CANAMAX ENERGY LTD

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2015 and August 31, 2014

CANAMAX ENERGY LTD.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in thousands of Canadian dollars)

	Note	Sept 30, 2015	Dec 31, 2014
		$	$
Assets			
Current assets			
Cash		5,833	3,138
Accounts receivable		2,525	2,493
Prepaid expenses and deposits		321	108
		8,679	5,739
Deposits		166	189
Exploration and evaluation	**4**	2,700	658
Property, plant and equipment	**5**	70,564	38,319
		82,109	44,905
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		10,015	12,568
Decommissioning obligations	**7**	14,959	7,392
		24,974	19,960
Shareholders' Equity			
Share capital	**8**	59,570	20,074
Contributed surplus	**8**	4,994	3,502
Warrants	**8**	2,366	3,027
Deficit		(9,795)	(1,658)
		57,135	24,945
		82,109	44,905

Commitments – Note 10

Approved on behalf of the Board:

(signed) "*Robert Maitland*" Director   (signed) "*Kevin Adair*" Director

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

CANAMAX ENERGY LTD.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Unaudited - Expressed in thousands of Canadian dollars, except per share amounts)

		Three months ended		Nine months ended	
	Note	**Sept 30, 2015**	**Aug 31, 2014**	**Sept 30, 2015**	**Aug 31, 2014**
		$	$	$	$
Revenue					
Petroleum and natural gas sales		4,023	4,646	9,929	9,860
Royalties		(312)	(569)	(367)	(1,751)
Gain (loss) on commodity price contract	**9**	(7)	-	40	-
		3,704	4,077	9,602	8,109
Expenses					
Operating		1,625	1,376	4,136	2,319
Transportation		643	238	1,573	654
General and administration		648	676	1,985	2,263
Transaction costs - acquisitions	**3**	590	6	856	522
Share-based compensation	**8**	358	510	831	1,243
Depletion and depreciation	**5**	1,844	1,443	4,222	2,618
Impairment of property, plant and equipment	**5**	4,100	-	4,100	-
Gain on sale of properties	**5, 10**	(1,286)	(156)	(1,286)	(156)
Gain on bargain purchase		-	-	-	(778)
Exploration and evaluation		2	-	2	-
		(8,524)	(4,093)	(16,419)	(8,685)
Loss before other expenses		4,820	16	6,817	576
Accretion of decommissioning obligations	**7**	48	29	117	76
Finance expense (income)	**6**	123	(115)	1,384	(111)
Income (Loss) before income taxes		(4,991)	70	(8,318)	(541)
Deferred tax recovery	**10**	181	-	181	329
Net income (loss) and comprehensive income (loss)		(4,810)	70	(8,137)	(212)
Net income (loss) per share					
Basic	**8**	**(0.05)**	**0.00**	**(0.14)**	**(0.01)**
Diluted	**8**	**(0.05)**	**0.00**	**(0.14)**	**(0.01)**

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

CANAMAX ENERGY LTD.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in thousands of Canadian dollars, except per share amounts)

	Note	Three months ended Sept 30, 2015	Three months ended Aug 31, 2014	Nine months ended Sept 30, 2015	Nine months ended Aug 31, 2014
Cash provided by (used in):		$	$	$	$
Operating activities					
Net income (loss)		(4,810)	70	(8,137)	(212)
Adjustments for:					
Share-based compensation	**8**	358	510	831	1,243
Depletion and depreciation	**5**	1,844	1,443	4,222	2,618
Impairment of property, plant and equipment	**5**	4,100	-	4,100	-
Unrealized loss (gain) on commodity price contract	**9**	8	(107)	(16)	(107)
Non-cash finance expenses	**6**	-	-	945	-
Gain on sale of properties	**5, 10**	(1,286)	(156)	(1,286)	(156)
Gain on bargain purchase		-	-	-	(778)
Accretion of decommissioning obligations	**7**	48	29	117	76
Exploration and evaluation	**4**	2	-	2	-
Decommissioning expenditures	**7**	(1)	(39)	(10)	(39)
Deferred tax recovery	**10**	(181)	-	(181)	(329)
		82	1,750	587	2,316
Changes in non-cash working capital items					
Accounts receivable		(234)	(719)	309	(1,549)
Prepaid expenses and deposits		281	43	(97)	(332)
Accounts payable and accrued liabilities		1,848	(48)	(283)	(3,154)
		1,895	(724)	(71)	(5,035)
Net operating cash flows		1,977	1,026	516	(2,719)
Investing activities					
Acquisitions, net of cash acquired	**3,4,5**	(2,803)	(1,032)	(3,323)	(1,924)
Property, plant and equipment expenditures	**5**	(7,457)	(5,860)	(8,837)	(14,762)
Exploration and evaluation expenditures	**4**	(8)	(114)	(98)	(114)
Property, plant and equipment dispositions	**5,10**	2,550	-	2,550	570
Change in non-cash working capital items		4,669	(597)	(2,346)	4,733
Net investing cash flows		(3,049)	(7,603)	(12,054)	(11,497)
Financing activities					
Financing proceeds, net of costs		14,233	(13)	14,233	15,394
Repayment of operating loan		(7,328)	-	-	-
Stock option exercise proceeds		-	108	-	226
Warrant exercise proceeds		-	141	-	557
Repayment of bank debt acquired upon business combination		-	-	-	(1,613)
Repayment of notes payable		-	-	-	(85)
Net financing cash flows		6,905	236	14,233	14,479
Increase (decrease) in cash		5,833	(6,341)	2,695	263
Cash – beginning of period		-	9,150	3,138	2,546
Cash – end of period		5,833	2,809	5,833	2,809

