Interim Condensed Consolidated Financial Statements of

Brownstone Energy Inc.

March 31, 2015
(Unaudited - prepared in Canadian dollars)

Contents

Interim Condensed Consolidated Financial Statements:

Notice to reader pursuant to National Instrument 51-102 – Continuous Disclosure Obligations

Under National Instrument 51-102 – Continuous Disclosure Obligations, if an auditor has not performed a review of a reporting issuer's interim financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

BROWNSTONE ENERGY INC.
Consolidated Statements of Financial Position
As at March 31, 2015 and June 30, 2014
(Unaudited - prepared in Canadian dollars)

	Notes	March 31, 2015	June 30, 2014
Assets			
Current			
Cash and cash equivalents		**$ 2,664,836**	$ 5,377,283
Prepaids and receivables		**79,449**	876,235
Investments, at fair value	5	**3,351,752**	3,707,817
Income taxes receivable		**-**	242,537
Assets held for sale	4(b)	**2,485,868**	-
		8,581,905	10,203,872
Exploration and evaluation assets	4	**3**	4,911,743
		$ 8,581,908	$ 15,115,615
Liabilities and Equity			
Current			
Accounts payable and accrued liabilities		**$ 79,584**	$ 1,031,132
Liablities of assets held for sale		**61,787**	-
Income taxes payable		**34,789**	-
		176,160	1,031,132
Equity			
Share capital	6(a)	**96,597,845**	96,597,845
Contributed surplus	6(c)	**24,554,508**	24,537,211
Foreign currency translation reserve		**707,211**	287,820
Deficit		**(113,453,816)**	(107,338,393)
		8,405,748	14,084,483
		$ 8,581,908	$ 15,115,615

Contingent liability	11

See accompanying notes to the interim condensed consolidated financial statements.

BROWNSTONE ENERGY INC.

Consolidated Statements of Comprehensive Income (Loss)
Three And Nine Months Ended March 31,
(Unaudited - prepared in Canadian dollars)

	Notes	Three Months Ended 2015	Three Months Ended 2014	Nine Months Ended 2015	Nine Months Ended 2014
Net investment gains (losses)					
Net realized losses on disposal of investments		**$ -**	$ (2,060,894)	**$ (377,387)**	$ (2,060,894)
Net change in unrealized gains (losses) on investments		**(272,049)**	2,310,364	**(1,790,707)**	2,658,344
		$ (272,049)	$ 249,470	**(2,168,094)**	597,450
Interest and other income		**56**	1,311	**73,532**	31,844
		(271,993)	250,781	**(2,094,562)**	629,294
Expenses					
Operating, general and administrative	6(b), 8, 12	**426,927**	268,695	**1,007,940**	1,616,501
Impairment of exploration and evaluation assets, net	4(b, c)	**(22,896)**	-	**2,982,756**	1,459,366
		404,031	268,695	**3,990,696**	3,075,867
Loss before income taxes		**(676,024)**	(17,914)	**(6,085,258)**	(2,446,573)
Income tax expense (recovery)		**1,636**	(219,083)	**30,165**	(34,627)
Net profit (loss) for the period		**$ (677,660)**	$ 201,169	**(6,115,423)**	(2,411,946)
Other comprehensive income					
Exchange differences on translation of foreign operations		**167,954**	554,173	**419,391**	719,280
Total comprehensive income (loss) for the period		**$ (509,706)**	$ 755,342	**$ (5,696,032)**	$ (1,692,666)
Earnings (loss) per common share based on net profit (loss) for the period	6(d)				
Basic and diluted		**$ (0.01)**	$ 0.00	**$ (0.05)**	$ (0.02)
Weighted average number of common shares outstanding	6(d)				
Basic and diluted		**129,794,289**	129,794,289	**129,794,289**	129,794,289

See accompanying notes to the interim condensed consolidated financial statements.

