Abenteuer Resources Corp.

Consolidated Financial Statements

Year Ended December 31, 2015

(Expressed in Canadian Dollars)

April 29, 2016

Independent Auditor's Report

To the Shareholders of Abenteuer Resources Corp.

We have audited the accompanying consolidated financial statements of Abenteuer Resources Corp., which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated 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 entity'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 entity'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.

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Abenteuer Resources Corp. as at December 31, 2015 and December 31, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which discloses conditions and matters than indicate the existence of a material uncertainty that may cast significant doubt about the ability of Abenteuer Resources Corp. to continue as a going concern.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants

Abenteuer Resources Corp.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	December 31, 2015 ($)	December 31, 2014 ($)
ASSETS			
Current assets			
Cash		152,896	67,017
Short-term investments	5	-	207,595
Prepaid expenses and other deposits	7	6,670	50,665
Accounts receivable and other receivables	6	36,813	36,700
		196,379	361,977
Reclamation and other	8	33,058	33,058
Oil properties	9	440,311	514,970
		669,748	910,005
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	10	58,580	58,974
Decommissioning obligations	11	112,734	110,463
		171,314	169,437
Shareholders' equity			
Share capital	13	2,819,649	2,819,649
Reserves	13	360,306	363,677
Deficit		(2,681,521)	(2,442,758)
		498,434	740,568
		669,748	910,005

Nature of Operations and Going Concern (Note 1)

These consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2016.
They were signed on the Board's behalf by:

"David Parry"
David Parry - Director

"J. Lewis Dillman"
J. Lewis Dillman - Director

Abenteuer Resources Corp.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Notes	Year Ended December 31, 2015	Year Ended December 31, 2014
		($)	**($)**
REVENUE			
Oil sales		233,301	597,216
Royalty income		435	6,196
Royalty expense and freehold mineral tax		(24,332)	(42,057)
		209,404	561,355
EXPENSES			
Change in estimate for decommissioning liability		1,263	-
General and administrative	17	269,210	706,354
Impairment of oil property		20,936	34,462
Operating expenses	17	206,356	396,872
		497,765	1,137,688
OTHER ITEMS			
Other income		45,000	-
Interest income		1,227	5,890
		46,227	5,890
Net loss and comprehensive loss for the year		(242,134)	(570,443)
Basic and diluted loss per common share		(0.01)	(0.03)
Weighted average common shares outstanding			
Basic		18,278,266	18,278,266
Diluted		18,278,266	18,278,266

Abenteuer Resources Corp.

Consolidated Statement of Changes in Shareholders`Equity
(Expressed in Canadian Dollars)

		Share capital		Reserves				
	Notes	Number of Shares	Amount	Option	Warrant	Total	Deficit	Total
			($)	($)	($)	($)	($)	($)
Balance at December 31, 2013		18,278,266	$ 2,819,649	$ 295,774	$ 26,530	$ 322,304	$ (1,872,315)	$ 1,269,638
Incentive stock options granted	13	-	-	41,373	-	41,373	-	41,373
Loss for the year		-	-	-	-	-	(570,443)	(570,443)
Balance at December 31, 2014		18,278,266	2,819,649	337,147	26,530	363,677	(2,442,758)	740,568
Stock options forfeited	13	-	-	(3,371)	-	(3,371)	3,371	-
Loss for the year		-	-	-	-	-	(242,134)	(242,134)
Balance at December 31, 2015		18,278,266	2,819,649	333,776	26,530	360,306	(2,681,521)	498,434

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

Abenteuer Resources Corp.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended December 31, 2015	Year Ended December 31, 2014
	($)	**($)**
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss for the year	(242,134)	(570,443)
Items not affecting cash:		
Accretion	1,934	3,412
Depletion	52,797	133,796
Change in estimate for decommissioning liability	1,263	-
Share-based payments	-	41,373
Impairment of oil property	20,936	34,462
Interest income	-	(552)
Changes in non-cash working capital items:		
Decrease (increase) in receivables	(113)	(2,312)
Decrease in prepaids	43,995	(190)
Increase (decrease) in accounts payable and accrued liabilities	(394)	(40,469)
	(121,716)	(400,923)
INVESTING ACTIVITIES		
Redeem short-term investment	207,595	651,312
Oil and gas property expenditures	-	(233,501)
	207,595	417,811
Change in cash during the year	85,879	16,888
Cash - beginning of year	67,017	50,129
Cash - end of year	152,896	67,017

During the years ended December 31, 2015 and 2014, the Company had no significant non-cash financing transactions.