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

CANAMAX ENERGY LTD.

Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited - Expressed in thousands of Canadian dollars)

	Share capital		Contributed				
	Number of shares	**Amount $**	**surplus $**	**Warrants $**	**AOCI $**	**Deficit $**	**Total $**
Balance, November 30, 2013	23,989,374	25,193	1,863	561	16	(24,454)	3,179
Units issued for acquisition	2,990,476	3,738	-	691	-	-	4,429
Units issued for cash	13,412,551	14,955	-	1,662	-	-	16,617
Broker warrants	-	(389)	-	389	-	-	-
Exercise of options	305,999	415	(189)	-	-	-	226
Exercise of warrants	928,034	626	-	(69)	-	-	557
Share issuance costs	-	(1,302)	-	-	-	-	(1,302)
Share-based compensation	-	-	1,243	-	-	-	1,243
Expiry of warrants	-	-	194	(194)	-	-	-
Reduction of share capital	-	(23,374)	-	-	-	23,374	-
Net loss and comprehensive loss	-	-	-	-	(16)	(196)	(212)
Balance, August 31, 2014	41,626,434	19,862	3,111	3,040	-	(1,276)	24,737
Shares issued pursuant to:							
Exercise of warrants	333,333	212	-	(13)	-	-	199
Share-based compensation	-	-	391	-	-	-	391
Net loss and comprehensive loss	-	-	-	-	-	(382)	(382)
Balance, December 31, 2014	41,959,767	20,074	3,502	3,027	-	(1,658)	24,945
Shares issued for acquisition (note 3)	45,931,430	24,499	-	-	-	-	24,499
Shares issued for cash (note 8)	21,724,268	13,034	-	-	-	-	13,034
Flow-through shares issued (note 8)	3,618,893	2,171	-	-	-	-	2,171
Shares issued for payment of finance expenses (note 6)	1,531,697	945	-	-	-	-	945
Share issuance costs	-	(1,153)	-	-	-	-	(1,153)
Expiry of warrants	-	-	661	(661)	-	-	-
Share-based compensation	-	-	831	-	-	-	831
Net loss and comprehensive loss	-	-	-	-	-	(8,137)	(8,137)
Balance, September 30, 2015	**114,766,055**	**59,570**	**4,994**	**2,366**	**-**	**(9,795)**	**57,135**

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

1. Reporting entity

Canamax Energy Ltd. and its subsidiaries (collectively the "Company" or "Canamax") are engaged in the acquisition, exploration, development and production of petroleum and natural gas reserves. The Company's head office is located in Calgary, Alberta and all of the Company's petroleum and natural gas revenues are derived from western Canada.

During September 2014, the directors of Canamax approved a change in the Company's year end from the previous February 28 to December 31. The change in year end was made to align the Company with other oil and gas public reporting issuers and resulted in Canamax having a ten-month stub period ended December 31, 2014. For the three and nine months ended September 30, 2015 financial statements, the comparative periods are the three and nine months ended August 31, 2014.

Effective July 30, 2015, the Company completed an amalgamation with one of its subsidiaries, Powder Mountain Energy Ltd. ("Powder"). The amalgamated entity has continued under the name Canamax Energy Ltd.

2. Basis of presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements for the period ended December 31, 2014, which have been prepared in accordance with IFRS.

The accounting policies used to prepare the annual financial statements as at and for the period ended December 31, 2014 have been applied in the preparation of these condensed interim consolidated financial statements.

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on November 25, 2015.

