Condensed Interim Consolidated Financial Statements of

BLACKHAWK RESOURCE CORP.

Three and Nine Month Periods ended March 31, 2016 and 2015

BLACKHAWK RESOURCE CORP.

May 24, 2016

Management's Report to the Shareholders

Management is responsible for the reliability and integrity of these financial statements. The accompanying condensed interim consolidated financial statements have been prepared by management in accordance with International Accounting Standards ("IAS") 34 - Interim Financial Reporting and are in accordance with International Financial Reporting Standards ("IFRS"). The condensed interim consolidated financial statements are presented in Canadian Dollars.

The accompanying condensed interim 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 interim consolidated 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 condensed interim consolidated financial statements to the Board.

The following condensed interim consolidated financial statements are unaudited.

Signed *"David Antony"*
David Antony, CEO

Signed *"Charidy Lazorko"*
Charidy Lazorko, CFO

BLACKHAWK RESOURCE CORP.

Condensed Interim Consolidated Statement of Financial Position

As at		March 31, 2016	June 30, 2015
Assets			
Current assets:			
Cash and cash equivalents		$ 921,567	$ 554,656
Trade and other receivables (note 16(a))		19,219	117,418
Due on investments to be settled (note 4)		77,204	98,892
Investments at fair value (note 4)		1,262,127	1,941,737
Investments at amortized cost (note 5)		1,491,794	1,940,063
Prepaid expenses and deposits		27,701	32,468
		3,799,612	4,685,234
Lease reclamation deposits		121,978	119,499
Property, plant and equipment (note 6)		185,547	185,519
Long term investments at amortized cost (note 7 and note 16(a))		289,267	300,937
		$ 4,396,404	**$ 5,291,189**
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables (note 16(b))		$ 29,759	$ 139,552
Dividends declared		43,256	28,837
Due on investments to be settled (note 4 and note 16(b))		–	144,800
		73,015	313,189
Decommissioning liabilities (note 8)		193,445	205,545
		266,460	518,734
Shareholders' equity			
Share capital (note 9)		7,492,253	7,492,253
Contributed surplus		859,406	798,528
Deficit		(4,221,715)	(3,513,326)
		4,129,944	4,772,455
		$ 4,396,404	**$ 5,291,189**

See accompanying notes to the condensed interim consolidated financial statements.

Approved for issuance by the Board of Directors on May 24, 2016

Signed *"Raymond Antony"*

Director

Signed *"Mike Smith"*

Director

BLACKHAWK RESOURCE CORP.

Condensed Interim Consolidated Statements of Comprehensive Loss

	3 months		9 months	
March 31,	**2016**	**2015**	**2016**	**2015**
Revenues				
Net realized gain (loss) on disposal of investments	$ (236,648)	$ 153,116	$ (271,850)	$ 222,275
Net change in unrealized loss on investments	146,956	135,325	(254,211)	(490,744)
Interest revenue	87,091	34,889	331,616	97,731
Dividends	–	226	76	11,827
Other investment revenue (note 10)	–	–	54,000	125,000
	(2,601)	323,556	(140,369)	(33,911)
Oil and natural gas revenue (note 12)	13,264	(2,607)	43,932	114,224
Less: royalties	–	(139)	–	(4,753)
	13,264	(2,746)	43,932	109,471
	10,663	320,810	(96,437)	75,560
Expenses				
General and administrative	123,645	101,369	282,638	361,211
Professional fees	3,117	16,164	33,665	48,452
Stock based compensation (note 9(c))	19,440	1,327	65,878	14,173
Transaction costs	6,546	5,395	10,336	15,003
Finance costs (note 11)	511	755	1,708	1,892
Oil and natural gas expenses (note 12)	23,129	21,072	87,958	103,890
	176,388	146,082	482,183	544,621
Net comprehensive loss	**$ (165,725)**	**$ 174,728**	**$ (578,620)**	**$ (469,061)**
Loss per share (note 13):				
Basic	$ (0.00)	$ 0.01	$ (0.01)	$ (0.02)
Diluted	$ (0.00)	$ 0.01	$ (0.01)	$ (0.02)

See accompanying notes to the condensed interim consolidated financial statements.