1. Nature of Operations and Going Concern

Abenteuer Resource Corp. (the "Company") was incorporated under the laws of the province of Alberta, Canada and was continued into the province of British Columbia in 2010. The Company's registered office is Suite 1578 – 609 Granville Street, Vancouver, BC, Canada, V7Y 1G5. The Company is engaged primarily in the exploration for, and the production of, petroleum reserves in Western Canada. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "ABU".

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for oil. Several adverse conditions and material uncertainties, including low oil prices, cast significant doubt upon the going concern assumption. The Company had cash of $152,896, working capital of $137,799, deficit of $2,681,521 and losses of $242,134 as at and for the year ended December 31, 2015.

The Company expects to incur further losses in the development of its business which casts substantial doubt on the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon the acquisition and development of additional oil properties, and ultimately its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. If for any reason, the Company is unable to maintain cash flows and continue as a going concern, then this could result in adjustments to the amounts and classifications of assets and liabilities in the Company's consolidated financial statements and such adjustments could be material.

2. Basis of Preparation

a) Statement of compliance

These audited annual financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the CPA Canada Handbook – Accounting ("CPA Handbook"). The CPA Handbook incorporates International Financial Reporting Standards ("IFRS") and publicly accountable enterprises, such as Abenteuer, are required to apply such standards.

These audited annual consolidated financial statements were approved for issue by the Company's Board of Directors on April 29, 2016.

b) Basis of measurement

All references to dollar amounts in these financial statements and related notes are in Canadian dollars, unless otherwise indicated.

These financial statements have been prepared on a historical cost basis, except for certain financial instruments which are recorded at fair value. The methods used to measure fair values are described in Note 14 of these financial statements.

3. Summary of Significant Accounting Policies

Basis of consolidation

The consolidated financial statements include the accounts of the Company's wholly-owned subsidiary, Roughrider Energy Corp. All intercompany transactions and balances are eliminated upon consolidation. As at December 31, 2015, Roughrider Energy Corp. is a dormant corporation with no active business or operations.

Foreign currency translation

The functional currency of the Company and its subsidiaries is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is also the functional currency of the Company and its subsidiary.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statement of loss and comprehensive loss in "general and administrative".

Joint arrangements

The Company conducts many of its petroleum activities through jointly controlled operations and the financial statements reflect only the Company's proportionate interest in such activities.

Joint control exists for contractual arrangements governing the Company's assets whereby the Company has less than 100 percent working interest, all of the partners have control of the arrangement collectively, and spending on the project requires unanimous consent of all parties that collectively control the arrangement and share the associate risks. The Company does not have any joint arrangements that are structured through joint venture arrangements.

Oil properties

Oil properties are stated at cost, less accumulated depletion and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and decommissioning costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Where commercial production in an area of interest has commenced, oil properties are depleted on a unit-of-production basis over the proved reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved reserves of the relevant area. The unit-of-production rate for the depletion of field development costs takes into account expenditures incurred to date, together with future development expenditures to develop the proved reserves. Changes in factors such as estimates of proved reserves that affect unit-of-production calculations are dealt with on a prospective basis.

3. Summary of Significant Accounting Policies (continued)

Revenue

Revenue from the sale of oil is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer, which is usually when legal title passes to the external party, sales prices and costs can be reasonably measured, and it is probable that future economic benefits will flow to the entity. For crude oil, this is generally at the time the product reaches a trucking terminal or pipeline. Revenue is measured net of discounts.

Share based payments

The Company has a stock option plan. Share based payments are measured at the fair value of the instruments issued and recognized immediately upon vesting. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the options granted shall be based on the number of options that eventually vest. If and when stock options are ultimately exercised, the amount of cash received as well as the applicable amount of the associated reserve is transferred to share capital.

