

TENTH AVENUE PETROLEUM CORP.
(formerly Jadela Oil Corp.)
CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015
AND DECEMBER 31, 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Tenth Avenue Petroleum Corp.

We have audited the accompanying consolidated financial statements of Tenth Avenue Petroleum Corp. which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Tenth Avenue Petroleum Corp. as at December 31, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter – Going Concern

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that Tenth Avenue Petroleum Corp. incurred losses and has a working capital deficit and will need to raise capital to fund its planned operating and investing activities. These conditions, along with other matters as set forth in Note 1 in the financial statements indicate the existence of a material uncertainty that may cast significant doubt about Tenth Avenue Petroleum Corp.'s ability to continue as a going concern.

(signed) KPMG LLP

Chartered Professional Accountants

April 29, 2016

Calgary, Canada

TENTH AVENUE PETROLEUM CORP. (formerly Jadela Oil Corp.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In Canadian Dollars

As at	Note	December 31, 2015	December 31, 2014
ASSETS			
CURRENT			
Cash		\$ 2,469	\$ 87,814
Accounts receivable		43,387	211,399
Prepaid expenses and deposits		8,684	7,712
		54,540	306,925
Restricted cash held in trust	3	208,765	114,918
Property and equipment	4	247,591	442,036
Exploration and evaluation assets	5	-	69,229
		\$ 510,896	\$ 933,108
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		\$ 109,422	\$ 111,095
Asset retirement obligation	6	193,978	135,000
		303,400	246,095
Asset retirement obligations	6	24,907	56,534
Total Liabilities		328,307	302,629
SHAREHOLDERS' EQUITY			
Share capital	7	12,365,831	12,365,831
Warrants	9	7,820	7,820
Contributed surplus		9,636,542	9,636,542
Accumulated other comprehensive income		-	134,937
Deficit		(21,827,604)	(21,514,651)
		182,589	630,479
		\$ 510,896	\$ 933,108

Going concern

1

Signed "Gregory J. Leia"
Gregory J. Leia Director

Signed "Craig Leggatt"
Craig Leggatt Director

The accompanying notes are an integral part of these financial statements

TENTH AVENUE PETROLEUM CORP. (formerly Jadela Oil Corp.)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED

In Canadian Dollars

	Note	December 31, 2015	December 31, 2014
REVENUE			
Oil & natural gas sales		\$ 162,366	\$ 245,405
Royalties		(34,415)	(58,735)
Other revenue		5,782	1,118
		<u>133,733</u>	<u>187,788</u>
EXPENSES			
Production and transportation		33,025	18,438
General and administrative	11	181,495	285,295
Share based compensation	8	-	73,751
Depletion, depreciation and impairment	4,5	194,166	69,126
		<u>408,686</u>	<u>446,610</u>
Operating loss from continuing operations		(274,953)	(258,822)
Other (income) expense items			
Interest income		(5,879)	(508)
Interest expense and accretion		12,766	11,735
		<u>(281,840)</u>	<u>(270,049)</u>
Loss from continuing operations		(281,840)	(270,049)
Loss from discontinued operations	15	(31,113)	(175,773)
Net loss		(312,953)	(445,822)
Foreign exchange translation adjustment		(418)	10,106
		<u>(313,371)</u>	<u>(435,716)</u>
COMPREHENSIVE LOSS			
INCOME (LOSS) PER SHARE			
Basic and diluted – continuing operations		\$ (0.04)	\$ (0.04)
Basic and diluted – discontinued operations		\$ -	\$ (0.02)

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TENTH AVENUE PETROLEUM CORP. (formerly Jadela Oil Corp.)

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED

In Canadian Dollars

	Note	December 31, 2015		December 31, 2014
OPERATING ACTIVITIES				
Net loss		\$ (312,953)	\$	(445,822)
Loss from discontinued operations		31,113		175,773
Depletion, depreciation and impairment		194,166		69,126
Share based compensation		-		73,751
Provision for doubtful accounts		-		37,561
Interest expense and accretion, non-cash		12,766		11,735
Changes in non-cash working capital		108,849		(111,929)
Cash provided by (used in) operating activities - continued		33,941		(189,805)
Cash used in operating activities - discontinued		(22,954)		(93,284)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		10,987		(283,089)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES				
Divestitures of exploration and evaluation assets		-		14,028
Divestitures of property and equipment		-		14,157
Foreign exchange on divestitures		-		(1,117)
Restricted cash held in trust		(93,847)		(2,761)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(93,847)		24,307
CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES				
Proceeds of shares and warrants	7, 9	-		330,600
CASH PROVIDED BY FINANCING ACTIVITIES		-		330,600
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(82,860)		71,818
Foreign exchange on cash balances		(2,485)		3,397
NET CHANGE IN CASH AND CASH EQUIVALENTS		(85,345)		75,215
CASH AND CASH EQUIVALENTS, beginning of year		87,814		12,599
CASH AND CASH EQUIVALENTS, end of year		\$ 2,469	\$	87,814

