



Condensed Interim Financial Statements

For the three month period ended March 31, 2018

Unaudited

March 31, 2018

Interim Statements of Financial Position

(Unaudited)

<i>(Cdn\$)</i>	March 31, 2018	December 31, 2017
Assets		
Cash & cash equivalents	\$ 554,091	\$ 822,010
Accounts receivable	1,444,382	1,991,332
Prepaid expenses and deposits	75,265	132,923
Total current assets	2,073,738	2,946,265
Due from shareholder <i>(Note 14)</i>	270,806	268,525
Property, plant and equipment <i>(Note 5)</i>	58,064,147	57,720,471
Total assets	\$ 60,408,691	\$ 60,935,261
Liabilities		
Accounts payable and accrued liabilities	\$ 2,617,495	\$ 2,319,729
Risk management contracts <i>(Note 4)</i>	2,422,904	887,852
Bank debt <i>(Note 6)</i>	3,412,940	3,051,501
Total current liabilities	8,453,339	6,259,082
Risk management contracts <i>(Note 4)</i>	765,652	634,994
Asset retirement obligations <i>(Note 9)</i>	11,610,687	11,506,151
Total non-current liabilities	12,376,339	12,141,145
Total liabilities	20,829,678	18,400,227
Equity		
Share capital <i>(Note 10)</i>	53,189,854	53,189,854
Contributed surplus <i>(Note 10)</i>	6,713,386	6,153,693
Deficit	(20,324,227)	(16,808,513)
Total equity	39,579,013	42,535,034
Total liabilities and equity	\$ 60,408,691	\$ 60,935,261

Commitments and contingencies *(Note 13)*

See accompanying notes to the unaudited interim financial statements

Interim Statements of Loss and Comprehensive loss

(Unaudited)

(Cdn\$)	Three months ended March 31,	
	(Unaudited)	
	2018	2017
Petroleum and natural gas sales	\$ 3,765,179	\$ 4,997,180
Royalties	(727,732)	(918,055)
Revenue, net of royalties	3,037,447	4,079,125
Saskatchewan resource tax	(56,074)	(80,851)
Realized gain/(loss) on risk management contracts (Note 4)	(47,477)	(211,956)
Revenue, net of royalties and realized hedging gain/(loss)	2,933,896	3,786,318
Operating expenses	2,208,900	3,614,229
Transportation expenses	219,481	246,645
General and administrative expenses	613,432	697,226
Share-based compensation (Note 10)	471,737	481,765
Depletion and depreciation	1,177,555	1,290,259
Unrealized (gain)/loss on risk management contracts (Note 4)	1,665,710	(2,858,532)
Total expenses	6,356,815	3,471,592
Earnings / (loss) from operating activities	(3,422,919)	314,726
Finance charges (Note 8)	92,795	57,299
Earnings / (loss) before income taxes	(3,515,714)	257,427
Current income tax expense	-	4,513
Total Income tax recovery	-	4,513
Net earnings/(loss) and comprehensive earnings/(loss)	(3,515,714)	\$ 252,914
Net earnings/(loss) per share (Note 10)		
Basic & diluted	(\$0.08)	\$0.01

See accompanying notes to the unaudited interim financial statements

Statements of Cash Flows

(Unaudited)

(Cdn\$)	Three months ended March 31,	
	(Unaudited)	
	2018	2017
Cash provided by (used in)		
Operating activities		
Net earnings / (loss) for the period	\$ (3,515,714)	\$ 252,914
Add (deduct) items not affecting cash:		
Depletion and depreciation expense	1,177,555	1,290,259
Accretion of asset retirement obligations (Note 9)	64,127	54,967
Deferred income tax recovery	-	-
Share-based compensation (Note 10)	471,737	481,765
Change in fair value of financial instruments (Note 4)	1,665,710	(2,858,532)
	(136,585)	(778,627)
Change in non-cash working capital (Note 11)	1,010,869	(441,105)
Cash flow from (used in) operating activities	874,284	(1,219,732)
Financing activities		
Increase / (decrease) in bank debt	361,439	650,000
Cash flow from financing activities	361,439	650,000
Investing activities		
Development of oil and gas properties	(1,392,866)	(4,472,040)
Change in non-cash working capital (Note 11)	(110,776)	2,979,680
Cash used in investing activities	(1,503,642)	(1,492,360)
Net change in cash during the period	(267,919)	(2,062,092)
Cash, beginning of the period	822,010	2,399,085
Cash, end of the period	\$ 554,091	\$ 336,993
Supplementary disclosure		
Cash interest paid	\$ 28,668	\$ 4,612
Cash taxes paid	\$ -	\$ 4,513

