



(Formerly ACL International Ltd.)

Condensed Interim Consolidated Financial Statements (unaudited)

For the nine months ended December 31, 2016 and 2015

Bow Energy Ltd.

Condensed Interim Consolidated Statements of Financial Position

Unaudited (Expressed in Canadian dollars)

	Notes	As at December 31, 2016	As at March 31, 2016
Assets			
Current assets			
Cash		\$ 587,412	\$ 55,538
Trade and other receivables		1,017,384	1,737,055
Advances to joint venture	6	1,916,440	1,058,479
Prepaid expenses and deposits		50,817	66,589
		3,572,053	2,917,661
Property and equipment	8	1,140,162	2,883,772
Investment in joint venture		170,073	164,298
Total assets		\$ 4,882,288	\$ 5,965,731
Liabilities			
Current Liabilities			
Trade and other payables		\$ 232,106	\$ 483,994
Notes payable	9	1,448,765	944,524
Total liabilities		1,680,871	1,428,518
Equity			
Share capital		17,649,200	17,649,200
Contributed surplus		2,983,180	2,906,663
Accumulated other comprehensive loss		765,880	571,714
Deficit		(18,196,843)	(16,590,364)
Total equity		3,201,417	4,537,213
Total liabilities and equity		\$ 3,882,288	\$ 5,965,731

Approved by the Board of Directors:

[signed]
Aqeel Virk, Director

[signed]
Mohammad Fazil, President and CEO

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

Bow Energy Ltd.

Condensed Interim Consolidated Statement of Income (Loss) and Comprehensive Loss
For the three and nine months ended December 31,
Unaudited (Expressed in Canadian dollars)

	Notes	For the 3 months ended December 31,		For the 9 months ended December 31,	
		2016	2015	2016	2015
Revenue		\$ 2,287,061	\$ 4,034,881	\$ 4,083,377	\$ 6,985,406
Expenses					
Oil and gas operating		\$ 1,327,491	\$ 1,735,072	\$ 3,590,247	\$ 3,981,407
Salaries and wages		40,543	97,027	147,440	265,279
General and administrative		47,683	49,095	136,721	541,935
Exchange gain		(111,257)	-	(128,704)	-
Gain on debt settlement		-	-	-	(16,667)
Finder's fees	10	-	(528,729)	-	-
Listing expense	7	-	-	-	957,272
		\$ 1,304,460	\$ 1,352,465	\$ 3,745,704	\$ 5,729,226
Earnings before interest, income taxes, depletion, and depreciation		\$ 982,601	\$ 2,682,416	\$ 337,673	\$ 1,256,180
Interest and financing costs		(30,929)	(30,237)	(76,631)	(67,785)
Depletion and depreciation	8	(565,809)	(2,600,467)	(1,844,874)	(5,685,075)
Earnings (loss) from continuing operations		\$ 385,863	\$ 51,712	\$ (1,583,832)	\$ (4,496,680)
Loss from discontinued operations	13	(7,576)	(53,933)	(22,647)	(126,565)
Earnings (loss) for the period		\$ 378,287	\$ (2,221)	\$ (1,606,479)	\$ (4,623,245)
Other comprehensive income					
Exchange differences on translating foreign operations		142,983	313,083	194,166	433,024
Other comprehensive income (loss) for the period		\$ 521,270	\$ (315,304)	\$ (1,412,313)	\$ (4,190,221)
Loss per share from continuing operations	10	\$ (0.00)	\$ (0.00)	\$ (0.02)	\$ (0.08)
Loss per share from discontinued operations	10	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

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

Bow Energy Ltd.
Condensed Interim Consolidated Statement of Changes in Equity
For the nine months ended December 31,
Unaudited (Expressed in Canadian dollars)

