Consolidated Financial Statements of

BLACKHAWK RESOURCE CORP.

Years ended June 30, 2014 and 2013

BLACKHAWK RESOURCE CORP.

November 13, 2014

Management's Report to the Shareholders

Management is responsible for the reliability and integrity of these consolidated financial statements. The accompanying consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements are presented in Canadian dollars.

The accompanying consolidated financial statements have been prepared using policies and procedures established by management and reflect fairly the Corporation's financial position, results of operations and changes in financial position, within reasonable limits of materiality and within the framework of the accounting policies outlined in the notes to the financial statements. Management has established and maintains a system of internal controls which is designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board, which is composed of a majority of non-management directors. The Audit Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the consolidated financial statements and to recommend approval of the consolidated financial statements to the Board.

Signed "*David Antony*"
David Antony, CEO

Signed "*Charidy Lazorko*"
Charidy Lazorko, CFO

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Independent Auditor's Report

To the Shareholders of Blackhawk Resource Corp.

We have audited the accompanying consolidated financial statements of Blackhawk Resource Corp., which comprise the consolidated statements of financial position as at June 30, 2014 and June 30, 2013, and the consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Blackhawk Resource Corp. as at June 30, 2014 and June 30, 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Calgary, Canada
November 13, 2014

Chartered Accountants

BLACKHAWK RESOURCE CORP.

Consolidated Statement of Financial Position

As at	June 30, 2014	June 30, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 1,375,325	$ 3,136,429
Trade and other receivables (note 6 and note 20(a))	102,194	279,498
Investments at fair value (note 7)	2,229,800	–
Investments at amortized cost (note 8)	604,487	–
Prepaid expenses and deposits	196,946	33,192
	4,508,752	3,449,119
Property, plant and equipment (note 9)	244,307	478,581
Long term investments at amortized cost (note 10 and note 20(a))	150,000	–
	$ 4,903,059	**$ 3,927,700**
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables (note 20(b))	$ 190,141	$ 341,337
Due on investments to be settled (note 7 and note 20 (b))	684,430	–
	874,571	341,337
Decommissioning liabilities (note 11)	283,617	539,548
	1,158,188	880,885
Shareholders' equity		
Share capital (note 12)	6,405,065	6,405,065
Contributed surplus	779,355	727,548
Deficit	(3,439,549)	(4,085,798)
	3,744,871	3,046,815
	$ 4,903,059	**$ 3,927,700**

See accompanying notes to the consolidated financial statements.

Approved for issuance by the Board of Directors on November 13, 2014

Signed *"Raymond Antony"*

Director

Signed *"Mike Smith"*

Director

BLACKHAWK RESOURCE CORP.

Consolidated Statements of Comprehensive Income (Loss)

Year ended June 30,	**2014**	**2013**
Revenues		
Net investment gains		
Net realized gain on disposal of investments	$ 57,630	$ –
Net change in unrealized gain on investments	215,721	–
Interest revenue	61,362	–
Dividends	2,789	–
	337,502	–
Net revenue from oil and gas properties		
Oil and natural gas revenue	1,088,906	685,229
Less: Royalties	(287,537)	(80,670)
	801,369	604,559
Other revenue (note 13)	251,075	226,887
	1,389,946	831,446
Expenses		
Depletion (note 9)	231,314	507,633
Field operating expenses	367,701	519,578
Transportation expenses	24,173	20,718
Gain on sale of property, plant and equipment (note 9)	(634,536)	–
Impairment of property, plant and equipment (note 9)	3,735	55,498
General and administrative	446,498	304,818
Professional fees	231,694	147,601
Stock based compensation (note 12(c))	51,807	46,995
Transaction costs	12,466	–
Finance costs (note 14)	8,845	15,769
Settlement of contingency (note 15)	–	450,000
	743,697	2,068,610
Net comprehensive income (loss)	**$ 646,249**	**$(1,237,164)**
Net comprehensive income (loss) per share (note 16):		
Basic and diluted	$ 0.03	$ (0.06)

See accompanying notes to the consolidated financial statements.

BLACKHAWK RESOURCE CORP.

Consolidated Statements of Changes in Equity

As at		June 30, 2014		June 30, 2013
Share capital				
Balance, beginning of year	$	6,405,065	$	6,405,065
Balance, end of year		6,405,065		6,405,065
Contributed surplus				
Balance, beginning of year		727,548		680,553
Stock based compensation		51,807		46,995
Balance, end of year		779,355		727,548
Deficit				
Balance, beginning of year		(4,085,798)		(2,848,634)
Net income (loss)		646,249		(1,237,164)
Balance, end of year		(3,439,549)		(4,085,798)
Shareholders' equity	**$**	**3,744,871**	**$**	**3,046,815**

See accompanying notes to the consolidated financial statements.

BLACKHAWK RESOURCE CORP.

