



(formerly Benton Capital Corp.)  
(An Exploration Stage Enterprise)

**Condensed Consolidated Interim Financial Statements  
For the Six Months Ended December 31, 2016**

(Stated in Canadian Dollars)

**Responsibility for Financial Statements**

The accompanying consolidated financial statements for Alset Energy Corp. (formerly Benton Capital Corp.) have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) consistently applied. Only changes in accounting policies have been disclosed in these unaudited condensed consolidated interim financial statements. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the period ended December 31, 2016.

**Alset Energy Corp. (formerly Benton Capital Corp.)**  
**Condensed Consolidated Interim Statements of Financial Position (Unaudited)**  
**As at December 31, 2016**  
**(Expressed in Canadian Dollars)**

	December 31 2016	June 30 2016
<b>ASSETS</b>		
Current		
Cash	\$ 529,120	\$ 205,717
Temporary investments (Note 3)	-	692,417
Accounts and other receivables	36,085	24,480
Prepaid expenses	22,654	3,452
	587,859	926,066
Exploration and evaluation assets (Note 4)	655,650	158,284
	\$ 1,243,509	\$ 1,084,350
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 80,549	\$ 152,634
<b>Deferred income tax liability</b>	3,604	-
	84,153	152,634
<b>Shareholders' equity</b>		
Share capital (Note 5)	2,807,046	2,229,308
Reserves	7,730,091	7,417,539
Currency translation adjustment	(4,745)	-
Deficit	(9,373,036)	(8,715,131)
	1,159,356	931,716
	\$ 1,243,509	\$ 1,084,350

Nature of operations and going concern (Note 1)  
 Commitments (Notes 4 and 11)  
 Subsequent event (Note 13)

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on February 27, 2017. They are signed on the Company's behalf by:

"Allan Laboucan"  
 Allan Laboucan, Director

"Bill Harper"  
 Bill Harper, Director

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

**Alset Energy Corp. (formerly Benton Capital Corp.)**  
**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (Unaudited)**  
**For the Periods Ended December 31, 2016 and December 31, 2015**  
**(Expressed in Canadian Dollars)**

	Three Months Ended December 31		Six Months Ended December 31	
	2016	2015	2016	2015
<b>EXPENSES</b>				
<b>General and administration</b>				
Advertising and promotion	\$ 32,074	\$ 823	\$ 129,766	\$ 2,815
Consulting fees	22,098	12,000	139,624	24,520
General and administrative	7,551	7,207	23,226	10,346
Professional fees	(31,720)	9,480	44,151	16,485
Share-based payments (Note 7)	171,863	-	306,004	2,857
Stock exchange and filing fees	5,969	(3,717)	9,239	(1,050)
<b>Exploration</b>				
Property evaluation expenses	-	-	8,090	-
<b>LOSS BEFORE OTHER ITEMS</b>	<b>207,835</b>	<b>25,793</b>	<b>660,100</b>	<b>55,973</b>
Interest income	(1,057)	(2,646)	(2,195)	(5,788)
Foreign exchange loss (gain)	6,954	-	-	-
Write off of exploration and evaluation assets	-	35,000	-	35,000
<b>LOSS</b>	<b>213,732</b>	<b>58,147</b>	<b>657,905</b>	<b>85,185</b>
Currency translation adjustment	(7,910)	-	4,745	-
<b>LOSS AND COMPREHENSIVE</b>				
<b>LOSS FOR THE PERIOD</b>	<b>\$ (205,822)</b>	<b>\$ (58,147)</b>	<b>\$ (662,650)</b>	<b>\$ (85,185)</b>
<b>BASIC AND DILUTED LOSS</b>				
<b>PER COMMON SHARE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0.02)</b>	<b>\$ -</b>
Weighted average number of				
common shares outstanding	42,916,397	38,136,764	41,026,583	38,136,764