BLACKHAWK RESOURCE CORP.

Condensed Interim Consolidated Statements of Changes in Equity

As at		March 31, 2016		March 31, 2015
Share capital				
Balance, beginning of period	$	7,492,253	$	6,405,065
Balance, end of period		7,492,253		6,405,065
Contributed surplus				
Balance, beginning of period		793,258		779,355
Stock based compensation		65,878		14,173
Balance, end of period		859,406		793,528
Deficit				
Balance, beginning of period		(3,513,326)		(3,439,549)
Net loss and comprehensive loss		(578,620)		(469,061)
Dividend declared		(129,769)		–
Balance, end of period		(4,221,715)		(3,908,610)
Shareholders' equity	**$**	**4,129,944**	**$**	**3,289,983**

See accompanying notes to the condensed interim consolidated financial statements.

BLACKHAWK RESOURCE CORP.

Condensed Interim Consolidated Statements of Cash Flows

Nine month period ended March 31,	**2016**	**2015**
Cash provided by (used in):		
Operations:		
Net loss from continuing operations	$ (578,620)	$ (469,061)
Items not affecting cash:		
Net change in unrealized loss on investments	254,211	490,744
Gain on sale of property, plant and equipment	–	(25,259)
Depletion (note 12)	1,300	10,437
Stock based compensation	65,878	14,173
Accretion (note 12)	1,302	2,208
Revision of estimates in decommissioning liabilities (note 12)	16,407	–
	(239,522)	23,242
Change in non-cash operating working capital:		
Trade and other receivables	98,199	(57,571)
Proceeds on disposal of investments, net of realized gain (loss)	3,683,703	1,551,557
Purchase of investments	(2,798,365)	(1,777,512)
Prepaid expenses and deposits	2,288	52,625
Trade and other payables	(109,793)	(87,359)
Due on investments to be settled	(123,112)	(656,330)
	513,398	**(951,348)**
Finance:		
Dividends paid	(115,350)	–
	(115,350)	**–**
Investments:		
Sale of property, plant and equipment	–	26,000
Decommissioning costs incurred	(31,137)	(56,308)
	(31,137)	**(30,308)**
Net change in cash and cash equivalents	366,911	(981,656)
Cash and cash equivalents, beginning of period	554,656	1,375,325
Cash and cash equivalents, end of period	**$ 921,567**	**$ 393,669**
Supplemental cash flow information:		
Interest received	$ 331,616	$ 97,731
Dividends received	76	11,827
Dividends paid	115,350	–

See accompanying notes to the condensed interim consolidated financial statements.

1. General information:

Blackhawk Resource Corp. (the "Corporation") was incorporated under the Business Corporations Act (Alberta) on March 25, 1986. The Corporation's focus is in 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 head office is located at Suite 650, 816 7th Ave SW, Calgary, Alberta, T2P 1A1.

2. Basis of preparation:

The condensed interim consolidated financial statements for the three and nine month periods ended March 31, 2016 and 2015 have been prepared in accordance with International accounting standard ("IAS") 34 - Interim Financial Reporting and are in accordance with International Financial Reporting Standards ("IFRS"). The condensed interim consolidated financial statements are presented in Canadian dollars. These condensed interim consolidated financial statements do not include all disclosure required for fair presentation and should be read in conjunction with the Corporation's June 30, 2015 yearend consolidated financial statements. Comparative amounts have been reclassified to reflect the current period's presentation.

Statement of compliance

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 are significant to the interim consolidated financial statements are disclosed in the Corporation's June 30, 2015 yearend consolidated financial statements.