Consolidated Statements of Cash Flows

Year ended June 30,	2014	2013
Cash provided by (used in):		
Operations:		
Net income (loss) from continuing operations	$ 646,249	$(1,237,164)
Items not affecting cash:		
Net realized gains on disposal of investments	(57,630)	–
Net change in unrealized gains on investments	(215,721)	–
Depletion	231,314	507,633
Gain on sale of property, plant and equipment	(634,536)	–
Impairment of property, plant and equipment	3,735	55,498
Stock based compensation	51,807	46,995
Finance cost	7,097	10,555
	32,315	(616,483)
Change in non-cash operating working capital:		
Trade and other receivables	27,304	(128,826)
Proceeds on disposal of investments	628,308	–
Purchase of investments	(3,190,072)	–
Prepaid expenses and deposits	(163,754)	5,145
Trade and other payables	(151,196)	(191,084)
Due on investments to be settled	684,430	–
	(2,132,665)	(931,248)
Investments:		
Additions to property, plant and equipment	–	(1,566)
Sale of property, plant and equipment	380,000	–
	380,000	(1,566)
Decommissioning costs incurred	(8,439)	–
	371,561	(1,566)
Net change in cash and cash equivalents	(1,761,104)	(932,814)
Cash and cash equivalents, beginning of year	3,136,429	4,069,243
Cash and cash equivalents, end of year	**$ 1,375,325**	**$ 3,136,429**
Supplemental cash flow information:		
Interest received	$ 61,488	$ 560
Dividends received	2,789	–

See accompanying notes to the consolidated financial statements.

1. General information:

Blackhawk Resource Corp. (the "Corporation") was incorporated under the Business Corporations Act (Alberta) on March 25, 1986. On March 3, 2014, the Corporation shifted its focus from exploration and production of oil and natural gas in Western Canada to diversified investments.

The Corporation invests in equity and debt instruments of companies to generate positive returns for shareholders. The Corporation's strategy is focused on investing in multiple companies across a variety of sectors throughout North America.

The Corporation's registered office is located at Suite 650, 816 7th Ave SW, Calgary, Alberta, T2P 1A1.

2. Basis of preparation:

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates and judgments are significant to the consolidated financial statements are disclosed in note 4.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except as disclosed in note 3. These consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency.

3. Significant accounting policies:

These policies have been applied consistently for all periods presented in these consolidated financial statements.

a.) Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries: Blackhawk Resource Operating Corp., and RMC Exploracao Petrolifera Ltda. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Inter-company transactions, balances and unrealised gains or losses with the subsidiaries are eliminated. The financial statements of the subsidiaries are prepared using consistent accounting policies with that of the Corporation.

b.) Joint ventures

Certain of the Corporation's oil and gas activities are conducted through joint ventures. A joint venture is an arrangement that the Corporation controls jointly with one or more other investors, and over which the Corporation has rights to a share of the arrangements net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

Substantially all of the Corporation's oil and gas activities are conducted jointly with others, and the consolidated financial statements reflect only the Corporation's proportionate interest in such activities.

3. Significant accounting policies (continued):

c.) Cash and cash equivalents

Cash comprises cash on hand. Other investments (term deposits and certificates of deposit) with an original term to maturity at purchase of three months or less are reported as cash equivalents in the consolidated statement of financial position.

d.) Exploration and evaluation assets

Exploration and evaluation ("E&E") assets consist of the Corporation's oil and natural gas exploration projects that are pending the determination of proved reserves. The Corporation accounts for E&E costs in accordance with the requirements of IFRS 6 "Exploration for and Evaluation of Mineral Resources".

E&E costs relating to activities to explore and evaluate oil and natural gas properties are initially capitalized and include costs associated with the acquisition of licenses, technical services and studies, seismic acquisition, exploration drilling and testing, directly attributable overhead and administration expenses, and the costs associated with retiring the assets. E&E costs do not include general prospecting or evaluation costs incurred prior to having obtained the legal rights to explore an area, which are recognized immediately in the consolidated statement of comprehensive income (loss).

Once the technical feasibility and commercial viability of E&E assets are determined and a development decision is made by management, the E&E assets are tested for impairment upon reclassification to property, plant and equipment. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determined when proved reserves are determined to exist.

E&E assets are also tested for impairment when facts and circumstances suggest that the carrying amount of E&E assets may exceed their recoverable amount, by comparing the relevant costs to the fair value of cash generating units ("CGUs"). Indications of impairment include leases approaching expiry, the existence of low benchmark commodity prices for an extended period of time, significant downward revisions in estimated reserves, increases in estimated future exploration or development expenditures, and significant adverse changes in the applicable legislative or regulatory frameworks.

e.) Property, plant and equipment

Development and production

Property, plant and equipment is measured at cost less accumulated depletion and depreciation and impairment provisions. When significant components of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for separately.

The deemed cost of an asset comprises its purchase price, construction and development costs, costs directly attributable to bringing the asset into operation, the estimate of any asset retirement costs, and applicable borrowing costs. Property acquisition costs are comprised of the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Oil and natural gas properties within each CGU are depleted using the unit-of-production method over proved reserves. The unit of-production rate takes into account expenditures incurred to date, together with future development expenditures required to develop proved reserves.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in the consolidated statement of comprehensive income (loss).

Impairment

The Corporation assesses property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or CGU may not be recoverable. Indications of impairment include the existence of low benchmark commodity prices for an extended period of time, significant downward revisions of estimated reserves, or increases in estimated future development expenditures. If any such indication of impairment exists, the Corporation performs an impairment test related to the assets or CGU.

3. Significant accounting policies (continued):

Individual assets are grouped for impairment assessment purposes into CGU's, which are the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets. A CGU's recoverable amount is the higher of its fair value less costs of disposal ("FVLCOD") and its value in use ("VIU"). FVLCOD is determined to be the amount the asset could be sold in an orderly transaction between market participants at the measurement date.

VIU is based upon the estimated before tax net present value of the Corporations proved plus probable reserves, as prepared by independent reserve evaluators. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount.