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

**Alset Energy Corp. (formerly Benton Capital Corp.)**  
**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Unaudited)**  
**For The Six Months Ended December 31 2012 and December 31, 2015**

	Common Shares		Deficit	Reserves	Foreign Currency Translation	Total Shareholders' Equity
	Number of Shares	Amount				
Balance, June 30, 2015	38,136,764	\$ 2,099,308	\$ (8,300,702)	\$ 7,307,904	\$ -	\$ 1,106,510
Loss for the period	-	-	(27,038)	-	-	(27,038)
Share-based payments	-	-	-	2,857	-	2,857
Balance, September 30, 2015	38,136,764	2,099,308	(8,327,740)	7,310,761	-	1,082,329
Loss for the period	-	-	(58,147)	-	-	(58,147)
Balance, December 31, 2015	38,136,764	\$ 2,099,308	\$ (8,385,887)	\$ 7,310,761	\$ -	\$ 1,024,182
Balance, June 30, 2016	39,136,764	\$ 2,229,308	\$ (8,715,131)	\$ 7,417,539	\$ -	\$ 931,716
Loss and comprehensive loss for the period	-	-	(444,173)	-	(12,655)	(456,828)
Share-based payments	-	-	-	134,141	-	134,141
Balance, September 30, 2016	39,136,764	2,229,308	(9,159,304)	7,551,680	(12,655)	609,029
Loss and comprehensive loss for the period	-	-	(213,732)	-	7,910	(205,822)
Private placement	4,256,400	425,640	-	-	-	425,640
Flow-through shares	288,334	34,600	-	-	-	34,600
Allocation of value to flow-through premium	-	(3,604)	-	-	-	(3,604)
Fair value of broker warrants issued	-	(6,548)	-	6,548	-	-
Share issue costs	-	(25,579)	-	-	-	(25,579)
Shares for debt (Note 5(a))	1,178,680	153,229	-	-	-	153,229
Share-based payments	-	-	-	171,863	-	171,863
Balance, December 31, 2016	44,860,178	\$ 2,807,046	\$ (9,373,036)	\$ 7,730,091	\$ (4,745)	\$ 1,159,356

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

**Alset Energy Corp. (formerly Benton Capital Corp.)**  
**Condensed Consolidated Interim Statements of Cash Flows (Unaudited)**  
**For The Six Months Ended December 31 2012 and December 31, 2015**  
**(Expressed in Canadian Dollars)**

	2016	2015
<b>OPERATING ACTIVITIES</b>		
Loss and comprehensive loss for the period	\$ (662,650)	\$ (85,185)
Add items not affecting cash:		
Share-based payments	306,004	2,857
Changes in non-cash working capital items:		
Accounts and other receivables	(11,605)	1,312
Loan receivable	-	35,000
Prepaid expenses and deposits	(19,202)	3,607
Accounts payable and accrued liabilities	81,144	(62,587)
	(306,309)	(104,996)
<b>FINANCING ACTIVITIES</b>		
Shares issued for cash, net of issue costs	434,661	-
	434,661	-
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	(527,366)	-
Recoveries on exploration and evaluation assets	30,000	-
	(497,366)	-
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		
<b>DURING THE PERIOD</b>	(369,014)	(104,996)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD</b>	898,134	1,125,044
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	\$ 529,120	\$ 1,020,048
<b>Supplemental Cash Flow Information:</b>		
Interest earned	\$ 2,195	\$ 5,788
Income tax paid	\$ -	\$ -
Interest paid	\$ -	\$ -
<b>Non-cash financing and investing activities:</b>		
Common shares issued for debt	\$ 153,229	\$ -
Fair value of brokers' warrants	\$ 6,548	\$ -

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

**ALSET ENERGY CORP.** (formerly Benton Capital Corp.)

(An Exploration Stage Enterprise)

**NOTES TO THE CONSENSUED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**(Prepared by Management – Unaudited)**

**Six Months Ended December 31, 2016**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Alset Energy Corp. (the “Company”) was incorporated on July 10, 2003 under the laws of British Columbia. On April 28, 2016, the Company changed its name from Benton Capital Corp. to Alset Energy Corp. The Company is an exploration stage public company whose shares began trading on the TSX Venture Exchange in April of 2005. Its principal business activities are the acquisition, exploration and development of mineral properties in Canada and Mexico. The Company’s head office is located at Suite 1400 – 1040 West Georgia Street, Vancouver, B.C., V6E 4H8.