Loss per share

Basic net loss per share is calculated by dividing the net loss of the Company by the weighted average number of common shares outstanding during the year. Diluted net loss per share is determined by adjusting the net loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. The treasury stock method assumes that proceeds received from the exercise of in-the-money stock options are used to repurchase common shares at the average market price.

Financial instruments

The Company recognizes financial assets and liabilities on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All financial assets recognized on the Company's statement of financial position are classified as loans or receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are initially recognized at fair value and subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

All financial liabilities recognized on the Company's statement of financial position are initially recognized at fair value and subsequently measured at amortized cost.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired.

Short term investments

Short-term investments are investments which are current in nature, with an original term to maturity greater than three months but less than one year.

3. Summary of Significant Accounting Policies (continued)

Impairment of long lived assets

The carrying amount of the Company's assets is reviewed for impairment when indicators of such impairment exist. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount of assets is the greater of an asset's fair value less costs of disposal and value in use. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal ("FVLCD").

FVLCD is defined as the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The Company calculates FVLCD by reference to the after-tax future cash flows expected to be derived from production of proved plus probable reserves, less estimated selling costs. The estimated after-tax future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. If an impairment loss exists, then it is recorded as an expense immediately.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss cannot be reversed to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Income taxes

Income tax is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the jurisdictions where the Company operates and generates taxable income. The tax rate used is the rate that is enacted or substantively enacted.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3. Summary of Significant Accounting Policies (continued)

Decommissioning provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of well sites is capitalized to oil and gas properties along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other oil and gas properties.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to oil and gas properties with a corresponding entry to the restoration provision, except when the related oil and gas property is closed. Changes in estimates of restoration costs for closed oil and gas properties are recorded in the income statement. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

The restoration provisions are accreted to full value over time through charges to operating expenses on the consolidated statement of loss and comprehensive loss.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred. The costs of restoration projects that were included in the provision are recorded against the provision as incurred.

New or amended IFRSs effective January 1, 2015

Accounting standards issued but not yet effective

IFRS 11, Joint arrangements, was amended to provide specific guidance on accounting for the acquisition of an interesting in a joint operation that is a business. The new standard is effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

IAS 16, Property, plant and equipment and IAS 38, Intangible assets, were amended to prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets. The new standards are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

IFRS 15, Revenue from Contracts with Customers, provides clarification for recognizing revenue from contracts with customers and establishes a single revenue recognition and measurement framework that applies to contracts with customers. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently assessing the potential impact of the adoption of IFRS 15 on the Company's financial statements.

IFRS 16, Leases, replaces *IAS 17, Leases*. The objective of the new standard requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating or finance leases, effectively treating all leases and finance leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded. This standard is effective for year beginning on or after January 1, 2019.

3. Summary of Significant Accounting Policies (continued)

IFRS 9 *Financial Instruments*, is intended to replace IAS 39 *Financial Instruments: Recognition and Measurement* and uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial liabilities designated at fair value through profit or loss, a company can recognize the portion of the change in fair value related to the change in the company's own credit risk through other comprehensive income rather than profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39, and incorporates new hedge accounting requirements. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently assessing the potential impact of the adoption of IFRS 9 on the Company's financial statements.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The following areas required a significant degree of estimation and judgment:

Reserve base

The oil and gas properties are depreciated on a unit of production ("UOP") basis at a rate calculated by reference to proved reserves determined in accordance with National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" and incorporate the estimated future cost of developing and extracting those reserves. Proved reserves are determined using estimates of oil in place, recovery factors and future prices. Future development costs are estimated using assumptions as to number of wells required to produce the reserves, the cost of such wells and associated production facilities and other capital costs. Proved reserves are estimated using independent reserve engineer reports and represent the estimated quantities of oil which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable.

Depletion of oil assets

Oil properties are depleted using the UOP method over proved reserves. The calculation of the UOP rate of depletion could be impacted to the extent that actual production in the future is different from current forecast production based on proved reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves (Note 9).

Determination of cash generating units

Oil properties are grouped into cash generating units for purposes of impairment testing. Management has evaluated the oil properties of the Company, and grouped the properties into cash generating units on the basis of their ability to generate independent cash inflows, similar reserve characteristics, geographical location, and shared infrastructure.