BROWNSTONE ENERGY INC.
Consolidated Statements of Changes in Equity
Nine Months Ended March 31, 2015 and 2014
(Unaudited - prepared in Canadian dollars)

	Notes	Number of shares	Share capital	Warrants	Contributed surplus	Foreign currency translation reserve	Deficit	Total equity
Balance at June 30, 2013		129,794,289	$ 96,597,845	$ 2,559,317	$ 21,806,275	$ (79,081)	$ (93,982,518)	$ 26,901,838
Net loss for the period		-	-	-	-	-	(2,411,946)	(2,411,946)
Exchange differences on translation of foreign operations		-	-	-	-	719,280	-	719,280
Total comprehensive loss for the period		-	-	-	-	719,280	(2,411,946)	(1,692,666)
Stock-based compensation expense	6(b)	-	-	-	150,812	-	-	150,812
Balance at March 31, 2014		129,794,289	$ 96,597,845	$ 2,559,317	$ 21,957,087	$ 640,199	$ (96,394,464)	$ 25,359,984
Balance at June 30, 2014		129,794,289	$ 96,597,845	$ -	$ 24,537,211	$ 287,820	$ (107,338,393)	$ 14,084,483
Net loss for the period		**-**	**-**	**-**	**-**	**-**	**(6,115,423)**	**(6,115,423)**
Exchange differences on translation of foreign operations		**-**	**-**	**-**	**-**	**419,391**	**-**	**419,391**
Total comprehensive loss for the period		**-**	**-**	**-**	**-**	**419,391**	**(6,115,423)**	**(5,696,032)**
Stock-based compensation expense	6(b)	**-**	**-**	**-**	**17,297**	**-**	**-**	**17,297**
Balance at March 31, 2015		**129,794,289**	**$ 96,597,845**	**$ -**	**$ 24,554,508**	**$ 707,211**	**$ (113,453,816)**	**$ 8,405,748**

See accompanying notes to the interim condensed consolidated financial statements.

BROWNSTONE ENERGY INC.
Consolidated Statements of Cash Flows
Nine Months Ended March 31,
(Unaudited - prepared in Canadian dollars)

	Notes	2015	2014
Cash flows from (used in) operating activities			
Net loss for the period		**$ (6,115,423)**	$ (2,411,946)
Items not affecting cash			
Net realized losses on disposal of investments		**377,387**	2,060,894
Net change in unrealized losses (gains) on investments		**1,790,707**	(2,658,344)
Impairment of exploration and evaluation assets, net		**2,982,756**	1,459,366
Stock-based compensation expense	6(b)	**17,297**	150,812
		(947,276)	(1,399,218)
Changes in non-cash working capital balances			
Prepaids and receivables		**796,786**	23,710
Income taxes receivable		**242,537**	(104,370)
Accounts payable and accrued liabilities		**(130,565)**	(192,664)
Liablities of assets held for sale		**61,787**	-
Income taxes payable		**34,789**	(72,642)
		58,058	(1,745,184)
Cash flows used in investing activities			
Expenditures on exploration and evaluation assets, net		**(879,322)**	(1,315,631)
Proceeds on sale of exploration and evaluation assets		**-**	58,980
Decrease in restricted cash		**-**	634,925
Proceeds on disposal of investments		**423,744**	151,176
Purchases of investments		**(2,235,773)**	-
		(2,691,351)	(470,550)
Net decrease in cash and cash equivalents during the period		**(2,633,293)**	(2,215,734)
Exchange rate changes on foreign currency cash balances		**(79,154)**	(18,467)
Cash and cash equivalents, beginning of period		**5,377,283**	9,595,064
Cash and cash equivalents, end of period		**$ 2,664,836**	$ 7,360,863
Supplemental cash flow information			
Income taxes paid		**$ 5,159**	$ 214,214
Finance expense paid		**-**	-

See accompanying notes to the interim condensed consolidated financial statements.

1. Nature of business and going concern uncertainty:

Brownstone Energy Inc. ("Brownstone" or the "Company") was continued under the Canada Business Corporations Act on December 1, 2011 and its common shares are publicly-traded on the TSX Venture Exchange under the symbol "BWN". Effective December 31, 2014, the Company's shares were voluntarily delisted from the OTCQX. The Company is domiciled in the Province of Ontario and its head office is located at 69 Yonge St, Suite 1010, Toronto, Ontario, Canada.

Brownstone is a Canadian-based, energy-focused company with direct and indirect interests in oil and gas exploration projects.

These interim condensed consolidated financial statements ("interim consolidated statements") were approved for issuance by the Company's board of directors on May 26, 2015.

2. Basis of preparation:

(a) Statement of compliance:

These interim consolidated statements are unaudited and have been prepared on a condensed basis in accordance with International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee using accounting policies consistent with International Financial Reporting Standards ("IFRS").

Except as described in note 3, the same accounting policies and methods of computation were followed in the preparation of these interim consolidated statements as were followed in the preparation of and as described in note 3 of the annual consolidated financial statements as at and for the year ended June 30, 2014. Accordingly, these interim consolidated statements for the three and nine months ended March 31, 2015 and 2014 should be read together with the annual consolidated financial statements as at and for the year ended June 30, 2014.