Interest paid - \$ 722

The accompanying notes are an integral part of these financial statements

TENTH AVENUE PETROLEUM CORP.
(formerly Jadela Oil Corp.)
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED

In Canadian Dollars

	December 31, 2015	December 31, 2014
SHAREHOLDERS' EQUITY		
<u>Share capital</u>		
Balance, beginning of year	\$ 12,365,831	\$ 12,043,051
Private placement	-	355,180
Share Issue costs	-	(30,600)
Allocated to Warrants	-	(1,800)
Balance, end of year	12,365,831	12,365,831
<u>Warrants</u>		
Balance, beginning of year	7,820	-
Allocated from Share Capital	-	1,800
Warrants issued	-	6,020
Balance, end of year	7,820	7,820
<u>Contributed surplus</u>		
Balance, beginning of year	9,636,542	9,562,791
Share based compensation	-	73,751
Balance, end of year	9,636,542	9,636,542
<u>Accumulated other comprehensive income</u>		
Balance, beginning of year	134,937	124,831
Foreign exchange translation adjustment	(418)	10,106
Transfer of translation adjustment realized on discontinued operations	(134,519)	-
Balance, end of year	-	134,937
<u>Deficit</u>		
Balance, beginning of year	(21,514,651)	(21,068,829)
Net loss	(312,953)	(445,822)
Balance, end of year	(21,827,604)	(21,514,651)
TOTAL SHAREHOLDERS' EQUITY	\$ 182,589	\$ 630,479

The accompanying notes are an integral part of these financial statements

TENTH AVENUE PETROLEUM CORP. (formerly Jadela Oil Corp.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

In Canadian Dollars

On June 29, 2006, Unitech Energy Corp. ("UEC") amalgamated with NR2 Resources Corporation ("NR2), a capital pool company listed on the TSX Venture Exchange, to form an amalgamated entity, which continued under the name of Unitech Energy Resources Inc.

On June 23, 2008 UEC acquired all the issued and outstanding shares of three private companies - Pendor IV Joint Venture Ltd., Pendor V Joint Venture Ltd., and Medicine Hat VI Inc. On July 19, 2011 the three subsidiary companies were amalgamated with UEC.

On May 10, 2011 UEC acquired all the issued and outstanding shares of Jadela Oil (US) Operating LLC

On July 21, 2011, UEC changed its name to Jadela Oil Corp. ("Jadela" or the "Company") and consolidated its common shares on a one new for ten old basis.

On May 6, 2015, Jadela Oil Corp. changed its name to Tenth Avenue Petroleum Corp. ("Tenth Avenue" or the "Company") and consolidated its common shares on a 5:1 basis.

Tenth Avenue is in the business of exploring for and developing petroleum and natural gas properties in Western Canada and Texas, USA. Tenth Avenue is a company domiciled in Canada. The address of the Company's registered office is 203, 221 10th Avenue SE, Calgary, Alberta.

1. GOING CONCERN

These financial statements do not reflect the adjustments and classifications of assets, liabilities, revenues and expenses which would be necessary if the Company were unable to continue as a going concern. The accompanying financial statements have been prepared using the going concern assumption which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

As the Company incurred losses and a working capital deficit and will need capital to fund its planned operating, exploration and development activities, there is a material uncertainty which casts doubt on the Company's ability to continue as a going concern. For the year ended December 31, 2015, the Company incurred a net loss of \$312,953 (December 2014 - \$435,822) a working capital deficit of \$248,860 (December 2014 - surplus \$60,830) and an accumulated deficit of \$21,827,604 (December 2014 - \$21,514,651).

2. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY

Basis of presentation and measurement

Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated financial statements of the Company include the accounts of Tenth Avenue Petroleum Corp. and its subsidiaries (collectively referred to as ("the Company") and have been prepared by management. These financial statements were authorized for issue by the Board of Directors on April 29, 2016.