The accompanying condensed consolidated interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The appropriateness of the going concern assumption is dependent upon the Company’s ability to generate future profitable operations and/or generate continued financial support in the form of equity financings. These condensed consolidated interim financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classification that would be necessary if the going concern assumption were not appropriate and such adjustments could be material.

	December 31, 2016	June 30, 2016
Working capital	\$ 507,310	\$ 773,432
Deficit	\$ (9,373,036)	\$ (8,715,131)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB (“International Accounting Standards Board”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 - Interim Financial Reporting. The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the audited annual consolidated financial statements for Alset Energy Corp for the year ended June 30, 2016. These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on February 27, 2017.

The condensed consolidated interim financial statements do not contain all disclosures required under IFRS for annual financial statements and should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for Alset Energy Corp. for the year ended June 30, 2016.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include exploration and evaluation assets, share-based payments, allocation of financing proceeds, and income taxes. Differences may be material.

Basis of Consolidation

The Company’s financial statements consolidate the financial statements of the parent Company and its subsidiary up to December 31, 2016. Subsidiaries are all entities over which the Company has the power to control the financial and operating policies.

	<u>Percentage of Ownership</u>	<u>Jurisdiction</u>	<u>Principal Activity</u>
Grupo Minero Alset, S.A. de C.V.	100%	Mexico	Mineral Exploration

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**NOTES TO THE CONSENSUED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**(Prepared by Management – Unaudited)**

**Six Months Ended December 31, 2016**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Foreign Currency Translation

The condensed consolidated interim financial statements are presented in Canadian dollars, which is also the functional currency of the parent corporation. The functional currency of the Company's subsidiary is Canadian dollars.

Foreign currency transactions are translated into the functional currency of the respective Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at period-end exchange rates are recognized in profit or loss.

In the Company's financial statements, all assets, liabilities and transactions of the Company entities with a functional currency other than the Canadian dollars (the Company's presentation currency) are translated into Canadian dollars upon consolidation. The functional currency of the entities in the Company has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Canadian dollars at the closing rate at the reporting date. Income and expenses have been translated into the Company's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal.

Share-based Payment Transactions

The Company operates equity-settled share-based remuneration plans for its employees, directors and consultants. None of the Company's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognized as an expense in profit or loss with a corresponding credit to 'reserves'.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

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**NOTES TO THE CONSENSUED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**(Prepared by Management – Unaudited)**

**Six Months Ended December 31, 2016**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Flow-Through Financing

The Company raises equity through the issuance of flow-through shares. Under this arrangement, shares are issued which transfer the tax deductibility of mineral property exploration expenditures to investors. The Company allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the shares. A deferred flow through premium liability is recognized for the difference. The liability is reversed when the expenditures are made and is recorded in the statement of loss and comprehensive loss. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a maximum period.

Accounting Standard Issued But Not Yet Applied

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company intends to adopt these standards when they become effective.

*Standard effective for annual periods beginning on or after January 1, 2018*

IFRS 9 Financial Instruments - This is a finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39. The standard contains requirements in the following areas:

- *Classification and measurement.* Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- *Impairment.* The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- *Hedge accounting.* Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- *Derecognition.* The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The extent of the impact of adoption of these above standards on the financial statements of the Company has not yet been determined.



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**NOTES TO THE CONSENSUED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****(Prepared by Management – Unaudited)****Six Months Ended December 31, 2016****3. TEMPORARY INVESTMENTS**

	December 31, 2016	June 30, 2016
Money Market Mutual funds	\$ -	\$ 692,417

These funds are available for exploration and other purposes upon the request of the Company.