In subsequent periods, an assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is re-estimated and the net carrying amount of the asset or CGU is increased to its revised recoverable amount. The recoverable amount cannot exceed the carrying amount that would have been determined, net of depletion, had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in the consolidated statement of comprehensive income (loss). After a reversal, the depletion charge is adjusted in future periods to allocate the asset's revised carrying amount over its remaining useful life.

f.) Decommissioning liabilities

A provision is recognized for the present value of the future cost of abandonment of oil and gas wells and related facilities. This provision is recognized when a legal or constructive obligation arises. The estimated costs, based on engineering cost levels prevailing at the reporting date, are computed on the basis of the latest assumptions as to the scope and method of abandonment. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a risk free rate, updated at each reporting date that reflects current market assessments of the time value of money and the risks specific to the obligation. The corresponding amount is capitalized as part of exploration and evaluation expenditure or property, plant and equipment and is amortized on a unit-of-production basis as part of the depreciation, depletion and amortization charge. Any adjustment arising from the reassessment of estimated cost of decommissioning liabilities is capitalized, whilst the charge arising from the accretion of the discount applied to the decommissioning liabilities is treated as a component of finance costs.

g.) Foreign currency translation

The subsidiaries have the same functional currency as that of the Corporation and translate foreign denominated monetary assets and liabilities at the exchange rate prevailing at period end; non-monetary assets, liabilities and related depreciation at historic rates; revenues and expenses at the average rate of exchange for the period; and any resulting foreign exchange gains or losses are included in the consolidated statement of comprehensive income (loss).

h.) Income taxes

The Corporation follows the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized based on the estimated tax effects of temporary differences in the carrying amount of assets and liabilities in the consolidated financial statements and their respective tax bases.

Deferred income tax assets and liabilities are calculated using the substantively enacted income tax rates that are expected to apply when the asset or liability is recovered. Deferred income tax assets or liabilities are not recognized when they arise on the initial recognition of an asset or liability in a transaction (other than in a business combination) that, at the time of the transaction, affects neither accounting nor taxable profit.

Deferred income tax assets for deductible temporary differences and tax loss carryforwards are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences or tax loss carryforwards can be utilized. The carrying amount of deferred income tax assets is reviewed at each reporting date, and is reduced if it is no longer probable that sufficient future taxable profits will be available against which the temporary differences or tax loss carryforwards can be utilized.

Current income tax is calculated based on net earnings for the year, adjusted for items that are non-taxable or taxed in different periods, using income tax rates that are substantively enacted at each reporting date.

Income taxes are recognized in equity or other comprehensive income, consistent with the items to which they relate.

3. Significant accounting policies (continued):

i.) Revenue recognition

Purchases and sales of investments are recognized on the trade date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the consolidated statement of comprehensive income (loss). Upon disposal of an investment, previously recognized unrealized gains or losses are reversed to recognize the full realized gain or loss in the period of disposition.

The Corporation recognizes interest income as the interest is earned.

Revenue associated with the sale of petroleum and natural gas production owned by the Corporation is recognized when the title passes from the Corporation to its customers and collection is reasonably assured.

Revenue associated with royalties on petroleum and natural gas production is recognized when earned.

j.) Share-based compensation

The Corporation's Stock Option Plan (the "Option Plan") provides current employees with the right to elect to receive common shares in exchange for options surrendered. The Corporation records compensation expense over the graded vesting period based on the fair value of options granted. Compensation expense is recorded in the statement of comprehensive income (loss) as stock based compensation expense with a corresponding credit to contributed surplus. When stock options are exercised, the proceeds, together with the amount recorded in contributed surplus, are recorded in share capital. The fair value of stock options granted is estimated using the Black-Scholes option pricing model, taking into account amounts that are believed to approximate the forfeiture rate, volatility of the trading price of the Corporation's shares, the expected lives of the awards of stock-based compensation, the fair value of the Corporation's stock and the risk-free interest rate, as determined at the grant date. Forfeitures are estimated through the vesting period based on past experience and future expectations, and adjusted upon actual vesting.

k.) Financial instruments (investments at fair value)

Classification

All investments are classified upon initial recognition as held for trading, with changes in fair value reported in statement of comprehensive income (loss).

Recognition, derecognition and measurement

Purchases and sales of investments are recognized on the trade date.

Investments held for trading are initially recognized at fair value. Transaction costs are expensed as incurred in the consolidated statement of comprehensive income (loss). Investments are derecognized when the rights to receive cash flow from the investment has expired or the Corporation has transferred the financial asset and the transfer qualifies for derecognition.

Subsequent to initial recognition, all investments are measured at fair value. Gains and losses arising from changes in the fair value of the investments at fair value through profit or loss category are presented in the consolidated statement of comprehensive income (loss) within net change in unrealized and realized gains or losses on investments in the period in which they arise.

Determination of 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 Corporation's management estimates the fair value of investments based on the criteria below and reflects such valuations in the consolidated financial statements.

The Corporation is also required to disclose details of its investments 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.

3. Significant accounting policies (continued):

Publicly-traded investments:

Securities including shares, 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 in note 7.

For 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, the Black-Scholes valuation technique is used. These are included in Level 2 in note 7.

The determinations of fair value of the Corporation's privately-held investments at other than initial cost are subject to certain limitations. Financial information for private companies in which the Corporation has investments may not be available and, even if available, that information may be limited and/or unreliable.

l.) Financial instruments other than investments held at fair value

The Corporation classifies its financial instruments into one of the following categories: Held for trading; held-to-maturity investments; loans and receivables; available for sale financial assets; and financial liabilities measured at amortized cost. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods is dependent on the classification of the respective financial instrument.

Held for trading financial instruments are subsequently measured at fair value with changes in fair value recognized in the statement of comprehensive income (loss). All other categories of financial instruments are measured at amortized cost using the effective interest method.