These consolidated financial statements have been prepared on a historical cost basis.

Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Financial results as determined by actual events may differ from these estimates. These financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

The accompanying notes are an integral part of these financial statements

TENTH AVENUE PETROLEUM CORP. (formerly Jadela Oil Corp.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

In Canadian Dollars

The significant estimates and judgments in the financial statements include:

Estimating oil and gas reserves

The Company engages a qualified, independent oil and gas reserves evaluator to perform an estimation of the Company's oil and gas reserves annually. Reserves form the basis for the calculation of depletion charges and assessment of impairment of oil and gas assets. Reserves are estimated using the reserve definitions and guidelines prescribed by National Instrument 51-101 and the Canadian Oil and Gas Evaluation Handbook.

Proved plus probable reserves are defined as the "best estimate" of quantities of oil, natural gas and related substances estimated to be commercially recoverable from known accumulations, from a given date forward, based on drilling, geological, geophysical and engineering data, the use of established technology and specified economic conditions. It is equally likely that the actual remaining quantities recovered will be greater than or less than the sum of the estimated proved plus probable reserves. The estimates are made using all available geological and reservoir data as well as historical production data. Estimates are reviewed and revised as appropriate. Revisions occur as a result of changes in prices, costs, fiscal regimes and reservoir performance or a change in the Company's plans with respect to future development or operating practices.

Determination of CGUs

The recoverability of development and production asset carrying values are assessed at the CGU level. Determination of what constitutes a CGU is subject to management's judgment. The asset composition of a CGU can directly impact the recoverability of the assets included therein. In assessing the recoverability of oil and gas properties, each CGU's carrying value is compared to its recoverable amount, defined as the greater of fair value less costs to sell and value in use.

Asset Retirement Obligation

The Company estimates obligations under environmental regulations in respect of decommissioning and site restoration. These obligations are determined based on the expected present value of expenses required in the process of plugging and abandoning wells, dismantling of wellheads, production and transportation facilities and restoration of producing areas in accordance with relevant legislation, discounted from the date when expenses are expected to be incurred. Most of the abandonment of future expenses, estimated logistics of performing abandonment work and the discount rate used to calculate the present value of future expenses would have a significant effect on the carrying amount of the decommissioning provision.

Impairment testing

The impairment testing of property and equipment is completed for each CGU, and is based on estimates of proved plus probable reserves, production rates, oil and natural gas prices, future costs, discount rate and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and may impact the financial statements of future periods.

Fair values of Stock Options and Warrants

The amounts recorded for fair values of stock options and warrants are based on estimates of the expected volatility of the Company's share price, expected lives of the options and warrants, expected future dividend rates and other relevant assumptions.

Property and equipment and Exploration and Evaluation Assets

Exploration and Evaluation Assets

Costs of exploring for and evaluating oil and natural gas properties (exploration and evaluation assets or "E&E Assets") are capitalized within exploration assets. These costs include lease acquisition costs, geological and geophysical expenditures, costs of drilling and completion of wells, plant and production equipment costs and

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TENTH AVENUE PETROLEUM CORP. (formerly Jadela Oil Corp.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015

In Canadian Dollars

related overhead charges. E&E assets do not include costs of general prospecting, or evaluation costs incurred prior to having obtained the legal rights to explore an area, which are expensed as incurred. Interest is not capitalized on E&E Assets.

E&E Assets are not depleted or depreciated and are carried forward until technical feasibility and commercial viability is considered to be determined. The technical feasibility and commercial viability is generally considered to be determined when proved plus probable reserves are determined to exist and the production of oil and gas has commenced. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved plus probable reserves have been discovered and production has commenced. Upon determination of proved plus probable reserves and commencement of production, E&E Assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to oil and natural gas interests, a separate category within Property Plant and Equipment ("PP&E").

Property, Plant and Equipment

PP&E is stated at cost, less accumulated depletion, depreciation and amortization, and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, and costs attributable to bring the asset into operation, and the initial estimate of decommissioning obligation. Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of PP&E are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. Such capitalized oil 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.

Depletion and depreciation

The net carrying value of developed and producing fields are depleted using the unit of production method by reference to the ratio of production in the period to the related proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually. Total proved plus probable reserves are estimated using independent reserve engineer reports and represent the estimated quantiles of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrated with a 50 percent statistical probability.