(b) Basis of presentation:

These interim consolidated statements have been prepared using the historical cost convention except for certain financial instruments which have been measured at fair value. All monetary references expressed in these notes are references to Canadian dollar amounts ("$").

(c) Basis of consolidation:

These interim consolidated statements include the financial statements of Brownstone and its wholly-owned subsidiaries: Brownstone Ventures (US) Inc., Brownstone Ventures (Barbados) Inc., Brownstone Comercializadora de Petroleo Ltda., and 2121197 Ontario Ltd.

(Unaudited - prepared in Canadian dollars)

2. Basis of preparation (continued):

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All inter-company account balances and transactions have been eliminated upon consolidation.

3. Changes in accounting polices:

Effective July 1, 2014, the Company has adopted the following new and revised standard, along with any consequential amendments. These changes were made in accordance with the applicable transitional provisions.

(a) *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27) - These amendments are effective for annual periods beginning on or after January 1, 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

The Company has assessed and determined that the amendments to IFRS 10, IFRS 12 and IAS 27 will not result in any change in the accounting or disclosures for its subsidiaries.

4. Exploration and evaluation assets:

All of the Company's oil and gas activities are conducted jointly with others. The Company enters into exploration agreements with other parties, pursuant to which Brownstone may earn and maintain interests in the underlying exploration and evaluation assets by issuing common shares and/or making cash payments and/or incurring expenditures in varying amounts by varying dates. Failure by the Company to issue such shares, make such cash payments or incur such expenditures can result in a reduction or loss of the Company’s interests.

The Company's accounts reflect only its interests in its oil and gas activities. The following is a summary of the Company’s exploration and evaluation assets:

	Colombia	Israel (a)	USA (b)	Canada	Argentina (c)	Total
	$	$	$	$	$	$
Balance at July 1, 2013	1,051,200	9,664,918	4,376,697	1,130,468	1,051,200	17,274,483
Net additions [1.]	306,317	(706,143)	(126,018)	12,689	(112,956)	(626,111)
Disposals	-	-	(270,170)	-	-	(270,170)
Impairment of exploration and evaluation assets	(1,372,310)	(9,236,915)	-	(1,143,154)	(87,056)	(11,839,435)
Foreign currency translation	14,793	278,140	71,247	-	8,796	372,976
Balance at June 30, 2014	-	-	4,051,756	3	859,984	4,911,743
Net additions [1.]	**-**	**-**	**58,339**	**-**	**-**	**58,339**
Impairment of exploration and evaluation assets	**-**	**-**	**(2,048,261)**	**-**	**(934,495)**	**(2,982,756)**
Foreign currency translation	**-**	**-**	**424,034**	**-**	**74,511**	**498,545**
Transfer to assets held for sale	**-**	**-**	**(2,485,868)**	**-**	**-**	**(2,485,868)**
Balance at March 31, 2015	**-**	**-**	**-**	**3**	**-**	**3**

[1.] Net additions reflects expenditures on exploration and evaluation assets less revenue received from sales of natural gas, natural gas liquids, and oil generated during long-term production testing (if any) and reversals of outstanding cash calls previously capitalized.

(Unaudited - prepared in Canadian dollars)

4. Exploration and evaluation assets (continued):

(a) Israel:

As at June 30, 2014, the Company had the following participating interests in Israel and is required to fund its share of the participating interests:

	Gabriella Block	Yitzhak Block
Participating Interest	15%	15%

The Gabriella license expired on September 1, 2014 without further extension being granted by the Ministry of Energy and Water of the State of Israel ("Ministry"), due to the milestones in the work program not being achieved. The Company has been notified by the operator of the Block that they have appealed to the Ministry the decision to rescind the Gabriella license. No response has been received from the Ministry to date.

The Yitzhak license expired on October 15, 2014.

(b) USA:

The Company has participating interests of between 10% to 28.57% in various acreages in the Piceance/Uinta basin in the USA and is required to fund its share of the participating interests.

During the nine months ended March 31, 2015, included in net additions was $29,010 (year ended June 30, 2014 - $260,493) in gross revenue (net of royalties) from the sale of natural gas, natural gas liquids, and oil generated during long-term production testing.