The condensed interim consolidated financial statements have been prepared on a historical cost basis with some exceptions in accordance with IFRS, as detailed in the accounting policies set out in the Corporation's June 30, 2015 yearend financial statements. These policies have been applied consistently for all periods presented in these condensed interim consolidated financial statements.

3. Accounting standards:

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 July 1, 2016 or later periods. The standards impacted that are applicable to the Corporation are as follows:

a) 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. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018. The Corporation is currently assessing the impact of this standard.

b) 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, 2018. The Corporation is currently assessing the impact of this standard.

4. 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 March 31, 2016:

Sector	Cost	Level 1	Level 2	Level 3	Total fair value	% of total fair value
Oil and gas producers	$297,817	$59,400	$ –	$ –	$59,400	5%
Mining	570,140	503,240	315,075	–	818,315	65%
Technology and other	563,000	309,650	32,367	42,395	384,412	30%
Total	**$1,430,957**	**$872,290**	**$347,442**	**$42,395**	**$1,262,127**	**100%**

Investments by sector consist of the following as at June 30, 2015:

Sector	Cost	Level 1	Level 2	Level 3	Total fair value	% of total fair value
Construction and real estate	$211,000	$166,000	$17,895	$ –	$183,895	9%
Oil and gas producers	447,817	130,950	67,300	–	198,250	10%
Mining	508,540	542,460	245,600	–	788,060	41%
Technology and other	689,000	541,839	179,558	50,135	771,532	40%
Total	**$1,856,357**	**$1,381,249**	**$510,353**	**$50,135**	**$1,941,737**	**100%**

Level 1 instruments include shares and warrants actively traded in an active market, level 2 instruments include warrants held in public companies, level 3 instruments include common shares and warrants held in private companies.

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. An increase of 25% in the volatility used to measure these instruments will result in a corresponding $21,988 (June 30, 2015 - $26,421) change in the value of the investment.

The fair value of the common shares included in level 3 of $42,395 (June 30, 2015 - $50,135) was adjusted to the deemed acquisition value of the private shares as proposed in a definitive purchase agreement dated January 12, 2016.

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.

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

As at March 31, 2016 $77,204 (June 30, 2015, $98,892) was due and outstanding from investments that the Corporation had sold but not settled as of period end.

As at March 31, 2016 $Nil (June 30, 2015, $144,800) was due and outstanding on investments that had been purchased but not settled as of period end.

5. Investments at amortized cost:

Investments at amortized cost consist of the following:

	March 31, 2016	June 30, 2015
Short term loans	$1,491,794	$1,940,063
Total investments at amortized cost	**$1,491,794**	**$1,940,063**

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 20% (June 30, 2015 – 18%).

6. Property, plant and equipment:

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

	March 31, 2016	June 30, 2015
Oil and gas properties	$117,885	$117,857
Provost Area GORR	67,662	67,662
Total property, plant and equipment	**$185,547**	**$185,519**

The Corporation's oil and gas properties at March 31, 2016 and June 30, 2015 consisted of 2 CGUs, the Greencourt Area and the Wood River Area. These CGUs have a total cost of $518,273 (June 30, 2015 - $517,649) and accumulated depletion of $400,388 (June 30, 2015 - $399,088).

The GORR consists of a 2.5% royalty on any new wells drilled and produced on lands previously sold and a 5% royalty on one well in the Provost Area that was already producing.

7. Long term investments at amortized cost:

Long term investments at amortized cost consist of the following:

	March 31, 2016	June 30, 2015
Mortgage receivable	$150,000	$150,000
Debenture	139,267	150,937
Total long term investments at amortized cost	**$289,267**	**$300,937**

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.

On May 4, 2015, the Corporation entered into a long term debenture agreement with a private company for $150,000. This debenture has a term of 3 years with an annual interest rate of 4%. The Corporation sold $12,000 of the debenture in August. The fair value of the outstanding debenture at March 31, 2016 was estimated to be $82,800 and would be included in level 1 of the financial instruments hierarchy.