See accompanying notes to the unaudited interim financial statements

Statement of Changes in Shareholders' Equity

(Unaudited)

<i>(Cdn\$)</i>	Share Capital <i>(Note 13)</i>	Contributed Surplus	Retained Earnings / (deficit)	Total Equity
Balance at December 31, 2016	\$ 50,689,854	\$ 3,851,531	\$ (14,446,091)	\$ 40,095,294
Net loss			(2,362,422)	(2,362,422)
Shares issued for cash	2,500,000			2,500,000
Share-based compensation – stock options		2,302,162		2,302,162
Balance at December 31, 2017	\$ 53,189,854	\$ 6,153,693	\$ (16,808,513)	\$ 42,535,034
Net loss			(3,515,714)	(3,515,714)
Share-based compensation – stock options		559,693		559,693
Balance at March 31, 2018	\$ 53,189,854	\$ 6,713,386	\$ (20,324,227)	\$ 39,579,013

See accompanying notes to the unaudited interim financial statements

Notes to the Interim Financial Statements

For the three-month period ended March 31, 2018 (unaudited)

1. Corporate information:

Kaisen Energy Corp. (the “Company” or “Kaisen”) is a Calgary based energy company primarily focused on heavy oil development and production in Saskatchewan. The Company was incorporated in Canada on November 6, 2012. The Company’s principal place of business is located at 400, 522 – 11th Avenue S.W. Calgary, Alberta, Canada, T2R 0C8.

2. Basis of presentation

(a) Statement of compliance

These unaudited condensed interim financial statements (the “financial statements”) for the three month period ended March 31, 2018 (the “Quarter”) have been prepared in accordance with International Accounting Standards (“IAS”) 34 Interim Financial Reporting using accounting policies aligned with International Financial Reporting Standards (“IFRS”). The financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the audited financial statements as at and for the year ended December 31, 2017, which have been prepared in accordance with IFRS.

These financial statements were authorized for issue by the Board of Directors on June 5, 2018. All three month periods presented in these financial statements are unaudited.