(Expressed in Canadian dollars)

4. Significant Accounting Judgments, Estimates and Assumptions (continued)

Impairment indicators and calculation of impairment

At each reporting date, the Company assesses whether or not there are circumstances that indicate a possibility that the carrying values of oil properties and equipment are not recoverable, or impaired. Such circumstances include incidents of deterioration of commodity prices, changes in the regulatory environment, or a reduction in estimates of proved and probable reserves. When management judges that circumstances indicate impairment, property and equipment are tested for impairment by comparing the carrying values to their recoverable amounts. The recoverable amounts of cash generating units are determined based on the higher of value in use calculations and fair values less costs of disposal. These calculations require the use of estimates and assumptions that are subject to changes as new information becomes available including information on future commodity prices, expected production volumes, quantity of reserves, discount rates, as well as future development and operating costs (Note 9).

Decommissioning provisions

Restoration costs will be incurred by the Company at the end of the operating life of the Company's oil properties. Abenteuer estimates abandonment and reclamation costs based on a combination of publically available industry benchmarks and internal site specific information. For producing wells and facilities, the expected timing of settlement is estimated based on the proved plus probable period to abandonment for each field, as per the independent reserve report. The ultimate restoration liability is uncertain and can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques, experience at other production sites, or changes in the risk-free discount rate. The expected timing and amount of expenditure can also change in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results (Note 11).

5. Short-term Investments

The Company redeemed a variable rate term deposit on August 13, 2015. As at December 31, 2015, the Company had $Nil (December 31, 2014 - $207,000) invested. Short-term investments held during the year earned interest based on the Bank of Montreal's prime rate less 1.95%.

6. Accounts Receivable and Other Receivables

	2015	2014
	($)	($)
Value-added tax receivable	1,208	5,634
Trade receivables	35,605	31,066
	36,813	36,700

(Expressed in Canadian dollars)

7. Prepaid Expenses and Other Deposits

	2015	**2014**
	($)	**($)**
Prepaid expenses	6,670	5,747
Office rent deposit	-	44,918
	6,670	50,665

8. Reclamation and Other Deposits

The Company has a reclamation bond having a value of $33,058 ($20,000 Well and $13,058 Battery) that is held by the Saskatchewan Industry and Resources in the event that well King 03-27-004-07 W2 becomes orphaned. The bond earns interest at a rate of 1.95% per annum.

9. Oil Properties

The Company has working interests in six wells in southeastern Saskatchewan at Kingsford. All of the wells are horizontal wells (HZ), with the exception of Well #1.

Well #		**Working Interest**	**Net Revenue Interest**
		(%)	**(%)**
1	King 141/08-13-004-07 W2M	45.90	39.02
2	King 91/06 HZ 1D08-13-1D06-18-04-06 W2M	13.00	13.00
3	King 92/07 HZ 2C5-18-1D7-13-04-07 W2M	45.90	39.02
4	King 4D8-14/2A11-13-004-07 W2	10.50	8.93
5	King 03-27-004-07 W2	100.00	84.50
6	Steelman 191/07-18-004-06W2	13.00	13.00

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The Company reviews each CGU for indicators of possible impairment at the end of each reporting period. During the year ended December 31, 2015, the Company identified impairment indicators with respect to Well #3, specifically that the well has been shut-in for twelve months and has not produced any oil. The Company has estimated that there is no recoverable value from the well, and recorded an impairment loss of $20,936.

(Expressed in Canadian dollars)

9. Oil Properties (continued)

As a result of a decrease in forecast oil and natural gas prices, an indication of potential impairment was identified for all CGUs as at December 31, 2015 and 2014. Recoverable amounts for the Company's CGUs were estimated based on FVLCD, calculated using the present value of the CGUs' expected future cash flows (after-tax). The primary source of cash flow information was derived from a report on the Company's oil and gas reserves (the "Citadel Report") which was prepared by an independent qualified reserve evaluator, Citadel Engineering Ltd. ("Citadel").

