Peace River Capital Corp.
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Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

Nine months ended September 30, 2016

14. Capital management

The primary capital management objective of the Company is to ensure adequate working capital is available to fund both its resource exploration and development, and the working capital requirements, while also seeking to minimize the risk-adjusted cost of capital.

Capital is raised and retained for the purposes and to the extent necessary to fund exploration and corporate overhead costs, subject to the availability of financing on acceptable terms. Given its objectives, the Company determines the amount of capital to be raised and retained based on the scope of its planned exploration activities and management's assessment of the expected availability of acceptably priced capital in future periods.

The Company defines capital as share capital, share subscriptions and reserves. The Company's targeted capital structure approaches 100% shareholder equity, with little or no debt outstanding. Management believes that such a capital structure is the most suitable in light of the Company's capital management objectives.

The chief source of working capital is equity financing obtained through the sale of common shares and share purchase warrants, and the exercise of warrants and options. The Company from time to time receives loans from related parties and trade credit, but such financial instruments are typically only supplementary to equity financings. In any case, the Company does not consider debt to be a sustainable source of capital, as in the absence of positive cash flows from operations; any debt obtained must be retired with funds raised through equity financing.

A significant measure used in assessing capital adequacy is the expected number of days of operations that can be funded from current working capital. Capital levels are deemed sufficient if they can fund the balance of the annual exploration and development goals and fund corporate overhead expenses in the near term. The Company lacks sufficient capital to carry out its activities over the next twelve months and additional capital will, therefore, need to be raised.

Financing, and thus capital spending on exploration, will generally be limited to the extent that capital is available on acceptable terms. The acceptability of financing terms is generally determined by reference to the prevailing market price of the Company's shares. The terms on which the Company obtains financings are furthermore subject to the guidelines of the TSX-V.

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2016.

Peace River Capital Corp.
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Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

Nine months ended September 30, 2016

15. Corporate Restructuring

- a) On October 11, 2016, the Company announced that it has sold certain wholly-owned subsidiaries holding non-operated oil and natural gas interests in Ontario, Canada and Montana, USA to an arm's length third party for total cash consideration of \$1,000. The disposition of the Assets has an effective date of September 28, 2016.
- b) On October 25, 2016, the Company announced a non-brokered private placement of up to 6,000,000 units (adjusted to 4,200,000 per TSX-V) at a price of \$0.25 per Unit for proceeds of up to \$1,500,000 (adjusted to \$1,050,000). Each Unit consists of one common share in the capital of the Company and one common share purchase warrant. Each Warrant entitles the holder thereof to purchase one additional Share at a price of \$0.40 per Share for a period of 12 months from the date of issuance. The Company will use the proceeds of the Offering to fund its acquisition of the Paradox North Property and settle outstanding payables and for general working capital.
- c) On November 2, 2016, the Company announced that it completed the acquisition of the 100% interest in the Paradox North Property consisting of 233 mineral claims located in Grand County, Utah. The Company paid the Vendor an aggregate cash consideration of US\$150,000 and issued 2,500,000 common shares in the capital of the company. The Payment Shares will be subject to a four month hold period under applicable securities laws.
- d) On November 15, 2016, the Company announced that its shareholders and the Supreme Court of British Columbia have approved a plan of arrangement under the Business Corporations Act (British Columbia) The Corporation entered into an Arrangement Agreement dated September 16, 2016 with Avonhurst Capital Corp., a company incorporated in order to effect the Arrangement. Shareholder and final court approval were obtained on November 4, 2016 and November 14, 2016, respectively. In connection with the Arrangement, the Corporation has entered into a letter of intent dated July 19, 2016 with Spacefy Inc., a private company incorporated pursuant to the laws of Ontario. The Spacefy LOI contemplates that subsequent to and subject to the completion of the Arrangement, Avonhurst anticipates entering into a definitive agreement with Spacefy involving a potential business combination. The entering into of the Spacefy Definitive Agreement remains subject to a number of conditions, including completion of the Arrangement, satisfactory due diligence and finalization of all key terms. Should the Spacefy Definitive Agreement be entered into, the Proposed Spacefy Transaction would remain subject to a number of further conditions. There can be no guarantee that the Proposed Spacefy Transaction will close as proposed, or at all. The Corporation and Avonhurst are arm's length parties to Spacefy.
- e) On November 23, 2016, the Company announced that the Company has closed a first tranche of a \$1,050,000 non-brokered private placement that was announced October 25, 2016. Aggregate proceeds of \$185,000 were raised on this first tranche closing. 740,000 units were issued at a price of \$0.25 per Unit. Each Unit consists of one common share in the capital of the Company and one common share purchase warrant. Each Warrant entitles the holder thereof to purchase one additional Share at a price of \$0.40 per Share until November 23, 2017. The Company has paid eligible finders a cash commission in the amount of \$14,800 being 8% of the aggregate proceeds from the sale of shares to purchasers introduced by the finders as well as issued an aggregate of 58,400 finder warrants, which is equal to 8% of the number of units sold to purchasers introduced by the finders. Each Finder Warrant entitles the finder to acquire one Share at an exercise price of \$0.40 per share until November 23, 2017. All securities issued in connection with the Offering are subject to a statutory hold period of four months plus a day in accordance with applicable securities legislation expiring on March 24, 2017. The net proceeds received from the Offering will be used to fund its acquisition of the Paradox North Property and for general working capital.
- f) The Company received the following loans subsequent to the quarter which are non-interest bearing and payable on demand.
 - US\$75,000 loan from Silverton S.A. dated October 31, 2016
 - \$100,000 loan payable to 0879479 BC Ltd dated November 1, 2016
- g) The Company made the following loan subsequent to the quarter, which is non-interest bearing and payable on demand.
 - \$5,000 loan receivable from Glenwood Acquisitions Corp dated November 10, 2016