Cash and cash equivalents, trade and other receivables, and investments at amortized cost are classified as loans and receivables. Trade and other payables and investments to be settled are classified as other financial liabilities measured at amortized cost.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognized immediately in the consolidated statement of comprehensive income (loss). Transaction costs in respect of other financial instruments are included in the initial measurement of the financial instrument and amortized to consolidated statement of comprehensive income (loss) using the effective interest method.

Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, an impairment loss is recognized in the consolidated statement of comprehensive income (loss).

Impairment losses on financial assets carried at amortized cost, including loans and receivables, are calculated as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

m.) Comprehensive income (loss)

Comprehensive income (loss) is comprised of the Corporation's net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) includes the effective portion of foreign currency translation gains and losses on the net investment in self-sustaining foreign operations. Other comprehensive income (loss) is shown net of related income taxes.

n.) Per common share amounts

Basic loss per share, is calculated by dividing the net earnings or loss by the weighted average number of shares outstanding during the year. Diluted loss per share, is calculated by using the treasury stock method, by adjusting the weighted average number of shares outstanding for the potential number of issued instruments which may have a dilutive effect on net earnings or loss. This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase common shares at the average market price for the year.

3. Significant accounting policies (continued):

p.) Segmented disclosure

The Corporation has two operating segments: oil and gas and investing. Each of these segments is managed separately and requires different marketing approaches. Corporate assets which are not directly attributable to the business activities of these operating segments are not allocated to a segment.

4. Critical accounting estimates and judgments:

The Corporation has made estimates and assumptions regarding certain assets, liabilities, revenues and expenses in the preparation of the consolidated financial statements. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from estimated amounts. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Accounting Estimates:

a.) Estimates of crude oil and natural gas reserves

Depletion and amounts used in impairment calculations are based on estimates of oil and natural gas reserves. Reserve estimates are based on engineering data, estimated future prices, expected future rates of production and the timing of future capital expenditures, all of which are subject to many uncertainties and interpretations. The Corporation expects that, over time, its reserve estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels, and may be affected by changes in commodity prices.

b.) Decommissioning liabilities

The calculation of decommissioning liabilities include estimates of the future costs and the timing of the cash flows to settle the liability, the discount rate used in reflecting the passage of time, and future inflation rates.

c.) Share-based compensation

The Corporation has made various assumptions in estimating the fair values of the common stock options granted including expected volatility, expected exercise behavior and future forfeiture rates. At each period end, options outstanding are re-measured for changes in the fair value of the liability.

d.) Deferred taxes

Tax interpretations, regulations and legislation are subject to change and as such income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

e.) Fair value of investments in securities not quoted in an active market or private company investments:

Where the fair value of financial assets recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values.

f.) Valuation of GORR:

The Corporation has made various assumptions in estimating the value of the GORR including expected cash flow, duration of the cash flow and discount rate.

Accounting Judgments:

a.) Identification of cash generating units

The classification of the Corporation’s oil and gas assets into CGU’s requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, external users, shared infrastructures, and the way in which management monitors the Corporation’s oil and gas operations.

5. Accounting standards:

Change in accounting policy

a) On June 30, 2014, the Corporation updated its accounting policy in relation to the recognition of investments from settlement date to trade date. The change in accounting policy aligns the recognition of investments with the Corporation's business model and provides the shareholders with more relevant and reliable information about the Corporation's investments at each period end. The change in accounting policy is applied retrospectively, but has no affect on the Corporation's prior consolidated financial statements.

Adopted Accounting Standards

a) IFRS 10, 'Consolidated Financial Statements' was issued in May 2011 and supersedes the consolidation requirements in SIC-12 'Consolidation – Special Purpose Entities' and IAS 27 'Consolidated and Separate Financial Statements' effective for the Corporation beginning on July 1, 2013. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent Corporation. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of the amendments to this standard did not have a material impact on the Corporation's financial statements.

b) IFRS 11, 'Joint Arrangements' was issued in May 2011 and supersedes existing IAS 31, 'Joint Ventures' effective for the Corporation beginning on July 1, 2013. IFRS 11 provides for the accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard also eliminates the option to account for jointly controlled entities using the proportionate consolidation method. The adoption of the amendments to this standard did not have a material impact on the Corporation's financial statements.

c) IFRS 12, 'Disclosure of Interests in Other Entities' was issued in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 was effective for the Corporation beginning on July 1, 2013. The adoption of the amendments to this standard did not have a material impact on the Corporation's financial statements.

d) IFRS 13, 'Fair Value Measurement' was issued in May 2011 and sets out in a single IFRS a framework for measuring fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. In addition, IFRS 13 also requires specific disclosures about fair value measurement. IFRS 13 is effective for the Corporation beginning on July 1, 2013, with earlier application permitted. The adoption of the amendments to this standard did not have a material impact on the Corporation's financial statements.

Future accounting standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2014 or later periods. The standards impacted that are applicable to the Corporation are as follows:

a) IAS 32, "Financial Instruments: Presentation" was issued in December 2011 to clarify the current offsetting model and develop common disclosure requirements to enhance the understanding of the potential effects of offsetting arrangements. Amendments to IAS 32 are effective for the Corporation on July 1, 2014 with required retrospective application and early adoption permitted. The adoption of this standard is not expected to have a material impact on the Corporation's financial statements.

b) IFRS 9, "Financial Instruments" was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for impairment and hedge accounting. In July 2013, the IASB deferred the mandatory effective date of IFRS 9 and has left this date open pending the finalization of the impairment and classification requirement. The Corporation is currently assessing the impact of this standard.