The mutual funds consist of fully liquid, managed money market fund units that yield regular monthly dividends at market rates.

**4. EXPLORATION AND EVALUATION ASSETS**

Mineral property acquisition, exploration and development expenditures are deferred until the properties are placed into production, sold, impaired or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following commencement of production, or written-down if the properties are allowed to lapse, are impaired, or are abandoned. The deferred costs associated with each property for the six months ended December 31, 2016 and the year ended June 30, 2016 is summarized in the tables below:

Six Months Ended December 31, 2016

	Lithium Salars- Mexico	Wisa Lake	Champion Graphite	Goodchild	Total
	\$	\$	\$	\$	\$
<b>Acquisition costs</b>					
Balance, June 30, 2016	-	5,985	130,026	1	136,012
Additions:					
Option payments received	228,582	-	-	-	228,582
	-	(30,000)	-	-	(30,000)
	228,582	(30,000)	-	-	198,582
Balance, December 31, 2016	228,582	(24,015)	130,026	1	334,594
<b>Exploration and evaluation costs</b>					
Balance, June 30, 2016	3,200	14,215	4,857	-	22,272
Additions:					
Assaying	13,773	-	6,396	-	20,169
Consulting	-	2,098	-	-	2,098
Drilling	5,079	-	-	-	5,079
Geology	42,530	400	-	-	42,930
Legal and administration	67,466	-	-	-	67,466
Metallurgy	16,212	-	-	-	16,212
Miscellaneous	6,755	800	(1,970)	-	5,585
Permitting	33,242	-	-	-	33,242
Prospecting	11,308	-	4,875	-	16,183
Taxes	48,291	-	-	-	48,291
Trenching	-	-	41,529	-	41,529
Writedown	-	-	-	-	-
	244,656	3,298	50,830	-	298,784
Balance, December 31, 2016	247,856	17,513	55,687	-	321,056
Total, December 31, 2016	476,438	(6,502)	185,713	1	655,650

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**NOTES TO THE CONSENSUED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****(Prepared by Management – Unaudited)****Six Months Ended December 31, 2016****4. EXPLORATION AND EVALUATION ASSETS** (continued)

Year Ended June 30, 2016

	Lithium Salars- Mexico \$	Wis a Lake \$	Champion Graphite \$	Goodchild \$	Total \$
<b>Acquisition costs</b>					
Balance, June 30, 2015	-	-	-	1	1
Additions:	-	5,985	130,026	-	136,011
Balance, June 30, 2016	-	5,985	130,026	1	136,012
<b>Exploration and evaluation costs</b>					
Balance, June 30, 2015	-	-	-	-	-
Additions:					
Assaying	-	3,356	418	-	3,774
Consulting	-	449	-	-	449
Drilling	-	-	-	-	-
Geology	-	-	-	-	-
Metallurgy	-	-	-	-	-
Miscellaneous	3,200	2,803	1,970	-	7,973
Permitting	-	-	-	-	-
Prospecting	-	7,607	1,729	-	9,336
Trenching	-	-	740	-	740
Writedown	-	-	-	-	-
	3,200	14,215	4,857	-	22,272
Balance, June 30, 2016	3,200	14,215	4,857	-	22,272
<b>Total, June 30, 2016</b>	<b>3,200</b>	<b>20,200</b>	<b>134,883</b>	<b>1</b>	<b>158,284</b>

**(a) Lithium Salars – Mexico**

By agreement dated July 28, 2016, the Company acquired an option to earn a 100% interest in Mexican lithium, potassium and boron brine salar assets located in Zacatecas and San Luis Potosi, Mexico, which includes four large concessions containing seven top priority salars namely, Caligüey, La Doncella, Colorada, La Salada, Santa Clara, Saldivar and Chapala. The Company agreed to pay the outstanding mining taxes on the four concessions in the amount of approximately US\$112,000 and making the following payments of US\$210,000 to the optionor on the following schedule:

- US\$20,000 on the Company providing the notice of satisfaction of the due diligence (paid);
- US\$25,000 on July 28, 2017;
- US\$30,000 on July 28, 2018;
- US\$35,000 on July 28, 2019;
- US\$40,000 on July 28, 2020; and
- US\$60,000 on July 28, 2021

The property will be subject to a 2.25% NSR in favour of the optionor of which 1% can be purchased by the Company for US\$250,000. In addition, the Company paid \$16,835 for finders' fee to a third party.

**ALSET ENERGY CORP.** (formerly Benton Capital Corp.)

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**NOTES TO THE CONSENSUED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**(Prepared by Management – Unaudited)**

**Six Months Ended December 31, 2016**

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**4. EXPLORATION AND EVALUATION ASSETS** (continued)

**(b) Wisa Lake Lithium**

The Company holds via staking a 100% interest in the Wisa Lake lithium project located 80km east of Fort Frances, Ontario. The project is connected to Highway 11 (Trans Canada) located 65km north via an all weather road that crosses the centre of the project. The property is comprised of 5 claims totaling 75 units.

On December 14, 2016, the Company entered into an option agreement with Ardiden Limited (“Ardiden”) whereby Ardiden has an option to acquire 100% interest of the Wisa Lake property by paying the following:

- a) C\$30,000 within five days of signing (received);
- b) C\$50,000 on the due diligence completion date on June 30, 2017
- c) C\$220,000 worth of common shares of Ardiden with Ardiden having the right to pay C\$220,000 in a combination of cash and shares at their discretion;

In addition, the Company will retain a 2% Net Smelter Royalty (“NSR”) and Ardiden will have the right to purchase or buy back 1% of the NSR for C\$500,000.

**(c) Champion Graphite**

The 100% owned Champion Graphite property is located 60km north of Kenora, Ontario, Canada and consists of 29 units in 2 unpatented mining claims. The Company acquired the project during the 2016 fiscal year from Benton Resources Inc. (“Benton”) (a company related by common directors and officers) by paying to Benton 1 million common shares of the Company and subject to a 2% Net Smelter Royalty (“NSR”) in favour of Benton, one-half of which (1%) can be bought back by the Company for \$500,000.

**(d) Goodchild**

The 100% owned Goodchild copper-nickel property was acquired by the Company by staking. The property consists of 209 claim units located 10km north of the town of Marathon, Ontario. During fiscal 2015, the Company determined that no further work was planned at the Goodchild property and as a result wrote off \$678,771 in deferred exploration and evaluation expenditures. The project remains in good standing and the Company will sell, option or allow the project to lapse should nothing materialize.

**5. CAPITAL STOCK**

**(a) Share Capital**

Authorized:

Class A common - unlimited

Class B common - unlimited

Common shares - unlimited

Issued:

Class A common - Nil

Class B common - Nil

Common shares - 44,860,178 shares

**ALSET ENERGY CORP.** (formerly Benton Capital Corp.)

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**NOTES TO THE CONSENSUED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****(Prepared by Management – Unaudited)****Six Months Ended December 31, 2016****5. CAPITAL STOCK** (continued)**(a) Share Capital** (continued)Six Months Ended December 31, 2016

The Company completed a private placement in two tranches for gross proceeds of \$460,240 consisting of 288,334 flow-through units (“FT”) for \$34,600 and 4,256,400 non flow-through units (“NFT”) for \$425,640. Each FT unit was issued at \$0.12 and consisted of one flow-through common share and one-half of one common share purchase warrant, each whole warrant entitling the holder to purchase an additional common share of the Company for \$0.20 for a period of 24 months following the closing. Each NFT unit was issued at \$0.10 and consisted of one common share and one common share purchase warrant, each warrant entitling the holder to purchase an additional common share of the Company for \$0.20 for a period of 24 months following the closing. The Company paid finders’ fees totaling \$6,800 and issued 68,000 broker warrants exercisable at \$0.20 for a period of 24 months following closing.