In June 3014, the Company closed the sale of 13% of its 28.57% interests in two oil and gas leases comprising the Kokopelli project in Colorado (and 65% of its 28.57% working interest in the initial well drilled in 2013) with a further 52% of the Company's 28.57% interests subject to an earn-in by the purchaser. The Company now has a 24.85% carried working interest in a US$16,000,000 drilling and completion program planned for 2015 to be funded 100% by the purchaser of the assets. If the earn-in conditions are satisfied, the Company will have a 10% working interest in the Kokopelli project. In March 2015, the Company announced the sale of its remaining interest in the Kokopelli project and other USA interests for US$1,960,000 and recorded an impairment charge on its USA properties of $2,048,261 to its recoverable amount of $2,485,868 (US$1,960,000). The impairment was recognized upon a review of the Company's participating interests in the USA properties. As at March 31, 2015, the Company transferred its exploration and evaluation assets of $2,485,868 relating to the Kokopelli project to assets held for sale. See Note 13.

4. Exploration and evaluation assets (continued):

(c) Argentina:

The Company has a 25% interest in the Vaca Mahuida Block in the Province of Rio Negro, Argentina. Under the terms of the participation agreement governing Brownstone's interest, the Company is required to fund 50% of the costs to be incurred in the conduct of the work program on the property.

During the year ended June 30, 2014, the Company agreed to relinquish its 25% working interest to Petrolifera Petroleum (Americas) Limited Sucursal Argentina ("Petrolifera"), the operator of the Block for net cash consideration of US$805,530. The net cash consideration settled all outstanding liabilities and no further liabilities will occur in respect of the Block. The relinquishment is conditional upon granting by the Province of Rio Negro of an exploitation concession on the Vaca Mahuida Block to Petrolifera. In November 2014, the Company was notified by Petrolifera that it intended to withdraw its application of the exploitation concession on the Block and relinquished its interest in the Block or assigned its interest to the remaining partners in the Block. During the nine months ended March 31, 2015, the Company recorded an impairment charge of $934,495 (US$805,530) to its estimated recoverable value of nil. The impairment was recognized upon a review of the Company's participating interest in Argentina. The Company believes there is a low probability of realization of the asset from its sale to Petrolifera now since they are abandoning the Block.

5. Investments at fair value and financial instruments hierarchy:

(a) Determination of investments' fair values:

The determination of fair value requires judgment and is based on market information, where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the consolidated financial statements.

The Company is also required to disclose details of its investments (and other financial assets and liabilities for which fair value is measured or disclosed in the financial statements) within three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring or disclosing the fair value, and to provide additional disclosure in connection therewith.

1. Publicly-traded investments (i.e., securities of issuers that are public companies):

    a. Securities including shares, options and warrants which are traded in an active market, such as on a recognized securities exchange and for which no sales restrictions apply, are presented at fair value based on quoted closing trade prices at the consolidated statement of financial position date or the closing trade price on the last day the security traded if there were no trades at the consolidated statement of financial position date. These are included in Level 1.

5. Investments at fair value and financial instruments hierarchy (continued):

b. Securities which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value to a maximum of 10%. In determining the discount for such investments, the Company considers the nature and length of the restriction. These are included in Level 2.

c. For options and warrants which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available or reliable, the warrants and options are valued at intrinsic value, which is equal to the higher of the closing trade price at the consolidated statement of financial position date of the underlying security less the exercise price of the warrant or option, and zero. These are included in Level 2.

2. Private company investments (securities of issuers that are not public companies):

All privately-held investments (other than options and warrants) are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may (depending upon the circumstances) be adjusted using one or more valuation indicators. These are included in Level 3. Options and warrants of private companies are carried at their intrinsic value.

(b) The fair value and cost of investments are as follows:

	Fair Value	Cost
March 31, 2015	**$ 3,351,752**	**$ 11,182,097**
June 30, 2014	3,707,817	9,746,424

(c) Financial instruments hierarchy:

The fair value measurements use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(Unaudited - prepared in Canadian dollars)

5. Investments at fair value and financial instruments hierarchy (continued):

The following table presents the Company's financial instruments, measured at fair value and categorized into levels of the fair value hierarchy on the consolidated statements of financial position as at March 31, 2015 and June 30, 2014:

Investments, at fair value	Level 1 Quoted market price	Level 2 Valuation technique – observable market inputs	Level 3 Valuation technique – non-observable market inputs	Total
March 31, 2015	**$ 2,851,752**	**$ -**	**$ 500,000**	**$ 3,351,752**
June 30, 2014	3,207,817	-	500,000	3,707,817

There were no transfers from Level 1 to 2 or Level 2 to 1 during the nine months ended March 31, 2015 or for the year ended June 30, 2014.