8. Decommissioning liabilities:

	March 31, 2016	June 30, 2015
Balance, beginning of period	$205,545	$283,617
Accretion	1,302	3,237
Decommissioning costs incurred	(31,137)	(67,350)
Disposal	–	(32,818)
Revision of estimates	17,735	18,859
Balance, end of period	**$193,445**	**$205,545**

The Corporation estimates the total undiscounted amount of cash flow required to settle its decommissioning liabilities as at March 31, 2016 is approximately $200,427 (June 30, 2015 - $215,479), which is expected to be incurred over the next year to 11 years. An inflation factor of 3% per annum (June 30, 2015 – 3% per annum) was applied to determine the expected future costs and an average risk free rate of 0.72% was used to calculate the present value of the estimated future decommissioning liabilities at March 31, 2016 (June 30, 2015 – 0.83%).

9. Share capital:

a.) Authorized:

Unlimited number of common voting shares and preferred shares

b.) Issued:

	Number of Shares	Amount
Balance, June 30, 2014 and 2013	22,179,706	$6,405,065
Share issuance – common shares	19,016,668	1,141,000
Share issuance costs	–	(53,812)
Balance, June 30, 2015 and March 31, 2016	**41,196,374**	**$7,492,253**

On May 27, 2015, the Corporation completed a private placement for 19,016,668 common shares at a price of $0.06 per common share for gross proceeds of $1,141,000. The Corporation incurred $53,812 in commissions and legal fees related to the closing of this placement.

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 4,119,637 (June 30, 2015 – 4,119,637) common shares. The details of this plan are as follows:

9. Share capital (continued):

	March 31, 2016		June 30, 2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	1,766,666	$0.20	2,208,333	$0.22
Granted	1,500,000	$0.10	–	–
Expired	–	–	(441,667)	$0.30
Options outstanding, end of period	**3,266,666**	**$0.15**	**1,766,666**	**$0.20**
Exercisable, end of period	**2,766,666**	**$0.16**	**1,766,666**	**$0.20**

The following table summarizes information about stock options outstanding and exercisable at March 31, 2016:

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
$0.30	866,666	0.69 years	$0.30
$0.10	600,000	2.72 years	$0.10
$0.10	300,000	2.92 years	$0.10
$0.10	1,500,000	4.34 years	$0.10
	3,266,666	**2.94 years**	**$0.15**

The following table summarizes information about stock options outstanding and exercisable at June 30, 2015:

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
$0.30	866,666	1.44 years	$0.30
$0.10	600,000	3.47 years	$0.10
$0.10	300,000	3.67 years	$0.10
	1,766,666	**2.51 years**	**$0.20**

The following table summarizes information about stock options outstanding and exercisable at March 31, 2016:

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
$0.30	866,666	0.69 years	$0.30
$0.10	600,000	2.72 years	$0.10
$0.10	300,000	2.92 years	$0.10
$0.10	1,000,000	4.34 years	$0.10
	2,766,666	**2.69 years**	**$0.16**

9. Share capital (continued):

For the three month period ended March 31, 2016, the Corporation recorded stock based compensation expense of $19,440 (2015 - $1,327). For the nine month period ended March 31, 2016, the Corporation recorded stock based compensation expense of $65,878 (2015 - $14,173). 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:

March 31,	2016	2015
Risk-free interest rate	0.72%	1.84%
Expected life of options	5 years	5 years
Expected volatility	137.69%	140.78%
Forfeiture rate	0.00%	0.00%
Annual dividend per share	$0.0042	$0.0042
Weighted average fair value per option	$0.06	$0.07

10. Other investment revenue:

The Corporation's other investment revenue consists of the following:

Three month period ended March 31,	2016	2015
Financial guarantee fees	$ –	$ –
Other investment fees	–	–
	$ –	**$ –**

Nine month period ended March 31,	2016	2015
Financial guarantee fees	$ –	$125,000
Other investment fees	54,000	–
	$54,000	**$125,000**

In the nine month period ended March 31, 2015, the Corporation issued a financial guarantee in relation to a specific private placement financing for a company in which the Corporation would provide a back stop to the orders. As a result of this guarantee the Corporation received a fee in the amount of $125,000.