	Share Capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total Equity
Balance, April 1, 2015	\$ 6,783,995	\$ 2,780,994	\$ -	\$ (8,652,398)	\$ 912,591
Common shares issued for property and equipment <i>(Note 7)</i>	10,781,872	-	-	-	10,781,872
Common shares issued in exchange of promissory note <i>(Note 10)</i>	83,333	-	-	-	83,333
Share based payments <i>(Note 10)</i>	-	98,286	-	-	98,286
Exchange difference on translating foreign operations	-	-	433,024	-	433,024
Net loss for the period	-	-	-	(4,623,245)	(4,623,245)
Balance, December 31, 2015	\$ 17,649,200	\$ 2,879,280	\$ 433,024	\$ (13,275,643)	\$ 7,685,861
Balance, April 1, 2016	\$ 17,649,200	\$ 2,906,663	\$ 571,714	\$ (16,590,364)	\$ 4,537,214
Share based payments <i>(Note 10)</i>	-	62,012	-	-	62,012
Debt issuance costs <i>(Note 9)</i>	-	14,505	-	-	14,505
Exchange difference on translating foreign operations	-	-	194,166	-	194,166
Net loss for period	-	-	-	(1,606,479)	(1,606,479)
Balance, December 31, 2016	\$ 17,649,200	\$ 2,983,180	\$ 765,880	\$ (18,196,843)	\$ 3,201,418

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

Bow Energy Ltd.
Condensed Interim Consolidated Statements of Cash Flows
For the nine months ended December 31,
Unaudited (Expressed in Canadian dollars)

	Notes	2016	2015
Operating			
Net loss for the period		\$ (1,606,479)	\$ (4,623,245)
Adjustments for:			
Loss from discontinued operations	13	22,647	126,565
Depletion and depreciation	8	1,844,874	5,685,075
Accretion expense	9	3,668	-
Listing expense	7	-	957,272
Gain on debt settlement	10	-	(16,667)
Share-based payments	10	62,012	98,286
Changes in			
Trade and other receivables		780,056	(1,562,526)
Prepaid expenses		-	8,381
Trade and other payables		(268,620)	227,353
Operating cash flows from (used for) continuing operations		838,158	900,494
Operating cash flows from (used for) in discontinued operations		-	(31,638)
Cash flows from (used for) operating activities		838,158	868,856
Financing			
Interest on notes payable		17,860	5,217
Repayment of notes payable		-	(37,981)
Proceeds from notes payable		475,700	200,000
Cash flows from (used for) financing activities		493,560	167,236
Investing			
Expenditures on oil and gas assets		-	(1,001,789)
Advances to joint venture		(820,750)	(349,824)
Acquisition of subsidiary	5	-	(762,786)
Cash flows from (used for) investing activities		(820,750)	(2,114,399)
Net increase (decrease) in cash		510,968	(1,078,307)
Foreign exchange effect on cash held in foreign currencies		20,907	(294,601)
Cash, beginning of the period		55,538	1,438,962
Cash, end of the period		\$ 587,412	\$ 66,054

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

Bow Energy Ltd.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****For the nine months ended December 31, 2016 and 2015**Unaudited (Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

On January 24, 2017 ACL International Ltd. amended its name to Bow Energy Ltd. (the “Company” or “Bow”). The Company is an Alberta, Canada corporation with common shares listed on the TSX Venture Exchange under the trading symbol “BBL5”. The Company’s principal office is located at Suite 1600, 144 - 4 Avenue SW, Calgary, Alberta T2P 3N4.

On June 30, 2015 TSX Venture Exchange accepted the Company’s application for a change of business from a general insurance brokerage issuer to an oil and gas issuer (Note 7). In addition, the Company met the requirements to be listed as a TSX Venture Tier 1 issuer. Effective July 2, 2015, the listing of the Company’s shares was transferred from the NEX to the TSX Venture exchange. The Company is now engaged in the exploration and development of and production of oil and natural gas in Indonesia.

2. BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2016 annual report.

These consolidated financial statements and the accompanying notes were approved and authorized for issuance at a meeting of the Board of Directors on February 28, 2017.

These consolidated financial statements have been prepared on a going concern basis in accordance with IFRS which contemplates the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

3. SIGNIFICANT ACCOUNTING POLICIES

Bow Energy Ltd. applies the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2016 annual financial statements, unless otherwise stated below. None of the new standards, interpretations, and amendments, effective for the first time from 1 January 2016, have had a material effect on the financial statements.

The preparation of the consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving more judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current period. Oil and gas properties and property and equipment have been combined onto one line item.

4. USE OF ESTIMATES AND JUDGMENTS

There have been no material revisions to the nature and amount of changes in estimates or judgements of amounts reported in the annual financial statements 2016.