Other property and equipment are depreciated over their estimated useful lives at the following annual rates and methods:

Water-well disposal assets	10%	straight line
Vehicles	20%	declining balance
Computer equipment	30%	declining balance
Office equipment	20%	declining balance

Depreciation methods, useful lives and residual values are reviewed at least annually.

Impairment – Property, Plant and Equipment

For the purpose of impairment testing, PP&E are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets – cash generating unit ("CGU").

The carrying amounts of PP&E are reviewed at each reporting date to determine whether there is any indication of impairment, such as decreased commodity prices or downward revisions in reserves volumes. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount is the greater of the value in use or fair value less costs to sell.

Value in use is based on the estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves. An impairment loss is recognized if the carrying amount

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TENTH AVENUE PETROLEUM CORP. (formerly Jadela Oil Corp.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

In Canadian Dollars

of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of income.

Impairment losses recognized in respect of CGU's are allocated to reduce the carrying amounts of the assets in the unit on a pro rata basis.

Impairment losses, except those on goodwill, recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been permitted to be recognized.

Impairment – Exploration and Evaluation Assets

E&E Assets are tested for impairment where there is an indication that a particular exploration and evaluation project may be impaired. Examples of indications of impairment include the decision to no longer pursue the E&E project or expiry of the rights to explore or failure to receive regulatory approval. In addition, E&E assets are assessed for impairment upon their reclassification to producing assets (oil and natural gas interests in PP&E). In assessing the impairment of E&E Assets, the carrying value of the E&E assets would be compared to their estimated recoverable amount, and in certain circumstances, could include any surplus from PP&E impairment testing of related CGUs. The impairment of E&E Assets is recognized as additional depletion and depreciation expense in the income statement.

Decommissioning obligations

Decommissioning obligations include legal obligations to retire tangible long-lived assets such as well sites, pipelines, and production facilities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the balance sheet date. Subsequent to the initial measurement, the obligations are adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision were established.

The Company's estimates of future asset retirement obligations are based on reclamation standards that meet current regulatory requirements. The estimate of the total liability of future site restoration costs may be subject to change based on amendments to laws and regulations and as new information concerning the Company's operations becomes available. Accordingly, the amount of the liability will be subject to re-measurement at each reporting period. Any adjustments to this liability will impact the related asset.

Share based compensation

The grant date fair value of options granted to employees, officers, and directors is recognized as share based compensation expense with a corresponding increase in contributed surplus over the vesting period. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. A Black-Scholes option pricing model was used to estimate share based compensation with various assumptions that are detailed in note 8. As the Company does not pay dividends a dividend rate was not considered in the Black-Scholes model. For options and other share based payments to non-employees, compensation costs are generally measured based on the estimated fair value of the goods or services received.

Revenue recognition

Revenue from the sale of petroleum and natural gas is recognized based on volumes delivered to customers at contractual delivery points and rates and when collection is reasonably assured.

Interest income is recognized when earned.

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TENTH AVENUE PETROLEUM CORP. (formerly Jadela Oil Corp.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

In Canadian Dollars

Per share calculations

Loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted per share calculations reflect the exercise or conversion of potentially dilutive securities or other contracts to issue shares at the later of the date of grant of such securities or the beginning of the period.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Flow-through shares

The Company may from time to time issue flow-through shares to finance a portion of its expenditure program. Pursuant to the terms of flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. The Company recognizes a deferred tax liability for flow-through shares and a deferred tax expense, at the moment the eligible expenditures are incurred. The difference between the quoted price of the common shares or the amount recognized in common shares and the amount the investors pay for the shares (the "premium") is recognized as another liability which is reversed as a deferred tax recovery when eligible expenditures have been made. In instances where the Company has sufficient available tax loss carry forwards or other deductible temporary differences available to offset the renounced tax deductions, the realization of the deductible taxable differences will be credited to income in the period of renunciation.

Jointly owned assets

A percentage of the Company's exploration and production activities are conducted jointly with others, whereby two or more parties jointly own the assets. These financial statements reflect only the Company's share of these jointly owned assets and, once production commences, a proportionate share of the relevant revenue and related costs.

Financial Instruments

All financial instruments are classified into one of the following five categories: fair value through profit and loss, held-to-maturity, loans and receivables, available-for sale financial assets, or other financial liabilities. On initial recognition financial instruments are recognized at fair value. Subsequent measurement and recognition of changes in the value of financial instruments depends on their classification.