5. Accounting standards (continued):

c) IFRS 15, "Revenue from Contracts with Customers" was issued in May 2014 to replace IAS 18 "Revenue" and IAS 11 "Construction Contracts", and several revenue related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options and other common complexities. IFRS 15 is effective for reporting periods beginning on or after January 1, 2017. The Corporation is currently assessing the impact of this standard.

d) IFRS Interpretations Committee ("IFRIC") 21 "Levies" – IFRIC clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The adoption of this standard is not expected to have a material impact on the Corporation's financial statements.

6. Trade and other receivables:

Included in trade and other receivables for the year ended June 30, 2014, is a subscription receivable of $75,000 (2013 - $Nil) in relation to a private placement the Corporation participated in that was closed after year end.

Included in trade and other receivables for the year ended June 30, 2013, is a mortgage receivable of $150,000. For the year ended June 30, 2014, the Corporation has reclassified this receivable as long term (note 10).

7. Investments at fair value and financial instruments hierarchy:

Financial 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. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Investments by sector consist of the following as at June 30, 2014:

Sector	Cost	Level 1	Level 2	Level 3	Total fair value	% of total fair value
Construction and real estate	$175,500	$155,500	$47,505	$ –	$203,005	9%
Oil and gas infrastructure	696,363	722,325	–	–	722,325	32%
Oil and gas services	233,000	234,500	–	–	234,500	11%
Oil and gas producers	488,096	491,070	–	–	491,070	22%
Mining	170,000	255,000	87,900	–	342,900	15%
Technology and other	251,121	236,000	–	–	236,000	11%
Total	**$2,014,079**	**$2,094,395**	**$135,405**	**$ –**	**$2,229,800**	**100%**

Level 1 instruments include shares and warrants actively traded in an active market, level 2 instruments include warrants held in public companies.

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

The fair value of warrants granted is estimated using the Black-Scholes pricing model, taking into account amounts that are believed to approximate the volatility of the trading price of the company's shares, the expected lives of the warrants, the fair value of the company's stock and the risk-free interest rate, as determined at the grant date. A 25% change in the volatility used to measure these instruments will result in a corresponding $45,945 change in the value of the investment.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions. The analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Corporation's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

As at June 30, 2014, $684,430 was due and outstanding on investments that had been contracted but not settled as of year end.

The Corporation had no investments at fair value as at June 30, 2013.

8. Investments at amortized cost:

Investments held to maturity consist of the following:

	June 30, 2014	June 30, 2013
Short term loans	$450,197	$ –
Debenture	154,290	–
Total investments held to maturity	**$604,487**	**$ –**

The carrying value of the Corporation's short term loans approximates their fair value due to the short term nature of these loans and would be included in level 2 of the financial instruments hierarchy. Short term loans include loans issued for a period of 12 months or less at an average interest rate of 19%. The fair value of the debenture is estimated to be $149,790 and would be included in level 2 of the financial instruments hierarchy. The debenture has a term of 12 months paying interest of 12% semi-annually.

9. Property, plant and equipment:

The Corporation's property, plant and equipment are composed of the following:

	June 30, 2014	June 30, 2013
Oil and gas properties	$159,320	$478,581
Provost Area GORR	84,987	–
Total property, plant and equipment	**$244,307**	**$478,581**

9. Property, plant and equipment (continued):

The Corporation's oil and gas properties are separated into CGU's and are as follows:

CGU	Provost Area, Alberta	Greencourt Area, Alberta	Edson Area, Alberta	Queenstown Area, Alberta	Wood River Area, Alberta	Total
Cost						
June 30, 2012	$4,373,078	$79,845	$621,524	$318,083	$435,754	$5,828,284
Additions	–	–	(126)	–	–	(126)
Change in estimate of decommissioning liabilities	(5,590)	(177)	(604)	57	(3,923)	(10,237)
June 30, 2013	$4,367,488	$79,668	$620,794	$318,140	$431,831	$5,817,921
Disposal	(4,369,009)	–	–	–	–	(4,369,009)
Change in estimate of decommissioning liabilities	1,521	14	200	10	880	2,625
June 30, 2014	**$ –**	**$79,682**	**$620,994**	**$318,150**	**$432,711**	**$1,451,537**

CGU	Provost Area, Alberta	Greencourt Area, Alberta	Edson Area, Alberta	Queenstown Area, Alberta	Wood River Area, Alberta	Total
Accumulated depletion						
June 30, 2012	$(3,650,962)	$(70,574)	$(616,325)	$(172,018)	$(266,330)	$(4,776,209)
Expense	(429,688)	(3,266)	(935)	(38,324)	(35,420)	(507,633)
Impairment	–	–	–	(55,498)	–	(55,498)
June 30, 2013	$(4,080,650)	$(73,840)	$(617,260)	$(265,840)	$(301,750)	$(5,339,340)
Expense	(201,521)	(1,376)	–	(17,016)	(11,401)	(231,314)
Impairment	–	–	(3,734)	–	–	(3,734)
Disposal	4,282,171	–	–	–	–	4,282,171
June 30, 2014	**$ –**	**$(75,216)**	**$(620,994)**	**$(282,856)**	**$(313,151)**	**$(1,292,217)**
Net book value						
June 30, 2013	$286,838	$5,828	$3,534	$52,300	$130,081	$478,581
June 30, 2014	**$ –**	**$4,466**	**$ –**	**$35,294**	**$119,560**	**$159,320**

9. Property, plant and equipment (continued):

On December 19, 2013, but effective July 1, 2013, the Corporation disposed of one of its Provost Area properties in exchange for the related decommissioning liability on the property. Effective June 1, 2014, the Corporation sold its remaining oil and gas working interests in the Provost Area for cash proceeds of $380,000 and was given an overriding royalty ("GORR") on the properties. The GORR consists of a 2.5% royalty on any new wells drilled and produced on the lands sold and a 5% royalty on one well in the area that was already producing. The disposal of the Provost Area assets resulted in a gain on sale of $634,536.