The Company settled \$153,228 of accounts payable owing to Benton Resources Inc., a company related by common directors, by issuing 1,178,680 common shares of the Company at a value of \$0.13 per share.

Year Ended June 30, 2016

During the year ended June 30, 2016, the Company issued 1,000,000 common shares to Benton Resources Inc. at the price of \$0.13 per share as part of the cost for acquiring the Champion Graphite property.

**(b) Stock Options**

Details of stock option transactions for the period ended December 31, 2016 and the year ended June 30, 2016 are detailed below.

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2015	3,997,500	\$0.48
Granted	2,845,000	\$0.11
Expired	(1,585,000)	\$0.86
Balance, June 30, 2016	5,257,500	\$0.17
Granted during the period	2,743,000	\$0.19
Expired/cancelled	(800,000)	\$0.31
<b>Balance, December 30, 2016</b>	<b>7,200,500</b>	<b>\$0.16</b>

As at December 31, 2016 the following stock options were outstanding:

Expiry Date	Exercise Price	Number of Options	Option Exercisable
September 4, 2017	\$0.30	912,500	912,500
February 3, 2019	\$0.20	1,500,000	1,500,000
April 21, 2021	\$0.07	2,395,000	1,197,500
May 26, 2021	\$0.35	200,000	100,000
July 27, 2021	\$0.39	300,000	75,000
December 12, 2021	\$0.13	1,893,000	473,250
		<b>7,200,500</b>	<b>4,258,250</b>

The weighted average life of the options outstanding and exercisable at December 31, 2016 is 1.69 years (June 30, 2016 – 2.19 years).

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**NOTES TO THE CONSENSUED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**(Prepared by Management – Unaudited)**

**Six Months Ended December 31, 2016**

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**5. CAPITAL STOCK** (continued)

**(c) Warrants**

The changes in warrants during the six months ended December 31, 2016 and year ended June 30, 2015 were as follows:

	Number of Warrants	Average Exercise Price
Balance, June 30, 2015 and June 30, 2016	-	\$0.00
Granted	4,468,566	0.20
Balance, December 31, 2016	4,468,566	\$0.20

Warrants outstanding at December 31, 2016 were as follows:

Expiry Date	Number of Warrants	Exercise Price
October 17, 2018	1,899,733	\$0.20
November 7, 2018	2,568,833	\$0.20
	4,468,566	\$0.20

The weighted average life of the warrants outstanding and exercisable at December 31, 2016 is 1.82 years (June 30, 2016 – n/a)

**(d) Stock Option Plan**

The Company has a Stock Option Plan (the “Plan”) for directors, officers, employees and consultants. The Plan authorizes the granting of options to purchase up to a maximum of 7,762,353 common shares of which 7,200,500 are outstanding at December 31, 2016.

**(e) Shareholder Rights Plan**

The Company has adopted a shareholder rights plan (the “Rights Plan”) to ensure the fair treatment of all Company shareholders in connection with any take-over bid for the outstanding common shares of the Company. The Rights Plan will provide the Company’s shareholders with adequate time to properly evaluate and assess a take-over bid without facing undue pressure or coercion. The Rights Plan also provides the board of directors of the Company with additional time to consider any take-over bid and, if applicable, to explore alternative transactions in order to maximize shareholder value.

Pursuant to the Rights Plan, any bid that meets certain criteria intended to protect the interests of all shareholders are deemed to be “Permitted Bids”. A Permitted Bid must be made by way of a take-over bid circular prepared in compliance with applicable securities laws and, in addition to certain other conditions, must remain open for 60 days. In the event a take-over bid does not meet the Permitted Bid requirements of the Rights Plan, the rights issued under the plan will entitle shareholders, other than any shareholder or shareholders involved in the take-over bid, to purchase additional common shares of the Company at a significant discount to the market price of the common shares at that time.