3. Significant Accounting Policies

Adopted and Future Accounting Policy Changes

- a) In April 2016, the IASB issued its final amendments to IFRS 15 Revenue from Contracts with Customers which replaces IAS 18 Revenue and IAS 11 Construction Contracts. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The standard is required to be adopted either retrospectively or using the modified transition approach for fiscal years beginning on or after January 1, 2018, with early adoption permitted. The Company primarily enters into non-complex and routine revenue contracts with customers that require daily physical delivery of produced volumes priced at the current daily or monthly average spot price. Performance obligations are met upon delivery of the volumes at the processing facility and the transaction price is established based on the date of delivery. Kaisen will retrospectively adopt IFRS 15 on January 1, 2018. The Company has completed reviewing its various revenue streams and underlying contracts with customers. It has been concluded that the adoption of IFRS 15 will not have a material impact on the Company’s net income and financial position. Kaisen will expand the disclosures in the notes to its financial statements as prescribed by IFRS 15, including disclosing the Company’s disaggregated revenue streams by product type.
- b) In July 2014, the IASB completed the final elements of IFRS 9 Financial Instruments. The standard supersedes earlier versions of IFRS 9 and completes the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the requirements of IAS 39; however, where the fair value option is applied to financial liabilities, any change in fair value resulting from an entity’s own credit risk is recorded in Other Comprehensive Income rather than the statement of income. Kaisen has determined that the adoption of IFRS 9 will not have a material impact on the measurement and carrying values of the Company’s financial assets or liabilities.
- c) In addition, IFRS 9 introduces a new expected credit loss model for calculating impairment of financial assets, replacing the incurred loss impairment model required by IAS 39. Kaisen has determined that the new impairment model will not result in material changes to the valuation of its financial assets on adoption of IFRS 9. IFRS 9 also contains a new model to be applied for hedge accounting. The Company does not currently apply hedge accounting to its risk management contracts and does not currently intend to apply hedge accounting to any of its existing risk management contracts on adoption of IFRS 9. The standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 9, as well as consequential amendments to IFRS.
- d) In January 2016 the IASB issued IFRS 16 Leases which requires lessees to recognize assets and liabilities for most leases. This standard replaces IAS 17 Leases and will be effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 Revenue from Contracts with Customers is also adopted. Under IFRS 16, lessees are required to recognize a lease liability reflecting future lease payments and a “right-to-use asset” for essentially all lease contracts. The Company is currently evaluating the effect of this standard.

4. Risk Management Contracts

The following is a summary of realized and unrealized losses for the three month periods ended March 31, 2018 and 2017:

	Three months ended March 31, 2018	Three months ended March 31, 2017
Realized (loss) on risk management contracts	(47,477)	(211,956)
Unrealized gain/(loss) on risk management contracts	(1,665,710)	2,858,532
Total gain / (loss) on risk management contracts	(1,713,187)	2,646,576

For the Quarter, the Company recorded a realized loss of \$47,477 (\$211,956 loss in the same period in the prior year) on risk management contracts. As at March 31, 2018, the fair value associated with Kaisen's risk management contracts was a net liability of \$3,188,556 (\$1,522,846 net liability at December 31, 2017), of which \$2,422,904 is reported as a current liability reflecting contracts which will settle through to March 31, 2019, and \$765,652 reported as a long-term liability for contracts that will settle after March 31 2019. The change in fair value during the Quarter produced an unrealized loss of \$1,665,710 (\$2,858,532 gain in same quarter in the prior year).

The following is a summary of all risk management contracts in place as at March 31, 2018:

Type	Period	Volume	Price/unit ⁽¹⁾	Index
Swap	January 1, 2018 – December 31, 2018	200 bbl/d	CAD \$67.20	WTI-NYMEX
Swap	January 1, 2018 – June 30, 2018	100 bbl/d	CAD \$68.50	WTI-NYMEX
Swap	January 1, 2018 – June 30, 2018	200 bbl/d	CAD \$60.00	WTI-NYMEX
Fixed WTI Swap	Feb 1, 2018 – June 30, 2018	150 bbl/d	CAD \$78.15	WTI-NYMEX
Fixed WTI Swap	July 1, 2018 – Dec 31, 2018	200 bbl/d	CAD \$75.50	WTI-NYMEX
Swap	July 1, 2018 – December 31, 2018	200 bbl/d	CAD \$63.65	WTI-NYMEX
Call option ⁽²⁾	January 1, 2019 – December 31, 2019	400 bbl/d	USD \$60.00	WTI-NYMEX
Fixed WCS Basis Swap	January 1, 2018 – March 31, 2018	500 bbl/d	CAD -\$16.50	WCS-Net Energy

(1) Based on the weighted average price/bbl for the duration of the contract

(2) The Call Option contract provides ATB with an option (at only their election) to exercise the contract terms (on a month to month basis) throughout the term of the contract.