Use of estimates and judgments

The preparation of condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The critical judgments and key estimates made by management in the application of the Company's accounting policies has not changed from the audited consolidated financial statements as at and for the period ended December 31, 2014.

3. Acquisitions

<u>Acquisition of Greater Grimshaw assets</u>

On July 15, 2015, the Company completed an acquisition of certain high working interest producing oil and gas properties primarily in the Grimshaw and Grande Prairie areas of Alberta (the "Greater Grimshaw assets"). The effective date of the transaction was July 1, 2015. The purchase price was approximately $24,156 in cash which included $156 of estimated closing adjustments. The acquisition has been accounted for as a business combination in accordance with IFRS 3, Business Combinations. The purchase price consideration has been allocated to the estimated fair value of the net assets acquired, based on management's preliminary estimates and takes into account currently available information. Revisions may be made as estimates and balances are finalized.

(Unaudited - All amounts are in thousands of Canadian dollars, except as otherwise noted)

The fair value of the net assets acquired has been estimated as:

	$
Property, plant and equipment	26,473
Exploration and evaluation assets	901
Decommissioning obligations	(3,218)
Net identifiable asset acquired	**24,156**

The decommissioning obligations were discounted using a credit adjusted rate of 8% on the acquisition date. The Company incurred $336 of transaction costs related to this acquisition during the nine months ended September 30, 2015.

The following amounts from the Greater Grimshaw assets are included in the consolidated statements of income (loss) and comprehensive income (loss) from the July 15, 2015 closing date to September 30, 2015:

	$
Petroleum and natural gas sales	1,477
Net income and comprehensive income	586

If the acquisition had occurred on January 1, 2015, the consolidated petroleum and natural gas sales and net loss figures for the nine months ended September 30, 2015 would have been as follows:

Nine months ended September 30, 2015	**As Stated**	**Greater Grimshaw prior to acquisition**	**Pro forma**
	$	$	$
Petroleum and natural gas sales	9,929	3,791	13,720
Net income (loss) and comprehensive income (loss)	(8,137)	1,554	(6,583)

<u>Acquisition of Powder Mountain Energy Ltd. ("Powder")</u>

On July 30, 2015, Canamax completed a plan of arrangement (the "Arrangement") with Powder whereby the Company acquired all of the outstanding common shares of Powder in exchange for 45.9 million common shares of Canamax. The transaction was treated as an asset acquisition for accounting purposes. Management assessed whether the net assets acquired should be valued based on the estimated fair value of the consideration received or the estimated fair value of the share consideration given up. Since the acquired assets consisted almost entirely of working capital (substantially all cash), it was determined the consideration received was more representative in valuing the transaction. The purchase price consideration has been allocated to the estimated fair value of the net assets acquired, based on preliminary management estimates and takes into account currently available information. Revisions may be made as estimates and balances are finalized. The Company incurred $520 of transaction costs related to the Powder acquisition during the nine months ended September 30, 2015.

The following summarizes the consideration paid, and the estimated net assets acquired at the acquisition date:

	$
Preliminary purchase price allocation:	
Cash	21,353
Accounts receivable	580
Prepaid expenses and deposits	93
Exploration and evaluation assets	704
Property, plant and equipment	2,356

(Unaudited - All amounts are in thousands of Canadian dollars, except as otherwise noted)

Accounts payable and accrued liabilities	(331)
Decommissioning obligations	(256)
Net identifiable asset acquired	**24,499**
Shares issued by Canamax – 45,931,430 common shares	**24,499**

4. Exploration and evaluation assets

	$
Balance, February 28, 2014	-
Capital expenditures	693
Acquisitions	614
Dispositions	(263)
Non-cash exploration and evaluation expense	(32)
Transfers to property, plant and equipment (note 5)	(354)
Balance, December 31, 2014	658
Capital expenditures	98
Acquisitions (note 3)	1,946
Non-cash exploration and evaluation expense	(2)
Balance, September 30, 2015	**2,700**