Restricted cash held in trust, accounts receivable and deposits are classified as loans and receivables and are measured at amortized cost using the effective interest method. At each balance sheet date, the Company assesses whether loans and receivables are impaired and any impairment is recognized in the statement of loss. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost using the effective interest method.

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TENTH AVENUE PETROLEUM CORP. (formerly Jadela Oil Corp.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

In Canadian Dollars

Cash and cash equivalents include cash and highly liquid investments with original maturities of less than three months.

Business Combinations

For acquisitions goodwill as determined under IFRS represents the excess of the cost of the acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired assets or company. When the excess is negative, it is recognized immediately in the Statement of Loss.

Foreign currency translation and transactions

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Canadian parent entity and its Canadian subsidiaries is the Canadian dollar and the functional currency of the Company's US subsidiary is the US dollar.

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss.

Assets and liabilities of the US subsidiary are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of the US subsidiary are translated to Canadian dollars at exchange rates at the dates of transactions. Foreign currency differences are recognized in other comprehensive income. Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized directly in equity in other comprehensive income.

Presentation of statement of loss

The Company's statement of loss is prepared primarily by the nature of the expense.

New accounting standards not yet adopted:

The IASB issued the following standard which is relevant but has not yet been adopted by the Company:

IFRS 11 – Joint Arrangements, has been amended as of January 1, 2016. The standard now requires entities acquiring an interest in a joint operation to apply the principles of IFRS 3 as it related to business combinations. The amendments to this standard are not anticipated to have a material impact on the Company

IFRS 15 – Revenue from Contracts with Customers, provides clarification for recognizing revenue from contracts with customers and establishes a single revenue recognition and measurement framework that applies to contracts with customers. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently assessing the potential impact of the adoption of IFRS 15 on the Company's financial statements.

IFRS 9 - Financial Instruments is intended to replace IAS 39 - Financial Instruments: Recognition and Measurement and uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial liabilities designated at fair value through profit or loss, a company can recognize the portion of the change in fair value related to the change in the company's own credit risk through other comprehensive income rather than profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39, and incorporates new hedge accounting requirements. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently assessing the potential impact of the adoption of IFRS 9 on the Company's financial statements

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TENTH AVENUE PETROLEUM CORP. (formerly Jadela Oil Corp.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

In Canadian Dollars

IFRS 16 – Leases is intended to replace IAS 17 – Leases and introduces a single lease accounting model which requires the recognition of assets and liabilities for most leases. The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if the Company is also applying IFRS 15 – Revenue from Contracts with Customers. Management is currently assessing the potential impact of the adoption of IFRS 16 on the Company's financial statements.

3. RESTRICTED CASH HELD IN TRUST

Restricted cash held in trust includes \$50,709 (2014 - \$50,709) held by the Alberta Energy and Utilities Board, \$124,630 (2014 - \$36,128) held by British Columbia Minister of Energy, Mines and Petroleum Resources and USD \$24,152 (2014 - USD \$26,643) held by the Texas Railway Commission.

4. PROPERTY AND EQUIPMENT

	Oil and Natural Gas Assets	Water-well assets	Other assets	Total
COST OR DEEMED COST				
Balance, December 31, 2013	\$ 825,310	\$ 155,800	\$ 94,930	\$ 1,076,040
Dispositions of property, plant and equipment	-	-	(25,281)	(25,281)
Foreign exchange	-	-	2,125	2,125
Balance, December 31, 2014	\$ 825,310	\$ 155,800	\$ 71,774	\$ 1,052,884
Change in estimated asset retirement obligation	(930)	-	-	(930)
Foreign exchange	-	-	904	904
Balance, December 31, 2015	\$ 824,380	\$ 155,800	\$ 72,678	\$ 1,052,858
ACCUMULATED DEPLETION, DEPRECIATION				
Balance, December 31, 2013	\$ 400,038	\$ 81,986	\$ 69,753	\$ 551,777
Divestitures	-	-	(11,123)	(11,123)
Depletion, depreciation for the year	50,426	15,580	1,471	67,477
Foreign exchange	-	-	2,717	2,717
Balance, December 31, 2014	\$ 450,464	\$ 97,566	\$ 62,818	\$ 610,848
Foreign exchange	-	-	253	253
Depletion, depreciation and impairment for the year	176,254	15,580	2,332	194,166
Balance, December 31, 2015	\$ 626,718	\$ 113,146	\$ 65,403	\$ 805,267
CARRYING AMOUNT				
December 31, 2014	\$ 374,846	\$ 58,234	\$ 8,956	\$ 442,036
December 31, 2015	\$ 197,662	\$ 42,654	\$ 7,275	\$ 247,591