The valuation of the GORR was calculated by the Corporation based on a 5 year proved plus probable forecasted cash flow.

The Corporation performed an impairment test calculation at June 30, 2014 to assess the recoverable value of the oil and natural gas properties and equipment. The future prices are based on July 1, 2014 commodity price forecasts of the Corporation's independent reserve engineers. These prices have been adjusted for commodity price differentials specific to the Corporation. The following table summarizes the benchmark prices used in the impairment test calculation at June 30, 2014**:**

	Natural gas per mcf	Medium Oil per bbl
2014	4.55	99.60
2015	4.30	99.60
2016	4.50	99.20
2017	4.75	99.20
2018	5.00	99.20
2019	5.25	99.20
Thereafter	+1.5%/year	+1.5%/year

The Corporation assessed its property, plant and equipment for impairment on June 30, 2014 and 2013 by CGU. The assessment looked at whether events or changes in circumstances indicate that the carrying value of an asset or CGU may not be recoverable. Indications of impairment such as the existence of low benchmark commodity prices for an extended period of time, significant downward revisions of estimated reserves, or increases in estimated future development expenditures. Impairment of $3,735 (2013 - $55,498) was recorded in certain CGU's as the carrying value exceeded their recoverable amount.

10. Long term investments at amortized cost:

On November 12, 2012, the Corporation signed a sale agreement in relation to a past investment which was written off in 2009. Under the agreement, the Corporation has sold its interest in the investment for $225,000, with $75,000 being paid upon the signing of the agreement and $150,000 to be paid in the future. For the year ended June 30, 2014, the Corporation has reclassified this as a long term investment at amortized cost.

11. Decommissioning liabilities:

	June 30, 2014	June 30, 2013
Balance, beginning of year	$539,548	$540,922
Finance cost	7,097	10,555
Decommissioning costs incurred	(8,439)	–
Disposal	(256,388)	–
Revision of estimates	1,799	(11,929)
Balance, end of year	**$283,617**	**$539,548**

11. Decommissioning liabilities (continued):

The Corporation estimates the total undiscounted amount of cash flow required to settle its decommissioning liabilities as at June 30, 2014 is approximately $302,316 (June 30, 2013 - $575,627), which is expected to be incurred over the next year to 13 years. An inflation factor of 3% per annum (June 30, 2013 – 3% per annum) was applied to determine the expected future costs and an average risk free rate of 1.38% was used to calculate the present value of the estimated future decommissioning liabilities at June 30, 2014 (June 30, 2013 – 1.56%).

12. Share capital:

a.) Authorized:

Unlimited number of common voting shares and preferred shares

f.) Issued:

	Number of Shares	Amount
Balance, June 30, 2013 and June 30, 2014	**22,179,706**	**$6,405,065**

c.) Stock options:

The Corporation has implemented a stock option plan for Directors, Officers, employees, and consultants. The exercise price of each option approximates the market price for the common shares on the date the option was granted. Options granted under the plan generally vest over an eighteen month period from the date of the grant and expire five years after the grant date. The maximum number of common shares to be issued upon the exercise of options granted under the plan is 2,217,970 (June 30, 2013 – 2,217,970) common shares. The details of this plan are as follows:

	June 30, 2014		June 30, 2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of year	1,561,667	$0.32	1,828,334	$0.32
Granted	1,000,000	$0.10	–	–
Expired	(353,334)	$0.34	(266,667)	$0.30
Options outstanding, end of year	**2,208,333**	**$0.22**	**1,561,667**	**$0.32**
Exercisable, end of year	**1,775,000**	**$0.25**	**1,561,667**	**$0.32**

The following table summarizes information about stock options outstanding at June 30, 2014:

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
$0.45	141,667	0.17 years	$0.45
$0.30	866,666	2.44 years	$0.30
$0.30	200,000	2.69 years	$0.30
$0.10	700,000	4.47 years	$0.10
$0.10	300,000	4.67 years	$0.10
	2,208,333	**3.26 years**	**$0.22**

12. Share capital (continued):

The following table summarizes information about stock options outstanding and exercisable at June 30, 2014:

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
$0.45	141,667	0.17 years	$0.45
$0.30	866,666	2.44 years	$0.30
$0.30	200,000	2.69 years	$0.30
$0.10	466,667	4.47 years	$0.10
$0.10	100,000	4.67 years	$0.10
	1,775,000	**2.95 years**	**$0.25**

For the year ended June 30, 2014, the Corporation recorded stock based compensation expense of $51,807 (2013 - $46,995). The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

	2014	**2013**
Risk-free interest rate	1.84%	1.39%
Expected life of options	5 years	5 years
Expected volatility	140.78%	272.95%
Forfeiture rate	0.00%	18.00%
Dividend yield	0.00%	0.00%
Weighted average fair value per option	$0.07	$0.06

13. Other revenue:

The Corporation’s other revenue consists of the following:

June 30,	**2014**	**2013**
Termination fee	$250,000	$ −
Interest	126	560
Disposal revenue	949	1,327
Mortgage receivable	−	225,000
	$251,075	**$226,887**

On November 22, 2013, the Corporation signed a termination agreement with Global Royalty Corp. terminating a previously signed share exchange agreement. As part of the termination agreement the Corporation received a termination fee of $250,000 that has been included in other revenue on the consolidated statement of comprehensive income (loss).