11. Finance costs:

The Corporation's finance costs consist of the following:

Three month period ended March 31,	2016	2015
Bank fees	$356	$755
Interest expenses	155	–
Finance costs	**$511**	**$755**

11. Finance costs (continued):

The Corporation’s finance costs consist of the following:

Nine month period ended March 31,	**2016**	**2015**
Bank fees	$1,542	$1,705
Interest expenses	166	187
Finance costs	**$1,708**	**$1,892**

12. Oil and natural gas revenues and expenses:

The Corporation’s oil and natural gas revenues and expenses consist of the following:

Three month period ended March 31,	**2016**	**2015**
Net revenue from oil and natural gas properties:		
Oil and natural gas revenue	$13,264	$6,722
Gain (loss) on sale of property, plant and equipment	–	(9,329)
Less royalties	–	(139)
Net revenue from oil and natural gas properties	**$13,264**	**$(2,746)**
Oil and natural gas expenses:		
Accretion	$432	679
Depletion	421	(3,767)
Revision of estimates in decommissioning liabilities	69	–
Field operating costs	22,207	24,160
Oil and natural gas expenses	**$23,129**	**$21,072**

Nine month period ended March 31,	**2016**	**2015**
Net revenue from oil and natural gas properties:		
Oil and natural gas revenue	$43,932	$88,964
Gain on sale of property, plant and equipment	–	25,260
Less royalties	–	(4,753)
Net revenue from oil and natural gas properties	**$43,932**	**$109,471**
Oil and natural gas expenses:		
Accretion	1,302	2,208
Depletion	1,300	10,437
Revision of estimates in decommissioning liabilities	16,407	–
Field operating costs	68,949	91,245
Oil and natural gas expenses	**$87,958**	**$103,890**

13. 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 basic and diluted income (loss) per share have been as follows:

Three and nine month period ended March 31,	2016	2015
Weighted average shares outstanding, basic and diluted	41,196,374	22,179,706

14. 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 three month period ended March 31, 2016, the Corporation incurred consulting fees of $52,500 (2015 – $52,500), and directors fees of $6,250 (2015 - $6,250), 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 loss. The Corporation also incurred $8,068 (2015 - $1,327) in stock based compensation for options issued to key management. At March 31, 2016, no consulting fees remained outstanding (2015 – $Nil) and $6,250 director's fees remained outstanding (2015 - $7,391).

For the nine month period ended March 31, 2016, the Corporation incurred consulting fees of $157,500 (2015 – $160,800), and directors fees of $20,481 (2015 - $23,641), 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 loss. The Corporation also incurred $51,411 (2015 - $13,305) in stock based compensation for options issued to key management. At March 31, 2016, no consulting fees remained outstanding (2015 – $Nil) and $6,250 director's fees remained outstanding (2015 - $7,391).

b.) Related party transactions

During the three month period ended March 31, 2016, the Corporation incurred legal costs of $Nil (2015 - $4,617) 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 was included in trade and other payables at March 31, 2016 (2015 - $640).

During the nine month period ended March 31, 2016, the Corporation incurred legal costs of $7,751 (2015 - $33,287) 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 was included in trade and other payables at March 31, 2016 (2015 - $640).

On July 17, 2015, the Corporation entered into a credit agreement for an aggregate principal amount of $462,525 ($350,000USD) with a company that shares a common director. As of March 31, 2016, $524,643 (inclusive of $62,118 in accrued interest) was included in investments at amortized cost on the consolidated statement of financial position. The credit agreement was entered into under the Corporation's standard terms, conditions and security requirements as set out in the Corporation's business model.