Bow Energy Ltd.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****For the nine months ended December 31, 2016 and 2015**

Unaudited (Expressed in Canadian dollars)

5. ACQUISITION OF PEAK OIL & GAS SBA PTE LTD.

On June 29, 2015, the Company paid \$762,786 (\$800,000 Australian) to acquire 100% of the issued and outstanding shares of Peak Oil & Gas SBA Pte Ltd. ("Peak"), which was subsequently renamed to Bow Energy Pte. Ltd. ("BEPL"). BEPL owns 75% of the issued and outstanding shares of Renco Elang Energy Pte. Ltd. ("REE") which owns a 51% working interest in a Production Sharing Contract referred to as "South Block A" (the "Assets" or "SBA") located onshore, North Sumatra, Indonesia. REE is the operator of the Assets. The acquisition had an effective date of May 1, 2015 and closed on July 2, 2015. Effectively, the Company has a 38.25% working interest in the Assets.

The purchase price allocation can be summarized as follows:

Prepaid expenses and deposits	\$	5,897
Investment in joint venture		156,837
Advances to joint venture		690,862
Trade and other payables		(90,810)
	\$	762,786

The fair values of identifiable assets acquired as reported in the table above were estimated based on information available at the time of preparation of these consolidated financial statements. Actual amounts recognized by the Company once the acquisition accounting is finalized may differ materially from these estimates.

On September 23, 2016, PT. Prosys Oil and Gas International ("POGI") defaulted on a cash call requirement to fund the SBA as part of its 14% working interest. The deadline to remedy the default was on October 23, 2016. As of March 1, 2017, the default has not been remedied and REE and KRX Energy (SBA) Pte Ltd. are taking steps to transfer POGI's interest in SBA in the following proportions: REE: 8.3% and KRX Energy (SBA) Pte Ltd. 5.7%. The proportionate interests in SBA are now: 50.3% for REE and 40.7% for Lion.

6. INVESTMENT IN JOINT VENTURE

The Company's investment in REE has been accounted for as a joint venture. The Company has joint control over the strategic financial and operating decisions of REE, but no single venturer can control the relevant activities of REE unilaterally and the parties have rights to the net assets of the arrangement.

The following is summarized financial information for REE, based on its financial statements prepared in accordance with IFRS.

Nine months ended	December 31, 2016	
Revenue	\$	-
Profit from continuing operations		-
Other comprehensive income		-
Total comprehensive income		-
Current assets	\$	6,227
Non-current assets		9,955,267
Current liabilities		(327,022)
Non-current liabilities		-
Net assets	\$	9,634,472

As part of the acquisition of REE, the Company acquired loans receivable of \$690,862 and subsequently advanced additional funds bringing total advances to \$1,916,440. These advances are non-interest bearing. As part of the REE shareholder's agreement, all after-tax proceeds from the operations of SBA are first used to repay the shareholder's loans, prior to any distributions relative to each party's share interests. As at December 31,

Bow Energy Ltd.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended December 31, 2016 and 2015

Unaudited (Expressed in Canadian dollars)

2016, SBA had not reached technical feasibility or commercial viability and as such the amounts remain outstanding.

Bow Energy Ltd.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****For the nine months ended December 31, 2016 and 2015**

Unaudited (Expressed in Canadian dollars)

7. ACQUISITION OF BLUE SKY LANGSA ASSETS

On June 11, 2015, the Company closed its Amended and Restated Asset Purchase Agreement dated April 30, 2015 with Blue Sky Langsa Ltd. ("BSL") pursuant to which Bow Energy Ltd. acquired from BSL a 50% interest in a Technical Assistance Contract for a block referred to as "Langsa TAC" or the "BSL Assets" located offshore, North Sumatra, Indonesia. As consideration, Bow Energy Ltd. paid \$100,000 cash and issued 81,871,667 common shares to certain nominees of BSL (the "Transaction"). The Transaction results in a change of business and a reactivation of Bow Energy Ltd. pursuant to Policy 5.2 of the TSX Venture Exchange.