The Company tested its CGU for impairment at December 31, as impairment indicators were present. For the purpose of impairment testing, the recoverable amounts of the company's CGUs is the greater of its value in use and its fair value less costs to sell. Value in use is generally the future cash flows expected to be derived from production of proven and probable reserves estimated by the Company's third party reserve evaluators. During 2015, the Company used pre-tax discount rate of 15%.

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TENTH AVENUE PETROLEUM CORP. (formerly Jadela Oil Corp.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

In Canadian Dollars

The forward commodity price estimates used in the December 31, 2015 impairment tests are as follows.

	Canadian Light Sweet Crude (Cdn\$/bbl)	Gas AECO (Cdn\$/mmbtu)
2016	49.36	2.10
2017	57.37	2.62
2018	61.62	2.80
2019	66.85	2.98
2020	71.75	3.16
2021	75.18	3.24
2022	80.92	3.36
2023	86.65	3.54
2024	88.87	3.74
2025	90.64	3.83
2026	92.46	3.90
Remainder	+1.5%/yr	+1.5%/yr

At December 31, 2015, the decrease in forward commodity price estimates resulted in the carrying value of the CGU exceeding the recoverable amount and a \$125,000 impairment charge was recorded.

5. EXPLORATION AND EVALUATION ASSETS

The following table summarizes information about the Company's exploration and evaluation assets:

Cost	
Balance, December 31, 2013	\$ 148,743
Impairment loss	(78,462)
Sale of assets	(14,028)
Foreign exchange	12,976
Balance, December 31, 2014	\$ 69,229
Foreign exchange	13,177
Impairment	(82,406)
Balance, December 31, 2015	\$ -

E&E Assets consist of the Company's exploration and development projects which are pending the determination of proved and probable reserves and production. Additions represent costs incurred on E&E Assets during the period, predominantly land acquisition costs and drilling costs on the Company's first well in Texas.

The Company recognized a \$78,462 impairment on the carrying value of the U.S. Assets as of December 31, 2014 and \$82,406 as at December 31, 2015. The write down recognizes management estimate that there is no recoverable salvage value from the existing assets and management has relinquished the Mineral Leases in Texas on November 30, 2015.

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TENTH AVENUE PETROLEUM CORP. (formerly Jadela Oil Corp.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

In Canadian Dollars

6. ASSET RETIREMENT OBLIGATIONS

The Company estimates the total undiscounted cash flows to settle its asset retirement obligations are approximately \$334,016 (2014 - \$322,129). A credit-adjusted risk-free interest rate of 10.0% (2014 - 10%) and an estimated inflation rate of 2.0% (2014 - 1.5%) was used to calculate the present value of asset retirement obligations.

The following table reconciles the asset retirement obligations:

Asset Retirement Obligations	2015	2014
Balance, beginning of year	\$ 191,534	\$ 169,566
Change in estimate	(930)	-
Foreign exchange	11,887	4,556
Accretion expense	16,394	17,412
Balance, end of year	\$ 218,885	\$ 191,534

7. SHARE CAPITAL

Authorized:

Unlimited	Common voting shares with no par value
Unlimited	First Preferred shares, issuable in series, with rights and privileges to be determined at time of issue

Issued:

Common shares	Number of shares	Value
Balance, December 31, 2013	5,688,667	\$ 12,043,051
Private placements	1,204,000	361,200
Share issue costs	-	(30,600)
Allocated to warrants	-	(7,820)
Over issuance	20,000	-
Balance, December 31, 2014	6,912,667	\$ 12,365,831
Balance, December 31, 2015	6,912,667	\$ 12,365,831

In the private placement completed March 6, 2014, in error, a subscriber who subscribed for 20,000 common shares received 2 certificates of 10,000 common shares. The Company is taking steps post year end to have the over issuance cancelled.

The number of common shares were adjusted to take into account the five for one consolidation that occurred May 6, 2015.