On November 12, 2012, the Corporation signed a sale agreement in relation to a past investment which was written off in 2009. Under the agreement, the Corporation has sold its interest in the past investment for $225,000, with $75,000 being paid upon the signing of the agreement and $150,000 to be paid in the future. The $225,000 has been included in other revenue for the year ended June 30, 2013.

14. Finance costs:

The Corporation's finance costs consist of the following:

June 30,	2014	2013
Bank fees	$1,130	$720
Interest expenses	618	4,494
Accretion of decommissioning liabilities	7,097	10,555
Finance costs	**$8,845**	**$15,769**

15. Settlement of contingency:

On December 14, 2012, the Corporation received notice of a statement of claim that was filed in regards to the Provost area property, which had been sold earlier in 2012. On May 28, 2013, the Corporation settled the claim for $450,000.

16. Per share amounts:

Net income (loss) per share on a diluted weighted average basis is the same as that presented for basic as all factors are anti-dilutive. The number of shares that have been included in the computation of diluted earnings per share have been as follows:

June 30,	2014	2013
Weighted average shares outstanding, basic and diluted	22,179,706	22,179,706

17. Income taxes:

The income tax provision differs from income taxes, which would result from applying the expected tax rate to net loss before income taxes. The differences between the "expected" income tax expenses and the actual income tax provision are summarized as follows:

	June 30, 2014	June 30, 2013
Income (loss) from continuing operations	$646,249	$(1,237,164)
Expected income tax recovery at 25.00% (2013 – 25.00%)	161,562	(309,291)
Stock-based compensation	12,952	11,749
Effect of change in tax rate and other items	(38,363)	(104,042)
Deferred tax assets (recognized) not recognized	(212,877)	401,584
Total income taxes (recovery)	$ –	$ –

The components of the net future income tax assets (liabilities) are as follows:

	June 30, 2014	June 30, 2013
Investments at fair value	$(53,930)	$ –
Petroleum and natural gas properties	104,406	254,886
Non-capital losses available for future periods	738,106	812,482
Capital losses available for future periods	59,367	59,367
Share issuance costs	1,050	6,046
Foreign tax pools	24,781	24,781
Deferred tax assets not recognized	(944,684)	(1,157,562)
Net future tax liabilities	$ –	$ –

17. Income taxes (continued):

As at June 30, 2014, the Corporation has for tax purposes, non-capital losses available to carry forward to future years totaling approximately $2,952,423 (2013 - $3,027,056).

The net operating loss carry-forwards reflected above expire as follows:

Year of Expiry	Total
2034	$17,171
2033	867,224
2032	272,478
2031	702,801
2030	238,668
2029	798,095
2028	21,503
2027	34,483
Total	**$2,952,423**

18. Key management compensation and related party transactions:

a.) Key management compensation

Key management personnel are composed of the Corporation's Directors and Officers.

For the year ended June 30, 2014, the Corporation incurred consulting fees of $190,100 (2013 – $136,238) paid to companies which are controlled by key management of the Corporation, which are included in general and administrative on the consolidated statement of comprehensive income (loss). The Corporation also incurred $46,764 (2013 - $31,157) in stock based compensation for options issued to key management. At June 30, 2014, no consulting fees remained outstanding (2013 – $Nil).

b.) Related party transactions

During the year ended June 30, 2014, the Corporation incurred legal costs of $31,567 (2013 - $28,731) with a law firm in which the Corporate secretary is a Partner. The legal costs incurred were in the normal course of operations and were based on the exchange value of the service provided. Of the legal services provided, $Nil were included in trade and other payables at June 30, 2014 (June 30, 2013 - $2,614).

19. Financial instruments:

The carrying values of the Corporation's financial instruments by category were as follows:

June 30, 2014			
Asset (liability)	**Fair value through profit or loss**	**Loans and receivables at amortized cost**	**Financial liabilities at amortized cost**
Cash and cash equivalents	$ –	$1,375,325	$ –
Trade and other receivables	–	102,194	–
Investments at fair value	2,229,800	–	–
Investments held to maturity	–	604,487	
Long term investments	–	150,000	
Trade and other payables	–	–	(190,141)
Due on investments to be settled	–		(684,430)
	$2,229,800	**$2,232,006**	**$(874,571)**

19. Financial instruments (continued):

June 30, 2013			
Asset (liability)	**Fair value through profit or loss**	**Loans and receivables at amortized cost**	**Financial liabilities at amortized cost**
Cash and cash equivalents	$ –	$3,136,429	$ –
Trade and other receivables		279,498	–
Trade and other payables	–	–	(341,337)
	$ –	**$3,415,927**	**$(341,337)**

The carrying value of the Corporation's financial instruments, excluding investments at fair value and investments held to maturity (note 8), approximate their fair value due to the short term nature of these instruments.

20. Risk Management:

Financial instruments risks:

The use of financial instruments can expose the Corporation to several risks including credit, liquidity, and market risks. A discussion of the Corporation's use of financial instruments and their associated risks is provided below.

a.) Credit risk:

The Corporation is subject to credit risk in its cash and cash equivalents, trade and other receivables, investments held to maturity, and long term investments.

Cash and cash equivalents, when outstanding, consist of cash bank balances and short-term deposits maturing in 90 days or less. The Corporation manages the credit exposure related to short term investments by selecting counter parties based on credit ratings and monitors all investments to ensure a stable return. The maximum credit risk exposure associated with the Corporation's financial assets is the carrying value.