The purchase price allocation can be summarized as follows:

81,871,667 common shares	\$	10,781,872
Cash consideration after closing adjustments		1,101,100
Total consideration	\$	11,882,972

Purchase price allocation:		
Property and equipment	\$	10,925,700
Listing expense on acquisition		957,272
	\$	11,882,972

The acquisition had an effective date of January 1, 2015 and the purchase price was adjusted for the results of operations between the effective date and closing of the transaction. The fair values of identifiable assets acquired as reported in the table above were estimated based on information available at the time of preparation of these consolidated financial statements. Actual amounts recognized by the Company once the acquisition accounting is finalized may differ materially from these estimates.

For accounting purposes, Langsa TAC is deemed to be a business while Bow Energy Ltd., at the date of the Transaction, is deemed not to be a business. As such, IFRS 2 was applied to account for the Transaction. As a result of the shares issued, the nominees of BSL will control 85.39% of the issued and outstanding common shares of Bow Energy Ltd.. The substance of the Transaction is a reverse take-over ("RTO") of Bow Energy Ltd. by the nominees of BSL with Langsa TAC deemed to be the accounting acquirer.

The Langsa TAC meets the definition of a business under IFRS but it is not a legal entity. IFRS does not provide specific accounting guidance for an RTO involving a non-legal-entity accounting acquirer. Therefore, the Transaction has been accounted for as a continuation of Langsa TAC from the date of the acquisition whereby the shares issued to effect the Transaction are issued for the net assets of Bow Energy Ltd., resulting in a public company listing expense of \$957,272. The fair value of the consideration is determined based on the percentage of ownership of the merged entity that was transferred to the shareholders of Bow Energy Ltd. upon completion of the Transaction. This value represents the fair value of the number of shares that Langsa TAC would have had to issue for the ratio of ownership interest in the combined entity to be the same as if the Transaction had taken the legal form of Langsa TAC acquiring 100% of the shares of Bow Energy Ltd.. The percentage of ownership that Bow Energy Ltd. shareholders have in the combined entity is 14.61%. On the date of the Transaction, IFRS 1 was applied to the assets and liabilities of Langsa TAC resulting in a fair value determination of oil and gas properties and equity to be \$10,925,700 determined using internal estimates as well as independent reserve evaluation using proved and probable reserves discounted at 12%.

The Langsa TAC expires in May 2017. The company has commenced discussions to renew the TAC beyond May 2017. There are no assurances that the Government of Indonesia will renew the concession. Should the government decide not to renew the Langsa TAC, then the TAC will revert back to the government at expiry without further compensation to Bow Energy Ltd. and the operator Blue Sky Langsa Ltd.

Bow Energy Ltd.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended December 31, 2016 and 2015

Unaudited (Expressed in Canadian dollars)

8. PROPERTY AND EQUIPMENT

Cost	Development and production assets	Other Assets	Total
As at April 1, 2016	\$ 10,925,700	\$ 4,591	\$ 10,930,291
Foreign currency translation change	987,519	-	987,519
Cost as at December 31, 2016	\$ 11,913,219	\$ 4,591	\$ 11,917,810
Accumulated depletion			
As at April 1, 2016	\$ 8,628,185	\$ 1,263	\$ 8,629,448
Charge for the period	1,844,358	516	1,844,874
Foreign currency translation change	303,326	-	303,326
Accumulated depletion as at December 31, 2016	\$ 10,775,869	\$ 1,779	\$ 10,777,648
Net book value as at March 31, 2016	\$ 2,880,444	\$ 3,328	\$ 2,883,772
Net book value as at December 31, 2016	\$ 1,137,350	\$ 2,812	\$ 1,140,162

The depletion calculation for the period ended December 31, 2016 included estimated future development costs of \$nil for proved and probable reserves.

9. NOTES PAYABLE

				December 31, 2016		March 31, 2016	
	Currency	Nominal interest rate	Date of maturity	Face value	Carrying amount	Face value	Carrying amount
Promissory note	CDN	12%	30/04/2017	\$ 50,000	\$ 58,663	\$ 50,000	\$ 54,159
Promissory note	CDN	12%	30/04/2017	30,000	34,991	30,000	32,288
Promissory note	CDN	12%	30/04/2017	20,000	23,248	20,000	21,447
Loan (i)	USD	9%	14/07/2017	1,342,700	1,331,863	836,630	836,630
				\$ 1,442,700	\$1,448,765	\$ 936,630	\$ 944,524

The promissory notes are repayable in full on maturity. The difference between the face value and carrying amount is attributed to accrued interest.