8. STOCK OPTIONS

The Company has a stock option plan available to directors, officers, employees and consultants. The maximum number of common shares reserved for issuance pursuant to the plan cannot exceed 10 percent of the issued and outstanding common shares. Options vest on grant, are generally exercisable for five years from the date of grant and are exercisable at prices equal to or greater than the market value of the shares at the date of the grant less the maximum discount permitted by the stock exchange. At December 31, 2015, there were an additional 4,566 common shares that are still available to be reserved for the granting of stock options.

A summary of the status of the Company's stock option plan as at December 31, 2015 and December 31, 2014 and changes during the years ending on those dates is as follows:

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TENTH AVENUE PETROLEUM CORP. (formerly Jadela Oil Corp.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

In Canadian Dollars

	2015		2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	686,700	\$ 0.75	480,100	\$ 1.25
Granted	-	-	310,000	0.25
Forfeited / Expired	-	-	(103,400)	1.25
Outstanding, end of year	686,700	\$ 0.75	686,700	\$ 0.75
Exercisable, end of year	686,700	\$ 0.75	686,700	\$ 0.75

Outstanding and exercisable stock options as at December 31, 2015 have a weighted average remaining contractual life of 2.33 years (2014 – 3.33 years).

The fair value of the 310,000 options granted July 25, 2014 with an exercise price of \$0.25 expiring on July 25, 2019 was estimated on the date of grant at a fair value of \$0.25 per option using the Black-Scholes option pricing model with the following assumptions: weighted average risk-free interest rate of 1.2%, weighted average term of 5.0 years, expected volatility of 676% and a 0% expected dividend yield.

The number of options has been adjusted to take into account the five for one consolidation that occurred May 6, 2015.

9. WARRANTS

The following table summarizes information about the Company's common share purchase warrants:

	Number of Warrants	Stated Value
Balance, December 31, 2013	360,000	\$ -
Warrants issued	1,306,000	7,820
Balance, December 31, 2014	1,666,000	\$ 7,820
Balance, December 31, 2015	1,666,000	\$ 7,820

In 2014, a non-brokered private placement of 1,204,000 units at a price of \$0.30 were issued for a gross proceeds of \$361,200. Each unit was comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.45 per common share exercisable no later than the earlier of: (i) the date that is two years from the date of issuance of such warrant; or (ii) should the volume weighted average closing price of the common shares trade on the TSXV, exceed \$0.75 per common share for more than 10 consecutive trading days following the date that is four months and one day after the closing date. The Corporation may accelerate the warrant exercise period to a date which is 20 calendar days following the date of a press release issued by the Corporation announcing the reduced warrant exercise period.

In connection with the private placement, the Corporation issued finder's fee warrants equal to 10% of the funds raised to eligible finders who introduced subscribers to the private placement, and issued one finder's fee warrant for every 10 units issued to such subscribers. Each finder's fee warrant has the same terms as the warrants comprising the units. A total of 102,000 finder's fee warrants were issued.

The number of warrants has been adjusted to take into account the five for one consolidation that occurred May 6, 2015.

The accompanying notes are an integral part of these financial statements

TENTH AVENUE PETROLEUM CORP. (formerly Jadela Oil Corp.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

In Canadian Dollars

10. INCOME TAXES

The provision for income tax differs from the results that would be obtained by applying the combined Canadian Federal and Provincial tax rate of approximately 26.0% (2014 – 25.0%) to loss before taxes. The reasons for this difference are as follows:

	2015	2014
Expected income tax reduction	\$ (81,368)	\$ (111,450)
Difference resulting from:		
Impact of tax rate differences	12,389	(15,198)
Stock-based compensation expense	-	18,438
Change in unrecognized tax assets	68,979	108,210
Deferred income tax reduction	\$ -	\$ -

The following deferred tax assets have not been recognized in the consolidated financial statements because it is not probable that future taxable profits will be available against which they can be utilized.

	December 31, 2015	December 31, 2014
Temporary differences related to property and equipment and asset retirement obligations	\$ 1,960,838	\$ 1,627,918
Non-capital loss carryforwards	19,679,316	17,045,465
Share issue costs	18,360	323,129
Total	\$ 21,658,814	\$ 18,996,512

Canadian and U.S. non-capital loss carryforwards of approximately \$19.7 million expire between 2016 and 2035.

11. RELATED PARTY TRANSACTIONS

El Indio Investments Corp. (formerly Batoche Resources Limited), a company owned by an officer and director of the Company, earned a 22.5% working interest in 660 acres upon the drilling of El Indio #1H well in Texas where the Company paid 100% of capital costs of the well.