5. Property, plant and equipment

Cost	Oil and Gas Assets	Corporate Assets	Total Assets
Balance, December 31, 2016	\$ 67,678,798	181,003	67,859,801
Development expenditures	7,929,179	14,851	7,944,030
Additions to asset retirement obligations	1,306,427	-	1,306,427
Capitalized general and administrative costs	390,000	-	390,000
Capitalized stock based compensation	364,933	-	364,933
Balance, December 31, 2017	77,669,337	195,854	77,865,191
Development expenditures	1,295,103	263	1,295,366
Additions to asset retirement obligations	40,410	-	40,410
Capitalized general and administrative costs	97,500	-	97,500
Capitalized stock based compensation	87,956	-	87,956
Balance, March 31, 2018	79,190,306	196,117	79,386,423
Accumulated depletion and depreciation			
Balance, December 31, 2017	(20,038,676)	(106,044)	(20,144,720)
Depletion and depreciation	(1,170,170)	(7,385)	(1,177,555)
Balance, March 31, 2018	(21,208,846)	(113,429)	(21,322,275)
Net book value			
Balance, December 31, 2017	\$ 57,630,661	\$ 89,810	\$ 57,720,471
Balance, March 31, 2018	\$ 57,981,460	\$ 82,688	\$ 58,064,148

During the Quarter, the Company capitalized general and administrative expenses and share based compensation expenses, relating to development activities, of \$97,500 and \$87,956, respectively (\$97,500 and \$90,781 respectively, in the same quarter of 2017). Future development costs associated with proved and probable undeveloped reserves of \$98,069,400 (\$77,319,700 in the same quarter of 2017) are included in the depletion calculation, net of salvage values of \$2,580,000 for the Quarter (\$2,524,000 in the same quarter of 2017). No other costs have been included or excluded from property plant and equipment in the determination of depletion and depreciation expense. As at March 31, 2018, there were no indicators of impairment of the Company's property, plant and equipment.

6. Bank Debt

The revolving operating facility limit is \$4,000,000 and is payable in full on demand by the lender, and the lender may terminate the availability thereof (including any undrawn portion) at any time without notice, therefore the loan facility would be classified by the Company as a current liability on the statement of financial position. Prime-based loans are available through the operating facility at prime plus 1.25% per annum. A demand debenture on all the assets of the Company has been provided as collateral for the facility.

The operating facility is subject to a financial covenant wherein the working capital ratio at no time shall fall below 1.00:1.00 where working capital is defined under the lending agreement to include current assets plus any undrawn availability under the operating facility, less current liabilities less any amount currently drawn under the facility (if applicable). As at March 31, 2018, the working capital ratio was compliant with its lenders covenant limit at 1.02:1.

7. Capital Management

The Company's policy is to maintain a strong capital base in order to provide flexibility in the future development of the business and to maintain the confidence of investors and lenders.

The Company periodically reviews certain quantitative measures of its capital structure in order to understand its position relative to industry peers. The Company does not set certain limits or ranges with respect to these quantitative measures. The Company is not subject to any external restrictions on its capital structure with exception to the single covenant in place with the Company's lender (refer to note 6). There have been no material changes in the Company's approach to capital management during the three months ended March 31, 2018.

Kaisen has a secured operating credit facility with a Canadian bank. Management closely monitors debt leverage against internally imposed borrowing limits to ensure the Company maintains financial flexibility and balance sheet strength sufficient to manage unforeseen events and/or opportunities as they arise.

On January 15, 2018, the Company's borrowing base was reduced from \$5.5 million to \$4.0 million. As at March 31, 2018, the Company had bank debt of \$3,412,940 (\$3,051,501 in the prior year) and total net debt (including a net working capital deficit) of \$3,956,697.

Subsequent to the Quarter end, the Company closed a convertible debenture rights offering to all existing shareholders for total gross proceeds of \$7,500,000, refer to Note 15 – Subsequent Events. Based on currently forecasted commodity prices through 2018, Kaisen's current capital resources (cash on hand, equity proceeds and available borrowing capacity) are sufficient to fund ongoing corporate obligations through 2018. However, if the current economic circumstances affecting our business are to materially change, Kaisen maintains optionality to adjust its capital structure through such means as the issuance of new equity, and/or the issuance of new debt instruments in various forms tailored to the Company's specific needs, and/or by making adjustments to its operations and/or capital expenditure programs to the extent that capital expenditures are not committed.