**ALSET ENERGY CORP.** (formerly Benton Capital Corp.)

(An Exploration Stage Enterprise)

**NOTES TO THE CONSENSUED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****(Prepared by Management – Unaudited)****Six Months Ended December 31, 2016****6. RELATED PARTY TRANSACTIONS**

The Company paid or accrued the following amounts to related parties during the six month ended December 31, 2016 and 2015:

Payee	Description of Relationship	Nature of Transaction	2016 \$	2015 \$
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell, Officer and former Director	Legal fees and disbursements	58,579	10,425
Benton Resources Inc.	Company related by common directors	Reimbursement of fees and expenses	84,935	-
Michael Stares	Former Director	Reimbursement of expenses	1,118	24,000
Tim Oliver	Former President and CEO	Reimbursement of expenses	87,117	-
ABR Media Company	Company controlled by Allan Laboucan President, CEO and Director	Consulting fees and reimbursement of expenses	1,700	-
Allan Laboucan	President, CEO and Director	Consulting fees and reimbursement of expenses	18,548	-
Albert Wu & Associates Ltd.	Company controlled by Albert Wu, CFO	Accounting fees	2,400	-

The purchases from and fees charged by the related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts due to related parties as at December 31, 2016 and June 30, 2016 were as follows:

Payee	Description of Relationship	December 31, 2016 \$	June 30, 2016 \$
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell Officer and former director	7,843	-
Benton Resources Inc.	Company related by common directors	30,203	87,228
ABR Media Company	Company controlled by Allan Laboucan Officer and Director	1,700	-
Allan Laboucan	President, CEO and director	1,948	-

The repayment terms are similar to the repayment terms of non-related party trade payables.

Key management personnel remuneration during the current period included \$216,033 (2015 - \$2,411) in share-based payments. There were no post-retirement or other long-term benefits paid to key management personnel during the current year.

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**NOTES TO THE CONSENSUED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**(Prepared by Management – Unaudited)**

**Six Months Ended December 31, 2016**

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**7. SHARE-BASED PAYMENTS**

The Company applies the fair value method of accounting for share-based payments to directors, officers, employees and consultants and accordingly \$306,004 is recorded as share-based payments in profit and loss and under reserves in shareholders' equity as equity for options that were outstanding during the current period. The fair value of the options granted during the period ended December 31, 2016 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2016	2015
Risk-free interest rate	1.03%	n/a
Expected life of options	5 years	n/a
Expected volatility	161%	n/a
Expected dividend yield	0%	n/a

**8. CAPITAL DISCLOSURES**

The Company's objectives when managing capital are as follows:

- To safeguard the Company's ability to continue as a going concern;
- To raise sufficient capital to finance its exploration activities on its mineral exploration properties;
- To raise sufficient capital to meet its general and administrative expenditures.

The Company manages its capital structure and makes adjustments to it based on the general economic conditions, its short term working capital requirements, and its planned exploration and development program expenditure requirement. The capital structure of the Company is composed of working capital and shareholders' equity. The Company may manage its capital by issuing flow through or common shares, or by obtaining additional financing. The Company utilizes annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by management and updated for changes in the budgets underlying assumptions as necessary.

There were no changes in the Company's approach to managing capital during the year. In order to maintain or adjust the capital structure, the Company considers the following;

- i) incremental investment and acquisition opportunities;
- ii) equity and debt capital available from capital markets;
- iii) equity and debt credit;
- iv) sale of assets;
- vi) limiting the size of the investment program; and
- vi) new share issuances if available on favorable terms.

Except as otherwise disclosed, the Company is not subject to any external financial covenants at December 31, 2016.