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the nine months ended March 31, 2015 and year ended June 30, 2014. These financial instruments are measured at fair value utilizing non-observable market inputs based on specific company information and general market conditions. The net change in unrealized losses are recognized in the consolidated statements of comprehensive loss.

	Opening balance at July 1,	Purchases	Net unrealized losses	Net transfer out of Level 3	Ending balance
March 31, 2015	**$ 500,000**	**$ -**	**$ -**	**$ -**	**$ 500,000**
June 30, 2014	$ 750,000	$ -	$ (250,000)	$ -	$ 500,000

For this investment valued based on general market conditions and specific company information, the inputs used can be highly judgmental. A +/- 25% change on the fair value of this investment will result in a corresponding +/- $125,000 (June 30, 2014 - $125,000) change in the total fair value of the investments. While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances. The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of this investment. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of this investment. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

(Unaudited - prepared in Canadian dollars)

6. Equity:

(a) Authorized: unlimited number of common shares (no par value).

(b) Stock options:

There were no options granted during the nine months ended March 31, 2015.

During the nine months ended March 31, 2014, the Company granted 2,980,000 stock options exercisable at $0.10 per share expiring on September 9, 2018.

The fair value of the options granted during the nine months ended March 31, 2014 was estimated at the date of grant using the Black-Scholes option valuation model with the following assumptions:

Black-Scholes option valuation model assumptions used (weighted average)	
Expected volatility	111.4%
Expected dividend yield	0%
Risk-free interest rate	1.8%
Expected option life in years	3.8 years
Expected forfeiture rate	4.9%
Fair value per stock option granted on September 10, 2013	$ 0.04

The expected volatility is based on the historical volatility over the life of the option at Brownstone's share price. The Company has not paid any cash dividends historically and has no plans to pay cash dividends in the foreseeable future. The risk-free interest rate is based on the yield of Canadian Benchmark Bonds with equivalent terms. The expected option life in years represents the period of time that options granted are expected to be outstanding based on historical options granted.

For the three months ended March 31, 2015, included in operating, general and administrative expenses was stock-based compensation expense of $2,253 (three months ended March 31, 2014 - $37,315) relating to the stock options granted to directors, officers, employees and consultants of the Company.

For the nine months ended March 31, 2015, included in operating, general and administrative expenses was stock-based compensation expense of $17,297 (nine months ended March 31, 2014 - $150,812) relating to the stock options granted to directors, officers, employees and consultants of the Company.

(Unaudited - prepared in Canadian dollars)

6. Equity (continued):

A summary of the status of the Company's stock options as at March 31, 2015 and June 30, 2014 and changes during the periods then ended is presented below:

Stock options	**March 31, 2015** # of options	**Weighted average exercise price**		June 30, 2014 # of options	Weighted average exercise price	
Outstanding, at beginning of period	**12,760,080**	**$**	**0.42**	9,975,080	$	0.52
Granted	**-**		**-**	2,980,000		0.10
Forfeited	**(33,334)**		**0.10**	(16,668)		0.17
Expired	**(2,205,066)**		**0.57**	(178,332)		0.53
Outstanding, at end of period	**10,521,680**	**$**	**0.39**	12,760,080	$	0.42
Exercisable, at end of period	**10,521,680**	**$**	**0.39**	11,270,080	$	0.47

The following table summarizes information about stock options outstanding and exercisable as at March 31, 2015:

Number of options outstanding	Number of options exercisable	Exercise price		Expiry date
580,000	**580,000**	**$**	**0.65**	April 14, 2015
130,000	**130,000**		**0.43**	May 25, 2015
1,061,680	**1,061,680**		**0.51**	September 20, 2015
1,275,000	**1,275,000**		**1.20**	March 29, 2016
2,055,000	**2,055,000**		**0.40**	October 10, 2016
225,000	**225,000**		**0.56**	February 7, 2017
2,315,000	**2,315,000**		**0.17**	November 28, 2017
2,880,000	**2,880,000**		**0.10**	September 9, 2018
10,521,680	**10,521,680**			

(c) Contributed surplus comprised the following as at March 31, 2015 and June 30, 2014:

	March 31, 2015		June 30, 2014	
Stock-based compensation	**$**	**10,111,924**	$	10,094,627
Expired warrants and broker warrants		**14,416,320**		14,416,320
Cancellation of common shares under normal course issuer bid		**20,639**		20,639
Value of cancelled escrowed shares		**5,625**		5,625
	$	**24,554,508**	$	24,537,211