8. Finance Charges

	Three months ended March 31,	
	2018	2017
Interest and financing charges on bank debt	\$ 28,668	\$ 2,332
Accretion of asset retirement obligations	64,127	54,967
Finance charges	\$ 92,795	\$ 57,299

9. Asset Retirement Obligations

The total future asset retirement obligations were estimated by management based on the expected cost to abandon and restore its net ownership interest in well sites and facilities and the estimated timing of the costs to be incurred in future periods. Asset retirement obligations acquired as part of an acquisition are initially measured at fair value using a credit-adjusted risk-free rate. The Company has estimated that the total undiscounted amount of cash flows required to settle its asset retirement obligations at March 31, 2018 was \$13.8 million which will be incurred over the next 10-15 years with the majority of costs incurred between 2019 and 2025. A rate of 2.0% has been used to inflate the estimated future costs to abandon the wells. A reconciliation of the changes to the asset retirement obligations during the periods were as follows:

	Three months ended March 31, 2018	Year ended December 31, 2017
Balance, beginning of period	\$ 11,506,151	\$ 9,862,302
Liabilities incurred	40,409	296,726
Accretion	64,127	224,786
Change in estimate	-	1,186,210
Abandonment expenditures incurred	-	(63,873)
Balance, end of period	\$ 11,610,687	\$ 11,506,151

10. Share Capital

(a) Authorized

The Company is authorized to issue an unlimited number of voting common shares, and;

The Company is authorized to issue an unlimited number of special voting shares

(b) Common shares, issued and outstanding

	Three months ended March 31, 2018		Year ended December 31, 2017	
	Shares	Amount	Shares	Amount
Balance, beginning of period	45,420,029	\$ 53,189,854	43,420,029	\$ 50,689,854
Issued for cash ^(a)	-	-	2,000,000	\$ 2,500,000
Balance, end of period	45,420,029	\$ 53,189,854	45,420,029	\$ 53,189,854

- a) On July 11, 2017, the Azimuth Capital Management converted 2,000,000 Special Voting Shares into Common Shares for net proceeds to the Company of \$2,500,000 (nil share issuance costs). Subsequent to the conversion, Azimuth holds 6.0 million Special Voting Shares representing a remaining \$7.5 million of equity available to Kaisen to fund future growth opportunities.

On July 12, 2016, the Company closed a private placement equity offering to Azimuth Capital Management for an aggregate of 20,000,000 Common Shares for total gross proceeds of \$20,000,000 (\$19,263,501 net of share issuance costs.)

On November 12, 2015, the Company closed a private placement equity offering to Azimuth Capital Management for an aggregate of 8,000,000 Common Shares, 8,000,000 put and call obligations ("Put and Call Obligations") and 8,000,000 special voting shares ("Special Voting Shares"), for total gross proceeds of \$10,000,000 (\$9,087,659 net of share issuance costs.)

- i. each Put and Call Obligation sets forth the rights of the Company to cause the holder ("Azimuth") thereof to subscribe for, or the right of the holder thereof to cause the Company to issue and sell, one Common Share at an issue price of \$1.25 per share pursuant to the terms of the put and call obligation agreement on or prior to the expiry time set forth therein;
- ii. each Special Voting Share entitles Azimuth to notice of and to attend and vote at all meetings of shareholders of the Company but not providing any rights in respect of liquidation, dissolution or winding up or any entitlement to dividends; and
- iii. For every Common Share of the Company issued in accordance with the terms of the Put and Call Obligations, an equal number of Special Voting Shares will be cancelled.

Share Based Compensation

(a) Stock Option Plan

The following table summarizes Kaisen's stock option plan and activity during the following periods.