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**NOTES TO THE CONSENSUED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**(Prepared by Management – Unaudited)**

**Six Months Ended December 31, 2016**

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**9. FINANCIAL RISK MANAGEMENT**

The Company's financial instruments are exposed to certain risks, including credit risk, interest rate risk, liquidity risk, currency risk and market risk.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Company to credit risk consist of cash, temporary investments, accounts and other receivables and refundable security deposits. The Company's cash is held through a large Canadian Financial Institution. The temporary investments are held through major Canadian Financial Institutions with only the highest credit quality as determined by rating agencies. The temporary investments are available for cash requirement purposes at the request of the Company. Refundable security deposits are held by the Government of Newfoundland. The Company has no significant concentration of credit risk arising from operations. Management believes the risk of loss to be remote.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. While management feels the risk of capital loss on its temporary investments is remote given its investment in only highly rated, investment grade fixed income securities with reputable Canadian financial institutions, the income derived from these securities can fluctuate as a result of changes in interest rates upon reinvestment of matured funds. The Company's temporary investments are purchased at fixed interest rates and are either fully liquid or bear short staggered maturity dates to mitigate the risk of fluctuating interest rates. At December 31, 2016, a 1% change in yields on the Company's short term investments would result in an approximate \$Nil (2015 - \$11,000) change in interest income per annum.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities. This is generally accomplished by ensuring that cash and temporary investments are always available to settle financial liabilities. At December 31, 2016, the Company had cash on hand of \$529,120 (June 30, 2016 - \$205,717) and temporary investments available to the Company of \$nil (June 30, 2016 - \$692,417) to settle current liabilities of \$80,549 (June 30, 2016 - \$152,634). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(d) Currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The majority of the Company's operations are in Canada; therefore, management believes the foreign exchange risk derived from any currency conversions is negligible and therefore does not hedge its foreign exchange risk.

(e) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and is comprised of currency risk, interest rate risk, and equity price risk. The fair value of the Company's long term investments are impacted by changes in the quoted market price of the underlying issuer's securities with the resulting change impacting net income.



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**NOTES TO THE CONSENSUED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**(Prepared by Management – Unaudited)**

**Six Months Ended December 31, 2016**

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**10. LOSS PER SHARE**

Basic loss per common share has been calculated using the weighted average number of common shares outstanding in each respective period. As the issue of shares upon the exercise of stock options and warrants would be anti-dilutive, diluted loss per common share is equivalent to basic loss per common share.

**11. COMMITMENTS**

The Company has commitments as described in note 4 related to exploration and evaluation assets.

In August 2016, the Company engaged Daniel Boase to provide investor relations services for a monthly fee of \$6,000 plus HST. The agreement is for an initial term of 12 months but can be terminated by either party after 6 months with the provision of notice of termination. In addition, the Company granted 400,000 stock options at an exercise price of \$0.35 for a period of 5 years vesting in accordance with the Company's stock option plan. This agreement was terminated in December 2016.

**12. SEGMENTED INFORMATION**

The Company currently operates in two operating segments, the exploration of mineral properties in Canada and Mexico. Management of the Company makes decisions about allocating resources based on the operating segments. A geographic summary of identifiable assets, liabilities by country is as follows (there was no segmented information in the comparative period to report):

<b>As at December 31, 2016</b>			
	Canada	Mexico	Total
	\$	\$	\$
<b>Segmented Assets</b>	<b>827,558</b>	<b>415,951</b>	<b>1,243,509</b>
<b>Segmented Liabilities</b>	<b>57,853</b>	<b>22,696</b>	<b>80,549</b>

  

<b>As at June 30, 2016</b>			
	Canada	Mexico	Total
	\$	\$	\$
<b>Segmented Assets</b>	<b>155,084</b>	<b>3,200</b>	<b>158,284</b>
<b>Segmented Liabilities</b>	<b>152,634</b>	<b>-</b>	<b>152,634</b>

**13. SUBSEQUENT EVENT**

Subsequent to December 31, 2016, 150,000 stock options exercisable at the price of \$0.13 per share were cancelled.