(d) Basic and diluted loss per common share based on loss for the three and nine months ended March 31:

Numerator:	**Three months ended March 31, 2015**	Three months ended March 31, 2014	**Nine months ended March 31, 2015**	Nine months ended March 31, 2014
Net profit (loss) for the period	**$ (677,660)**	$ 201,169	**$ (6,115,423)**	$ (2,411,946)

(Unaudited - prepared in Canadian dollars)

6. Equity (continued):

	Three months ended March 31,		Nine months ended March 31,	
Denominator:	**2015**	2014	**2015**	2014
Weighted average number of common shares outstanding - basic	**129,794,289**	129,794,289	**129,794,289**	129,794,289
Weighted average effect of diluted stock options and warrants (i)	**-**	-	**-**	-
Weighted average number of common shares outstanding – diluted	**129,794,289**	129,794,289	**129,794,289**	129,794,289

Loss per common share based on net loss for the period:	Three months ended March 31, **2015**	2014	Nine months ended March 31, **2015**	2014
Basic and diluted	**$ (0.01)**	$ 0.00	**$ (0.05)**	$ (0.02)

(i) The determination of the weighted average number of common shares outstanding – diluted excludes 10,521,680 shares related to stock options that were anti-dilutive for the periods ended March 31, 2015 (periods ended March 31, 2014 – 20,711,534 shares).

(e) Maximum share dilution:

The following table presents the maximum number of shares that would be outstanding if all outstanding stock options were exercised as at March 31, 2015 and June 30, 2014:

	March 31, 2015	June 30, 2014
Common shares outstanding	**129,794,289**	129,794,289
Stock options to purchase common shares	**10,521,680**	12,760,080
Fully diluted common shares outstanding	**140,315,969**	142,554,369

7. Segmented information:

Reportable segments are defined as components of an enterprise about which separate financial information is available, that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. All of the Company's operations relate to direct and indirect investments in the oil and gas sector. The Company's significant segments consist of six distinct geographic areas: Colombia, Israel, Canada, United States, Argentina and Brazil. There were no changes in the reportable segments since June 30, 2014.

The accounting policies applied to Brownstone's operating segments are the same as those described in the summary of significant accounting policies except that certain expenses and other items are not allocated to the individual operating segments when determining income or loss, but are attributed to the Canadian operations where the corporate head office is located.

(Unaudited - prepared in Canadian dollars)

7. Segmented information (continued):

The following is segmented information as at and for the nine months ended March 31, 2015:

	Nine months ended March 31, 2015		As at March 31, 2015		
	Interest and other income	**Net loss for the period**	**Exploration and evaluation assets**	**Other assets**	**Total assets**
Canada and other	**$ 73,532**	**$ (2,859,044)**	**$ 3**	**$ 5,752,287**	**$ 5,752,290**
Israel	**-**	**12,560**	**-**	**9,403**	**9,403**
United States	**-**	**(2,059,236)**	**-**	**2,501,889**	**2,501,889**
Colombia	**-**	**(266,639)**	**-**	**201,976**	**201,976**
Argentina	**-**	**(941,210)**	**-**	**5,920**	**5,920**
Brazil	**-**	**(1,854)**	**-**	**110,430**	**110,430**
	$ 73,532	**$ (6,115,423)**	**$ 3**	**$ 8,581,905**	**$ 8,581,905**

The following is segmented information for the nine months ended March 31, 2014 and as at June 30, 2014:

	Nine months ended March 31, 2014		As at June 30, 2014		
	Interest and other income	Net loss for the period	Exploration and evaluation assets	Other assets	Total assets
Canada and other	$ 1,842	$ 584,436	$ 3	$ 9,570,543	$ 9,570,546
Israel	1,514	37,481	-	17,458	17,458
United States	-	-	4,051,756	66,235	4,117,991
Colombia	28,488	1,669,651	-	407,888	407,888
Argentina	-	120,378	859,984	5,471	865,455
Brazil	-	-	-	136,277	136,277
	$ 31,844	$ 2,411,946	$ 4,911,743	$ 10,203,872	$ 15,115,615

8. Expenses by nature:

Included in operating, general, and administrative expenses for the three and nine months ended March 31 are the following expenses:

	Three months ended March 31,		Nine months ended March 31,	
	2015	2014	**2015**	2014
Salaries, consulting and administrative fees	**$ 485,633**	$ 368,244	**$ 960,099**	$ 1,176,863
Professional fees	**46,544**	47,970	**176,514**	146,494
Other office and general	**11,246**	35,813	**68,016**	160,426
Shareholder relations, transfer agent and filing fees	**8,750**	9,463	**48,806**	75,918
Stock-based compensation expense	**2,253**	37,315	**17,297**	150,812
Transaction costs	**4,172**	-	**12,296**	-
Other employment benefits	**3,292**	21,749	**11,264**	33,784
Travel and promotion	**215**	15,999	**7,680**	42,037
Exploration expenses, net	**(58,886)**	(14,106)	**(46,384)**	138,771
Foreign exchange gain	**(76,292)**	(253,752)	**(247,648)**	(308,604)
	$ 426,927	$ 268,695	**$ 1,007,940**	$ 1,616,501

(Unaudited - prepared in Canadian dollars)

9. Management of capital:

There were no changes in the Company's approach to capital management during the nine months ended March 31, 2015. The Company's capital includes equity comprised of share capital, contributed surplus, foreign currency translation reserve, and deficit. To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The Company's current capital resources are sufficient to discharge its current liabilities as at March 31, 2015.

10. Risk management:

The investment operations of Brownstone's business involve the purchase and sale of securities and, accordingly, a portion of the Company's assets are currently comprised of financial instruments. The use of financial instruments can expose the Company to several risks, including market, credit, and liquidity risks. A discussion of the Company's use of financial instruments and their associated risks is provided below.

(a) Market risk:

There were no changes in the way the Company manages market risk during the nine months ended March 31, 2015. The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer; however, its investment activities are currently concentrated primarily in the oil and gas resource industry.

The following table shows the estimated sensitivity of the Company's after-tax net loss for the three and nine months ended March 31, 2015 from a change in the closing trade price of the Company's investments with all other variables held constant as at March 31, 2015:

Percentage of change in closing trade price	Decrease in net after-tax loss from % increase in closing trade price	Increase in net after-tax loss from % decrease in closing trade price
2%	$ 58,153	$ (58,153)
4%	116,306	(116,306)
6%	174,459	(174,459)
8%	232,612	(232,612)
10%	290,764	(290,764)

10. Risk management (continued):

The following table shows the estimated sensitivity of the Company's after-tax net loss for the three and nine months ended March 31, 2014 from a change in the closing bid price of the Company's investments with all other variables held constant as at March 31, 2014:

Percentage of change in closing bid price	Decrease in net after-tax loss from % increase in closing trade price	Increase in net after-tax loss from % decrease in closing trade price
2%	$ 36,669	$ (36,669)
4%	73,338	(73,338)
6%	110,007	(110,007)
8%	146,676	(146,676)
10%	183,345	(183,345)

(b) Currency risk:

The Company presently holds funds in Canadian dollars but a significant amount of its costs are denominated in U.S. dollars, Colombian pesos, and Argentinean pesos. The Company does not engage in any hedging activities to mitigate its foreign exchange risk. A change in the foreign exchange rate of the Canadian dollar versus another currency may increase or decrease the value of the Company's financial instruments. The Company does not hedge its foreign currency exposure.

The following assets and liabilities were denominated in foreign currencies:

	March 31, 2015	June 30, 2014
Denominated in U.S. dollars:		
Cash and cash equivalents	**$ 26,568**	$ 5,163,293
Prepaids and receivables	**16,770**	221,862
Income tax receivable	**-**	242,537
Assets held for sale	**2,485,868**	-
Exploration and evaluation assets	**-**	4,911,740
Accounts payable and accrued liabilities	**(21,006)**	(966,052)
Net assets denominated in U.S. dollars	**2,440,866**	9,573,380
Denominated in Brazilian reals:		
Cash and cash equivalents	**110,430**	136,277
Net assets denominated in Brazilian reals	**110,430**	136,277
Denominated in Argentinean pesos:		
Cash and cash equivalents	**5,920**	5,471
Net assets denominated in Argentinean pesos	**5,920**	5,471
Denominated in Colombian pesos:		
Cash and cash equivalents	**195,194**	6,407
Income tax payable	**(34,789)**	
Net assets denominated in Colombian pesos	**160,405**	6,407

10. Risk management (continued):

The following table shows the estimated sensitivity of the Company's total comprehensive loss for the three and nine months ended March 31, 2015 from a change in the U.S. dollar exchange rate in which the Company has significant exposure with all other variables held constant as at March 31, 2015:

Percentage change in U.S. dollar exchange rate	**Decrease in total comprehensive loss from an increase in % in the U.S. dollar exchange rate**	**Increase in total comprehensive loss from a decrease in % in the U.S. dollar exchange rate**
2%	**$ 35,881**	**$ (35,881)**
4%	**71,761**	**(71,761)**
6%	**107,642**	**(107,642)**
8%	**143,523**	**(143,523)**
10%	**179,404**	**(179,404)**

The following table shows the estimated sensitivity of the Company's total comprehensive loss for the year ended June 30, 2014 from a change in the U.S. dollar exchange rate in which the Company has significant exposure with all other variables held constant as at June 30, 2014:

Percentage change in U.S. dollar exchange rate	Decrease in total comprehensive loss from an increase in % in the U.S. dollar exchange rate	Increase in total comprehensive loss from a decrease in % in the U.S. dollar exchange rate
2%	$ 140,729	$ (140,729)
4%	281,457	(281,457)
6%	422,186	(422,186)
8%	562,915	(562,915)
10%	703,643	(703,643)

11. Contingent liability:

In April 2006, Brownstone entered into a farm-in agreement with Canoro Resources Ltd. ("Canoro"), whereby it acquired a 15% interest in block AA-ONN-2003/2, in Arunachal Pradesh, northwest India. During 2009, the parties completed the interpretation of the 3-D seismic program. The consortium partners in the block are: Brownstone - 15%, Canoro - 15%, National Thermal Power Corporation - 40%, and Geopetrol International Inc. - 30%.

On April 8, 2010, the Production Sharing Contract (the "PSC") with the Government of India, through the Directorate General of Hydrocarbons (the "DGH") expired and as a result, the DGH called the Company's letter of guarantee totaling US$1,395,000 issued by Royal Bank of Canada ("RBC"). The DGH's position is that the Company and its partners failed to meet certain terms of the PSC governing their commitments on exploration block AA-ONN-2003/2. The Company and its partners have disputed certain terms of the PSC, including its expiry on the basis of force majeure. As at June 30, 2010, the Company wrote-off all of its oil & gas properties and related expenditures in India.

(Unaudited - prepared in Canadian dollars)

11. Contingent liability (continued):

In January 2015, the Company received notice from the DGH that it denied the request for non-levy of the cost of the unfinished PSC and demanded payment of the outstanding balance of US$14,054,284 (Brownstone's share – US$1,423,510). The Company considers the claim to be completely without merit and will defend itself vigorously. No provision has been made for the claim in the condensed interim consolidation statement of financial position as at March 31, 2015.

12. Related party transactions:

All transactions with related parties have occurred in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(a) Compensation to key management personnel and directors during the three and nine months ended March 31 were as follows:

	Three months ended March 31,		Nine Months ended March 31,	
	2015	2014	**2015**	2014
Salaries and consulting fees	**$ 107,250**	$ 269,187	**$ 321,750**	$ 807,560
Other short-term benefits	**-**	16,533	**4,526**	27,531
Stock based compensation expense	**1,447**	31,484	**13,475**	126,479
	$ 108,697	$ 317,204	**$ 339,751**	$ 961,570

Key management personnel are the Chairman/Chief Executive Officer and Chief Financial Officer. On March 1, 2015, the consulting agreement with the Company's Vice President, Corporate & Legal Affairs, Richard Patricio, was terminated at a cost of $147,750. In the prior year, key management personnel also included the President and Chief Operating Officer, Jonathan Schroeder who resigned on May 31, 2014.

(b) There were no options granted during the current period. During the nine months ended March 31, 2014, the Company granted 2,550,000 options to directors and officers of the Company, with an exercise price of $0.10 per share and expiring on September 9, 2018.

13. Subsequent event:

(a) On May 1, 2015, the Company closed the sale of its oil and gas property interests located in Carfield county and Rio Blanco county Colorado, pursuant to an agreement dated March 17, 2015, and effective as at January 1, 2015 with Coachman Energy Partners LLC (Note 4(b)). The Company received total proceeds of US$1,960,000 on the sale.

(b) Subsequent to March 31, 2015, the Company signed a lease for new premises starting May 1, 2015 for annual payments of approximately $82,875 ($6,906 monthly) plus applicable taxes until April 30, 2018 and office equipment lease payments of $5,340 annually ($445 monthly) plus applicable taxes until April 30, 2019.