On September 29, 2015, the Corporation entered into a credit agreement for an aggregate principal amount of $419,000 with a company that shares a common director. The credit agreement was repaid in full during the nine month period ended March 31, 2016, with all accrued and outstanding interest and fees. The credit agreement was entered into under the Corporation's standard terms, conditions and security requirements as set out in the Corporation's business model.

15. Financial instruments:

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

March 31, 2016			
Asset (liability)	**Fair value through profit or loss**	**Loans and receivables at amortized cost**	**Financial liabilities at amortized cost**
Cash and cash equivalents	$ –	$921,567	$ –
Trade and other receivables	–	19,219	–
Due from investments to be settled	–	77,204	–
Investments at fair value	1,262,127	–	–
Investments at amortized cost	–	1,491,794	–
Long term investments at amortized cost	–	289,267	–
Trade and other payables	–	–	(29,759)
Dividends declared	–	–	(43,256)
	$1,262,127	**$2,799,051**	**$(73,015)**

June 30, 2015			
Asset (liability)	**Fair value through profit or loss**	**Loans and receivables at amortized cost**	**Financial liabilities at amortized cost**
Cash and cash equivalents	$ –	$554,656	$ –
Trade and other receivables	–	117,418	–
Due from investments to be settled	–	98,892	–
Investments at fair value	1,941,737	–	–
Investments at amortized cost	–	1,940,063	–
Long term investments at amortized cost	–	300,937	–
Trade and other payables	–	–	(139,552)
Dividends declared	–	–	(28,837)
Due on investments to be settled	–	–	(144,800)
	$1,941,737	**$3,011,966**	**$(313,189)**

The carrying value of the Corporation's financial instruments, excluding investments at fair value (note 4) and investments held to maturity (note 5), approximate their fair value due to the short term nature of these instruments.

16. 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, due from investments to be settled, investments held to maturity, and long term investments.

16. Risk Management (continued):

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 March 31, 2016, the Corporation's trade and other receivables of $19,219 (June 30, 2015 - $117,418) consisted of $1,611 (June 30, 2015 - $4,322) due from petroleum marketers, $614 (June 30, 2015 - $19,249) due from joint venture partners, $6,250 due on financial guarantee contracts (June 30, 2015 - $81,250), and $10,744 (June 30, 2015 - $12,597) 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 Corporation's receivable due on financial guarantee contracts are subject to credit risk. The Corporation reviews the individual creditworthiness of the contractor. This review helps to mitigate the credit risk, but the Corporation is still exposed to the risk that the contractor will not be able to pay the fees. There is no allowance recorded against these receivables.

The Corporation's investments held to maturity of $1,781,061 (June 30, 2015 - $2,241,000) consists of $1,491,794 (June 30, 2015 - $1,940,063) in short terms loans, $139,267 in convertible debentures (June 30, 2015 - $150,937) and $150,000 in a mortgage receivable (June 30, 2015 - $150,000). 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.

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 March 31, 2016:

Financial Liabilities	**< One Year**	**> One Year**
Trade and other payables	$29,759	$ –
Dividends declared	43,256	–
Total	**$73,015**	**$ –**

The following are the contractual maturities of financial liabilities as at June 30, 2015:

Financial Liabilities	**< One Year**	**> One Year**
Trade and other payables	$139,552	$ –
Dividends declared	28,837	–
Due on investments to be settled	144,800	–
Total	**$313,189**	**$ –**

16. Risk Management (continued):

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 $43,615 (June 30, 2015 - $75,062) 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.

17. Capital disclosures:

As at March 31, 2016, in the definition of capital, the Corporation includes shareholders' equity of $4,129,944 (June 30, 2015 - $4,772,455). 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. The Corporation is not exposed to externally imposed capital requirements.