(i) On October 26, 2016 the Company entered into Amended and Restated Loan Agreement (“the Agreement”) with lender. Under the amendment, the interest rate increased from 6.75% to 9% per annum and extended the maturity date to July 14, 2017. The lender advanced a further USD\$355,000 with a maturity date of January 7, 2017. The face value of the note in USD as at December 31, 2016 was USD\$1,000,000 (March 31, 2016: USD\$645,000). The credit note is secured by a general security agreement over the assets of the Company. Interest is paid monthly. In addition, the Company granted 320,000 warrants to the lender for the right to purchase one common share equal to an exercise price of \$0.10. The right to purchase expires on the date of repayment of the loan. The Company has fair valued the cost of the warrants using a Black Scholes model and recorded a discount on the debt of \$14,505 with an offset to contributed surplus. The discount is amortized over the maturity of the debt. During the period ending December 31, 2016, the Company recorded an accretion expense of \$3,668 related to this debt.

Bow Energy Ltd.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended December 31, 2016 and 2015

Unaudited (Expressed in Canadian dollars)

Bow Energy Ltd.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****For the nine months ended December 31, 2016 and 2015**

Unaudited (Expressed in Canadian dollars)

10. SHARE CAPITAL

On June 17, 2015, the Company paid a finder's fee in relation to the acquisition of the BSL Assets by issuing 4,406,084 common shares of the Company at \$0.12 per share for a total expense of \$528,730. Subsequently this finder's fee was cancelled and the common shares issued were returned to treasury.

On July 3, 2015, the Company issued 833,333 common shares of the Company to settle an outstanding note payable in the amount of \$100,000. At the date of settlement, the share price of the Company was \$0.10, which resulted in a gain of \$16,667 on settlement.

Share-based payments

The Company recorded a share-based payment of \$62,012 for the period ended December 31, 2016 (December 31, 2015: 98,286).

Per share amounts

Nine months ended	2016	2015
Weighted average number of shares – basic:		
Issued common shares as at April 1	92,310,184	9,605,184
Effect of common shares issued during the period	-	48,397,853
	92,310,184	58,003,037
Net loss per share – basic and diluted	\$ (0.02)	\$ (0.08)

11. RELATED PARTY TRANSACTIONS

The Company enters into transactions with related parties from time to time in the normal course of business, as well as key management personnel.

On May 30, 2016 an Officer of the Corporation granted an unsecured loan, which carries interest at 12% per annum in the amount of \$58,000 for general working capital. The note matures on July 29, 2016. The above transaction was in the normal course of business and was at terms agreed to by the related parties. During the period, the Company paid back in full to the officer.

Compensation of key management personnel

Key management personnel are comprised of all members of the Board of Directors and the Named Officers (as defined in Form 51-102F6 Statement of Executive compensation and disclosed in the Company's Management Proxy Circular in connection with its annual meeting of shareholders). The summary of the compensation of key management personnel is as follows:

Nine months ended	December 31, 2016	December 31, 2015
Salary and bonuses	\$ 85,428	\$ 166,993
Share based compensation	62,012	98,286
Total compensation of key management personnel	\$ 147,440	\$ 265,279

Bow Energy Ltd.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****For the nine months ended December 31, 2016 and 2015**

Unaudited (Expressed in Canadian dollars)

12. SUPPLEMENTAL CASH FLOW INFORMATION

During the nine months ended December 31, 2016 and 2015, the Company had non-cash transactions as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Financing activities		
Shares issued for debt settlement	\$ -	\$ 100,000
Debt settled for shares	-	(100,000)
Common shares issued for property and equipment	-	\$ 9,824,600
	<u>\$ -</u>	<u>\$ 9,824,600</u>
Investing activities		
Property and equipment acquisition by issue of common shares	\$ -	\$ (9,824,600)
	<u>\$ -</u>	<u>\$ (9,824,600)</u>
Additional information		
Interest paid	<u>\$ 64,265</u>	<u>\$ 14,291</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

13. DISCONTINUED OPERATIONS

During the nine months period ended December 31, 2016, there were no activities in discontinued operations; however, a loss of \$22,647 (December 31, 2015: a loss of \$126,565) resulted due to ongoing wind up obligations.