The projected cash flows in the Citadel Report reflect current market assessments of key assumptions, including long-term forecasts of commodity prices, inflation rates, and foreign exchange rates (Level 3 fair value inputs). Cash flow forecasts are also based on past experience, historical trends and Citadel's evaluation of the Company's reserves and resources to determine production profiles and volumes, operating costs, maintenance and future development capital expenditures. Production profiles, reserves volumes, operating costs, capital expenditures are consistent with the estimates approved through the Company's annual reserves evaluation process. Future cash flow estimates are discounted using after-tax risk adjusted discount rates that reflect the risk specific to the assets in the CGU. The after-tax discount rate applied in the impairment calculation as at December 31, 2015 was 10% (2014 – 10%) for all CGUs.

Based on this analysis, it was concluded that the no impairment with respect to the oil properties was required.

The Company recognized an impairment recovery of $13,543 in respect of Well #1 in the year ended December 31, 2014.

Forecast future prices used in the impairment evaluation as at December 31, 2015 reflect benchmark AECO-C prices adjusted for basis differentials to determine local reference prices, transportation costs and tariffs, heat content and quality as follows:

	2016	**2017**	**2018**	**2019**	**2020** [(1)]
Oil ($/bbl)	51.95	63.55	70.47	78.60	83.60

(1) Prices escalate at 2% per annum thereafter.

For the year ended December 31, 2015, a one percent increase in the discount rate from 10% to 11% to determine the fair value less cost of disposal would have resulted in impairment expense of approximately $6,450. A five percent decrease in the forecasted oil price would have resulted in impairment expense of approximately $8,259.

(Expressed in Canadian dollars)

9. Oil Properties (continued)

2015	Well #1	Well #2	Well #3	Well #4	Well #5	Well #6	Total
	($)	($)	($)	($)	($)	($)	($)
Cost:							
At December 31, 2014	391,618	82,728	729,680	347,266	507,233	250,898	2,309,423
Additions	-	-	-	-	-	-	-
Decommissioning change in estimate	176	231	-	(1,082)	1,269	(1,520)	(926)
At December 31, 2015	391,794	82,959	729,680	346,184	508,592	249,378	2,308,497
Depletion:							
At December 31, 2014	(258,860)	(58,009)	(475,810)	(234,585)	(354,282)	(76,016)	(1,457,562)
Charge for the period	(5,648)	(2,775)	(21)	(7,566)	(12,466)	(24,321)	(52,797)
At December 31, 2015	(264,508)	(60,784)	(475,831)	(242,151)	(366,748)	(100,337)	(1,510,359)
Impairment:							
At December 31, 2014	(103,978)	-	(232,913)	-	-	-	(336,891)
Charge for the period	-	-	(20,936)	-	-	-	(20,936)
At December 31, 2015	(103,978)	-	(253,849)	-	-	-	(357,827)
Net book value:							
At December 31, 2014	28,780	24,719	20,957	112,681	152,951	174,882	514,970
At December 31, 2015	**23,308**	**22,175**	**-**	**104,033**	**141,754**	**149,041**	**440,311**

2014	Well #1	Well #2	Well #3	Well #4	Well #5	Well #6	Total
	($)	($)	($)	($)	($)	($)	($)
Cost:							
At December 31, 2013	392,474	82,779	731,464	348,418	521,289	15,637	2,092,061
Additions	-	-	-	-	-	233,501	233,501
Decommissioning change in estimate	(856)	(51)	(1,784)	(1,152)	(14,056)	1,760	(16,139)
At December 31, 2014	391,618	82,728	729,680	347,266	507,233	250,898	2,309,423
Depletion:							
At December 31, 2013	(250,037)	(54,530)	(464,242)	(225,462)	(329,495)	-	(1,323,766)
Charge for the year	(8,823)	(3,479)	(11,568)	(9,123)	(24,787)	(76,016)	(133,796)
At December 31, 2014	(258,860)	(58,009)	(475,810)	(234,585)	(354,282)	(76,016)	(1,457,562)
Impairment:							
At December 31, 2013	(117,521)	-	(184,908)	-	-	-	(302,429)
Charge for the year	13,543	-	(48,005)	-	-	-	(34,462)
At December 31, 2014	(103,978)	-	(232,913)	-	-	-	(336,891)
Net book value:							
At December 31, 2013	24,916	28,249	82,314	122,956	191,794	15,637	465,866
At December 31, 2014	**28,780**	**24,719**	**20,957**	**112,681**	**152,951**	**174,882**	**514,970**

(Expressed in Canadian dollars)