At June 30, 2014, the Corporation's trade and other receivables of $102,194 (June 30, 2013 - $279,498) consisted of $75,000 in subscription receivables that closed after yearend, $9,567 (June 30, 2013 - $20,083) due from petroleum marketers, $15,123 (June 30, 2013 - $64,855) due from joint venture partners, $nil due from mortgage receivables (June 30, 2013 - $150,000) and $2,504 (June 30, 2013 - $44,533) of other receivables.

The Corporation's receivables are normally collected within a 60-90 day period. Receivables from petroleum and natural gas marketers are normally collected on the 25th day of the month following production. The Corporation has not experienced any collection issues with its petroleum and natural gas marketers. The Corporation attempts to mitigate the risk from joint-venture receivables by obtaining partner approval of significant capital expenditures prior to the expenditure. However, the receivables are from participants in the petroleum and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with joint-venture partners as disagreements occasionally arise that increases the potential for non-collection. The Corporation does not typically obtain collateral from petroleum and natural gas marketers or joint-venture partners.

The Corporations investments held to maturity of $604,487 (June 30, 2013 - $Nil) consists of $450,197 (June 30, 2013 - $Nil) in short terms loans, and $154,290 in convertible debentures (June 30, 2013 - $Nil).

The Corporation's investments held to maturity and long term investments include short term loans and a mortgage receivable, which are subject to credit risk. The Corporation reviews the individual creditworthiness of the investee. This review helps to mitigate the credit risk, but the Corporation is still exposed to the risk that the investee will not be able to repay the loan. There is no allowance recorded against these investments.

20. Risk Management (continued):

b.) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking harm to the Corporation's reputation.

The following are the contractual maturities of financial liabilities as at June 30, 2014:

Financial Liabilities	**< One Year**	**> One Year**
Trade and other payables	$190,141	$ –
Due on investments to be settled	684,430	
Total	**$874,571**	**$ –**

The following are the contractual maturities of financial liabilities as at June 30, 2013:

Financial Liabilities	**< One Year**	**> One Year**
Trade and other payables	$341,337	$ –
Total	**$341,337**	**$ –**

c.) Market risk:

Market risk is the risk that the fair value of, or future cash flows from, the Corporation's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in equity and commodity prices. The Corporation is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices.

Additionally the Corporation is required to fair value its investments held for trading at the end of each reporting period. This process could result in significant write-downs of the Corporation's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on the Corporation's financial position.

- Equity price risk is defined as the potential adverse impact on the Corporation's loss due to movements in individual equity prices or general movements in the level of stock market on traded investments. The Corporation manages this risk by having a portfolio that is not singularly exposed to any one issuer or class of issuers. The Corporation also has set thresholds on purchases of investments over which approval of the Board of Directors is required. During periods of significant broader market volatility or volatility experienced by the resource or commodity markets, the value of the Corporation's investment portfolio can be quite vulnerable to market fluctuations. A 5% change in the closing trade price of the Corporation's held for trading investments would result in a $104,269 change in unrealized gain (loss) on investments.

- Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar, but also world economic events that dictate the levels of supply and demand.

21. Capital disclosures:

In the definition of capital, the Corporation includes shareholders' equity of $3,744,871 (June 30, 2013 - $3,046,815). The Corporation`s objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Corporation sets the amount of capital in proportion to risk. The Corporation manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares, or engage in debt financing.

22. Segmented reporting:

For the year ended June 30, 2014, the Corporation has two operating segments: oil and gas and investing. Each of these segments are managed separately and require different marketing approaches.

For the year ended June 30, 2014	**Oil and Gas**	**Investing**	**Total**
Revenues:			
Net investment gains			
Net realized gain on disposal of investments	$ –	$57,630	$57,630
Net change in unrealized gain on investments	–	215,721	215,721
Interest revenue	–	61,362	61,362
Dividends	–	2,789	2,789
	–	337,502	337,502
Net revenue from oil and gas properties			
Oil and natural gas revenue	1,088,906	–	1,088,906
Less: royalties	(287,537)	–	(287,537)
	801,369	–	801,369
Other revenue	1,075	250,000	251,075
Total Revenue	802,444	587,502	1,389,946
Expenses:			
Depletion	231,314	–	231,314
Field operating expenses	367,701	–	367,701
Transportation expenses	24,173	–	24,173
Gain on sale of property, plant and equipment	(634,536)	–	(634,536)
Impairment of property, plant and equipment	3,735	–	3,735
General and administrative	291,933	154,565	446,498
Professional fees	91,894	139,800	231,694
Stock based compensation	40,804	11,003	51,807
Transaction costs	–	12,466	12,466
Finance costs	8,660	185	8,845
	425,678	318,019	743,697
Net comprehensive income	**$376,766**	**$269,483**	**$646,249**

22. Segmented reporting (continued):

As at June 30, 2014	Oil and Gas	Investing	Total
Cash and cash equivalents	$200,000	$1,175,325	$1,375,325
Trade and other receivables	26,391	75,803	102,194
Investments at fair value	–	2,229,800	2,229,800
Investments held to maturity	–	604,487	604,487
Prepaid and deposits	183,613	13,333	196,946
Property, plant and equipment	244,307	–	244,307
Long term investments	–	150,000	150,000
Total assets	654,311	4,248,748	4,903,059
Trade and other payables	155,787	34,354	190,141
Due on investments to be settled	–	684,430	684,430
Decommissioning liabilities	283,617	–	283,617
Total liabilities	439,404	718,784	1,158,188