The Company has determined that the key management personnel of the Company consists of its officers and directors. The following table provides information on compensation expense related to officers and directors.

	2015	2014
Wages, consulting fees and benefits	\$ 95,634	\$ 165,553
Share based compensation expense	-	73,751
	<u>\$ 95,634</u>	<u>\$ 239,304</u>

The sum of \$50,450 was charged by Gregory J. Leia Professional Corporation (operating as Wolff Leia, Barristers and Solicitors) a corporation owned by Gregory J. Leia (CEO, director) (\$123,850 - 2014).

The accompanying notes are an integral part of these financial statements

TENTH AVENUE PETROLEUM CORP. (formerly Jadela Oil Corp.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

In Canadian Dollars

12. PER SHARE AMOUNTS

Basic loss per share has been calculated using the weighted average number of common shares outstanding during the year of 6,912,667 (2014 - 6,705,867). As the Company was in a loss position, there was no change in the numerator or denominator in calculating diluted loss per share. The effect of all stock options and warrants has been excluded from the calculation as they are anti-dilutive.

13. FINANCIAL INSTRUMENTS

The Company's Board of Directors and management have overall responsibility for the establishment of risk management strategies and objectives. The Company's policies are established to identify the risks faced by the Company, to set appropriate risk limits, and to monitor adherence to risk limits.

Fair value - The fair value of cash and cash equivalents, accounts receivable, deposits, restricted cash held in trust, and accounts payable and accrued liabilities approximate their carrying values due to their short term to maturity or because they bear interest at market rates.

Credit risk - A portion of the Company's accounts receivable are with joint venture partners in the petroleum and natural gas industry and is subject to normal credit terms. The Company generally extends unsecured credit to these customers and, therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. The carrying value of accounts receivable reflects management's assessment of the associated credit risk. The Company is also exposed to credit risk on certain deposits to the extent that the Company may not be refunded these amounts. The Company does not anticipate any default or non-performance by its oil and gas sales customers. As such a provision for doubtful accounts has not been recorded at December 31, 2015 and 2014, except as noted below:

The Company has included \$56,518 as uncollectable in 2015 (2014 - \$39,903).

Liquidity risk - The Company approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its obligations when due, under normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. The Company has to date required funds from private placements to finance capital expenditures and operations (see notes 1 and 2).

Commodity price risk - The Company is exposed to oil and gas commodity price risk and has not entered any financial derivatives to manage this risk.

Interest rate risk - the Company's exposure to interest rate risk is low.

Foreign exchange risk - The Company is exposed to foreign currency risk on its United States operations. The Company has not entered into any foreign exchange derivative contracts to mitigate its currency risks as at December 31, 2015 or 2014.

14. CAPITAL DISCLOSURES

The Company's objective when managing capital is to maintain the confidence of shareholders and investors in the implementation of its business plans by maintaining sufficient levels of liquidity to fund and support its exploration and development as well as other corporate activities. The Company's capital historically has been derived from the issuance of equity or debentures. Management monitors its financial position on an ongoing basis. Equity or debentures are issued to finance drilling programs and the Company's operations (see notes 1 and 2).

15. DISCONTINUED OPERATIONS

On November 30, 2015, the Company's mineral lease agreements in Texas, USA expired and the Company discontinued operations in the United States. Prior to the discontinued operations, Tenth Avenue had two reportable segments consisting of Canada and the United States. Results from the Company's discontinued operations in the United States are summarized as follows

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TENTH AVENUE PETROLEUM CORP. (formerly Jadela Oil Corp.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

In Canadian Dollars

	December 31, 2015	December 31, 2014
Royalties	\$ -	\$ (1,389)
Other income	-	21,264
Production and transportation	(12,215)	(37,291)
General and administrative	(10,739)	(75,868)
Cash used by discontinued operations	(22,954)	(93,284)
Depletion, depreciation and Impairment	(82,532)	(76,812)
Allowance for bad debts	(56,518)	-
Accretion	(3,628)	(5,677)
Operating loss from discontinued operations	(165,632)	(170,096)
Foreign currency translation adjustment	134,519	-
Loss from discontinued operations	\$ (31,113)	\$ (175,773)

As a result of the US operation being classified as discontinued operations as at December 31, 2015, \$134,519 of foreign currency translation previously included in accumulated other comprehensive income, corresponding to the US operations being discontinued were reclassified in the current year and included in loss from discontinued operations in the statement of loss and comprehensive loss.

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