10. Accounts Payables and Accrued Liabilities

	2015	2014
	($)	($)
Trade payables	9,223	19,471
Related party payables	23,857	4,846
Accrued liabilities	25,500	35,000
	58,580	58,974

11. Decommissioning Provisions

	2015	2014
	($)	($)
Balance, beginning	110,463	123,190
Change in estimate	337	(16,139)
Accretion expense	1,934	3,412
Balance, end	112,734	110,463

The Company's provision for restoration and environmental obligations consists of costs accrued based on the current best estimate of reclamation activities that will be required at the completion of petroleum extraction activities. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the reporting date, known legal requirements and estimates prepared by a third party specialist. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

As Well #3 was shut in during the year, the change in estimate for the decommissioning provision related to Well #3 for the period was recorded in the income statement. The change in estimate for the decommissioning provision for the period related to the remaining wells was recorded directly to the oil properties (Note 9).

The Company has calculated the fair value of the asset retirement obligation using risk free discount rates between 0.49% and 2.15% (December 31, 2014 – 1.06% and 1.79%). The estimated total future undiscounted cash flows to settle the asset retirement obligations are $130,961 (December 31, 2014 - $130,961) and are expected to be incurred over a period of approximately 4 - 20 years.

(Expressed in Canadian dollars)

12. Related Party Transactions

The Company incurred the following transactions with directors and companies that are controlled or significantly influenced by directors of the Company during the years ended December 31, 2015 and 2014.

	2015	2014
	($)	($)
Director fees paid or accrued to two independent directors of the Company	24,000	24,000
Consulting fees paid or accrued to a corporation significantly influenced by a director of the Company	7,500	118,098
Mineral royalties paid or accrued to the Chief Executive Officer (“CEO”) of the Company.	1,362	3,080
	32,862	145,178

Key management compensation

	2015	2014
	($)	($)
Management fees paid to a corporation controlled by the CEO of the Company	24,000	24,000
Professional fees paid to a corporation controlled by the Chief Financial Officer (“CFO”) of the Company	48,000	48,000
	72,000	72,000

a) As at December 31, 2015, a total of $278 (December 31, 2014 - $2,324) was included in accounts payable and accrued liabilities as owing to the CEO of the Company for mineral royalties and reimbursable expenses.

b) As at December 31, 2015, a total of $23,579 (December 31, 2014 - $2,520) was included in accounts payable and accrued liabilities as owing to two directors of the Company for director fees.

13. Share Capital

Authorized share capital

The Company’s authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preference shares without par value.

Issued share capital

There are no preferred shares issued or outstanding. There were no common shares issued during the years ended December 31, 2015 and 2014.

(Expressed in Canadian dollars)

13. Share Capital (continued)

Stock options

The Company has adopted a fixed incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Such options will be exercisable for a variable period from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares.

Options may be exercised no later than 90 days following cessation of the optionee's position with the Company.

A continuity schedule of outstanding stock options is as follows:

	Number of Options	Weighted Average Exercise Price
		($)
Balance as at December 31, 2013	1,150,000	0.20
Granted	675,000	0.10
Balance as at December 31, 2014	1,825,000	0.16
Forfeited	(55,000)	0.10
Balance as at December 31, 2015	1,770,000	0.16
Exercisable as at December 31, 2015	1,770,000	0.16

During the year ended December 31, 2015, there were 55,000 incentive stock options forfeited. The fair value of those stock options which totaled $3,371 was transferred from the share option reserve to deficit.

During the year ended December 31, 2014, the Company granted 675,000 incentive stock options with a strike price of $0.10 and an expiration date of April 7, 2019. The options were determined to have a fair value of $41,373. The options were valued using a Black Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.71%
Expected volatility	82%
Expected dividend yield	Nil
Expected life of option	5 yrs

The options vested immediately and therefore the fair value calculated has been recognized as an expense in the year ended December 31, 2014.

(Expressed in Canadian dollars)

13. Share Capital (continued)

The following table summarizes the options outstanding as at December 31, 2015:

Expiry Date	Number of Options	Number of Options Exercisable	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Time to Expiry
			($)	**($)**	**(Yrs)**
April 7, 2019	620,000	620,000	0.10	0.06	3.27
November 24, 2016	1,150,000	1,150,000	0.20	0.10	0.90
Total	1,770,000	1,770,000	0.16	0.09	1.73

14. Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its accounts receivable and other receivables. This risk is minimal as receivables consist primarily of petroleum sales to long standing customers with reputable credit history. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

The Company's financial liabilities consist of accounts payable, all of which are due within 12 months.