	Three months ended March 31, 2018		Year ended December 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning and end of period	1,448,000	\$1.46	1,448,000	\$1.46

Exercise price (\$/share)	Outstanding stock options			Exercisable stock options	
	Number of options outstanding	Weighted average remaining contractual life	Weighted average exercise price (\$/share)	Number of options exercisable	Weighted average exercise price (\$/share)
\$1.00	893,000	0.3	\$1.00	893,000	\$1.00
\$2.00	85,000	0.4	\$2.00	85,000	\$2.00
\$2.25	470,000	1.4	\$2.25	470,000	\$2.25
	1,448,000	0.7	\$1.46	1,448,000	\$1.46

(b) Performance Warrants

The following table summarizes Kaisen's performance warrants plan and activity during the following periods.

	Three months ended March 31, 2018		Year ended December 31, 2017	
	Number of warrants	Weighted Average Exercise Price	Number of warrants	Weighted Average Exercise Price
Balance, beginning of period	10,780,999	\$1.78	10,780,999	\$1.78
Balance, end of period	10,780,999	\$1.78	10,780,999	\$1.78

On July 12, 2016 and concurrent with the private equity issuance of common shares to Azimuth Capital Management, the Company granted 5,000,000 performance warrants to employees, directors and contractors serving in the capacity of employees of the Company. On November 12, 2015 and in connection with the Company's initial private equity offering to Azimuth Capital Management, the Company granted 4,000,000 performance warrants to employees, directors and contractors serving in the capacity of employees of the Company. These performance warrants vest upon a qualifying liquidity event, expire in 5 years and have exercise prices as follows:

Performance warrants granted	#	Exercise price	Grant Date
Series 1	1,000,000	\$1.50	November 12, 2015
Series 2	1,000,000	\$1.75	November 12, 2015
Series 3	2,780,999	\$2.00	November 12, 2015
Series 4	1,000,000	\$2.25	November 12, 2015
Series 5	1,250,000	\$1.25	July 12, 2016
Series 6	1,250,000	\$1.50	July 12, 2016
Series 7	1,250,000	\$1.75	July 12, 2016
Series 8	1,250,000	\$2.00	July 12, 2016
Total	10,780,999	\$1.74	

Concurrent with the November 12, 2015 grant of performance warrants, the Company approved the cancellation of the then outstanding 1,780,999 performance warrants and re-issued the same number of performance warrants under the new performance warrants plan, retaining the same exercise price (\$2.00) with revised vesting and expiry terms consistent with the terms of the new performance warrants granted. The cancellation of these warrants and the re-granting of the same number of performance warrants under revised terms, was accounted for as a modification of incentive units in accordance with IFRS 2. The incremental expense attributed to the modified performance warrants is being amortized to share based compensation expense over the expiry period of the new performance warrants granted.

Exercise price (\$/share)	Outstanding performance warrants			Exercisable performance warrants	
	Number of perf. warrants outstanding	Weighted average remaining contractual life	Weighted average exercise price (\$/share)	Number of perf. warrants exercisable	Weighted average exercise price (\$/share)
\$1.25	1,250,000	3.3	\$1.25		
\$1.50	2,250,000	3.0	\$1.50	-	-
\$1.75	2,250,000	3.0	\$1.75	-	-
\$2.00	4,030,999	2.8	\$2.00	-	-
\$2.25	1,000,000	2.6	\$2.25	-	-
	10,780,999	2.9	\$1.78	-	-

Per share information

The following table summarizes the weighted average shares used in calculating net earnings per share:

	Three months ended March 31,	
	2018	2017
Basic	45,420,029	43,420,029
Diluted	45,420,029	43,420,029

For the purpose of calculation earnings per diluted share for the three month periods ended March 31, 2018 and 2017, the Company reported a net loss for both periods therefore none of the outstanding options and performance warrants were included as these instruments were anti-dilutive.

Contributed Surplus

	Three months ended March 31, 2018	Year ended December 31, 2017
Balance, beginning of period	\$ 6,153,693	\$ 3,851,531
Share based compensation	559,693	2,302,162
Balance, end of period	\$ 6,713,386	\$ 6,153,693

Share based compensation recorded to contributed surplus differs from Share based compensation expense due to the inclusion of capitalized share based compensation for the Quarter of \$87,956 (\$90,781 in the same quarter of 2017).