Historically, the Company's main source of funding has been through revenue earned from its operating well interests and the issuance of equity securities for cash. The Company's access to financing in the public markets is always uncertain. There can be no assurance of continued access to significant equity funding (Note 1).

14. Financial Risk Management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its short-term investments as they are exposed to interest rate fluctuations on renewal. A 1% change in market interest rates would not have a material impact on the Company's net loss.

Foreign exchange risk

Foreign currency exchange rate risk is the risk that the fair value of assets and future cash flows will fluctuate as a result of changes in foreign currency exchange rates. However, the Company's functional currency is the Canadian dollar and the Company doesn't have any material assets or operations that are denominated in a foreign currency. Accordingly, the Company is not exposed to any material foreign exchange risk and has not hedged its limited exposure to currency fluctuations.

Commodity risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by world economic events that dictate the levels of supply and demand. The Company had no hedging contracts in place as at or during the year ended December 31, 2015. The Company's earnings and its ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market price of oil. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit. As at December 31, 2015 the Company had an equity balance of $498,434.

The Company manages its capital requirements by maintaining a budgeting and forecasting process to determine whether equity funding is required. The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

Financial assets included in the statement of financial position are cash, short term investments, a reclamation bond, and accounts receivable. Financial liabilities included in the statement of financial position are accounts payable and accrued liabilities. The fair value of the Company's financial assets and liabilities approximates the carrying amount due to their short term to maturity.

15. Segmented Information

The Company operates in a single reportable operating segment – the acquisition, production, exploration and development of oil properties. The Company operates in one geographic segment located in Canada.

(Expressed in Canadian dollars)

16. Income Tax

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before taxes. These differences result from the following items:

	2015	2014
	($)	($)
Loss before income taxes	(242,134)	(570,443)
Canadian federal and provincial income tax rates	27.00%	27.00%
Income tax recovery based on the above rates	(65,376)	(154,020)
Increase (decrease) due to:		
Non-deductible items	172	12,112
Other	83	(20,904)
Tax effect of tax losses and temporary differences not recognized	65,121	162,812
Income tax (recovery) expense	-	-

The components of deferred income taxes are as follows:

	2015	2014
	($)	($)
Deferred income tax assets		
Decommissioning provisions	30,438	29,825
Non-capital losses	406,644	362,294
Property, plant, equipment and other	69,918	69,918
Oil properties	84,098	63,940
Total deferred income tax assets	591,098	525,977
Unrecognized deferred tax asset	(591,098)	(525,977)

(Expressed in Canadian dollars)

16. Income Taxes (continued)

In assigning the realization of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

The Company has non-capital loss carry-forwards of approximately $1,506,088 that may be available for tax purposes. The loss carry-forwards are all in respect of its Canadian operations and expire as follows:

Year	Amount
	($)
2029	245,116
2030	11,641
2031	401,114
2032	48,157
2033	281,888
2034	353,600
2035	164,572
	1,506,088

17. Expense by Nature

General and administrative expense for the years ended December 31, 2015 and 2014 are comprised of the following:

	2015	2014
	($)	**($)**
Office rent	25,568	105,777
Director fees	24,000	24,000
Management fees	24,000	24,000
Professional and consulting fees	99,275	267,187
Property investigation	-	89,667
Share-based payments	-	41,373
Transfer and filing fees	14,333	14,460
Travel	26,436	73,654
Administrative and other	55,598	66,236
	269,210	706,354

(Expressed in Canadian dollars)

17. Expense by Nature (continued)

Operating expense for the years ended December 31, 2015 and 2014 are comprised of the following:

	2015	2014
	($)	($)
Personnel and labour	28,855	83,719
Depletion (Note 9)	52,797	133,796
Accretion of decommissioning provision (Note 11)	1,934	3,412
Power	24,631	38,988
Trucking	24,713	38,793
Supplies and other	73,426	98,164
	206,356	396,872