11. Change in Non-Cash Working Capital

The net change in working capital is comprised of:

	Three months end March 31, 2018		2017
Non-cash working capital			
Accounts receivable	\$ 544,669	\$	(742,860)
Prepaid expenses and deposits	57,658		227,789
Accounts payable and accrued liabilities	297,766		3,053,646
Change in non-cash working capital	\$ 900,093	\$	2,538,575
Related to operating activities	\$ 1,010,869	\$	(441,105)
Related to investing activities	\$ (110,776)	\$	2,979,680

12. Major Customers

The majority of credit exposure on accounts receivable at March 31, 2018 pertains to accrued revenue for March 2018 production volumes in addition to amounts receivable from joint operating partners. Kaisen typically sells its heavy oil production to four separate oil and natural gas marketing companies. These marketing companies remit amounts to Kaisen typically on or about the 25th day of the month following the production month. All accrued revenues at March 31, 2018 were received in April 2018. For joint operating partners, Kaisen bills these partners typically 2 months after the month of activity with receipt 30 days thereafter. Kaisen did not have any other counterparties from which it had outstanding accounts receivable greater than 10 per of the total outstanding balance at March 31, 2018. The Company is confident in the collectability of its' receivables and therefore has not recorded an allowance for doubtful accounts.

13. Commitments and Contingencies

Following is a summary of Kaisen's contractual obligations and commitments as at March 31, 2018:

(\$ thousands)	Total	2018	2019	2020	2021	2022
Office leases	308	143	135	30	-	-

14. Related Party Transactions

The corporate secretary (and small shareholder) of the Company is a partner of the Company's legal counsel, Burnet, Duckworth & Palmer LLP ("BDP"). No legal expenses were invoiced from BDP during the Quarter.

On December 23, 2015, the Company provided a loan in the amount of \$250,000 to a shareholder on competitive commercial interest bearing terms with a maturity period of 5 years. Accrued interest is payable on the maturity date. The loan has been recorded as a long-term receivable on the statement of financial position. Subsequent to the Quarter end, a principal payment of \$116,114 was repaid by the shareholder.

15. Subsequent events

Subsequent to the Quarter end, the Company closed a convertible debenture rights offering to all existing shareholders for total gross proceeds of \$7,500,000. To further streamline operations and reduce corporate overhead costs, strategic restructuring initiatives were implemented in May including the departure of the President & CEO (including his resignation from the board of directors), the Senior Vice-President & CFO, and a Senior Exploitation Engineer. John Zahary has been brought on as Managing Director of the Company and appointed to the Board of Directors.

Corporate Information

Directors

Evan Hazell, P.Eng., MBA
Calgary, Alberta
Chairman

Ed Chwyl
Victoria, British Columbia

Chris Hooper, CFA
Calgary, Alberta

Lowell E. Jackson, P.Eng.
Calgary, Alberta

Dave Pearce, P.Eng.
Calgary, Alberta

Richard Ramsay, P.Eng.
Calgary, Alberta

John Zahary, P.Eng., MPhil
Calgary, Alberta

Officers

John Zahary
Managing Director

Chris McGinnis, P.Eng., MBA
Vice President, Operations & Engineering

Andy Kramchynski, P.Geol
Vice President, Geology

James Kidd, LL.B
Corporate Secretary

Auditors

Ernst & Young LLP

Evaluation Engineers

Sproule Petroleum Consultants

Bankers

ATB Financial

Legal Counsel

Burnet, Duckworth and Palmer LLP

Corporate Office

400, 522 – 11th Avenue SW
Calgary, Alberta T2R 0C8
Phone: (587) 350-5760
Fax: (587) 350-5770

Website: www.KaisenEnergy.com

Contact: Rachele Bien-Barnard
Email: rbarnard@kaisenenergy.com