5. Property, plant and equipment

	Petroleum and natural gas interests	**Office equipment**	**Total**
	$	**$**	**$**
Cost			
Balance, February 28, 2014	10,548	-	10,548
Acquisition of Ki Exploration Inc.	11,952	-	11,952
Property acquisitions	2,508	-	2,508
Capital expenditures	20,017	141	20,158
Change in decommissioning obligations (note 7)	988	-	988
Dispositions	(3,319)	-	(3,319)
Transfers from exploration and evaluation assets (note 4)	354	-	354
Balance, December 31, 2014	43,048	141	43,189
Acquisitions of Greater Grimshaw properties (note 3)	26,473	-	26,473
Acquisition of Powder (note 3)	2,356	-	2,356
Property acquisitions	244	-	244
Disposition of property (note 10)	(1,264)	-	(1,264)
Capital expenditures	8,827	10	8,837
Change in decommissioning obligations (note 7)	3,921	-	3,921
Balance, September 30, 2015	**83,605**	**151**	**83,756**
Accumulated depletion and depreciation			
Balance, February 28, 2014	1,291	-	1,291
Depletion and depreciation	3,679	11	3,690
Dispositions	(111)	-	(111)
Balance, December 31, 2014	4,859	11	4,870
Depletion and depreciation	4,194	28	4,222
Impairment	4,100	-	4,100
Balance, September 30, 2015	**13,153**	**39**	**13,192**

(Unaudited - All amounts are in thousands of Canadian dollars, except as otherwise noted)

Carrying amount			
December 31, 2014	38,189	130	38,319
September 30, 2015	**70,452**	**112**	**70,564**

The depletion calculation included future development costs of $83,103 (August 31, 2014 - $30,433) and excluded salvage values of $nil (August 31, 2014 - $nil).

During the period ended March 31, 2015, the Company acquired certain petroleum and natural gas assets in its Flood area for cash consideration of $179. The fair value of the assets acquired has been recorded using the acquisition method with a fair value of $244 recorded for property, plant and equipment, offset by $65 recorded for the related decommissioning obligations.

For the three and nine month periods ended September 30, 2015, $182 and $310, respectively (three and nine month periods ended August 31, 2014 – $96 and $96, respectively) of directly attributable administrative costs were capitalized as part of property, plant and equipment.

Impairment

At September 30, 2015, due to declines in forward commodity prices, it was determined that indicators of impairment existed and impairment tests were performed on the Company's cash-generating units ("CGUs"). For the purposes of impairment testing, the estimated recoverable amounts of the Company's CGUs were calculated based on the fair value less costs of disposal based on the estimated net present value of the before tax cash flows from the Company's oil and gas proved reserves discounted at 10% and probable reserves discounted at 15%.

To determine the estimated net present value of the before tax cash flows at September 30, 2015, the Company's independent reserve engineers applied their forward commodity pricing strip at September 30, 2015 to the Company's proved plus probable reserve volumes existing at December 31, 2014. Management adjusted the resulting reserve values to reflect oil and gas production and estimated reserve additions during the nine months ended September 30, 2015.

The following pricing estimates were used in determining whether an impairment to the carrying value of the CGUs existed at September 30, 2015:

	WTI Crude Oil at Cushing, Oklahoma ($US/bbl)	**USD/CDN exchange rate ($US : 1 $Cdn)**	**Light, Sweet Crude Oil (40 API, 0.3%S) at Edmonton ($Cdn/bbl)**	**AECO Gas ($Cdn/ mmbtu)**
2015 – Q4	$45.00	0.75	56.00	2.97
2016	$50.00	0.75	61.33	3.43
2017	$55.00	0.78	64.52	3.62
2018	$60.00	0.80	68.75	3.72
2019	$65.00	0.83	72.73	3.81
2020	$70.00	0.85	76.47	3.90
2021	$75.00	0.85	82.35	4.10
2022	$80.00	0.85	88.24	4.30
2023	$85.00	0.85	94.12	4.50
2024	$89.63	0.85	98.41	4.78
2025 - Remainder	+2.0%/yr	0.85	+2.0%/yr	+2.0%/yr

Based on the impairment tests performed, it was determined that the carrying value of certain CGUs exceeded their estimated recoverable value and a total impairment charge of $4,100 impairment was recorded. The impairment related to two CGUs: Wapiti ($1,620) and Grande Prairie ($2,480).

(Unaudited - All amounts are in thousands of Canadian dollars, except as otherwise noted)

6. Credit facilities

Operating loan

On July 15, 2015, in conjunction with the completion of the $15,387 brokered private placement that closed on July 9, 2015 (note 8) and completion of the acquisition of the Greater Grimshaw assets, the operating loan limit was increased from $10,000 to $21,000. As a result of a review of the credit facility by the lender on October 8, 2015, the operating loan limit remained unchanged. The next review of the facility is scheduled on or before January 1, 2016.

The operating loan facility is secured by a first ranking floating charge on all real property of the Company, and a general security agreement. The facility bears interest at the bank's prime rate plus an applicable margin, which varies depending on the Company's debt-to-cash flow-ratio (as defined by the lender). The facility also bears standby charges for un-drawn amounts.

As at September 30, 2015, the Company had $nil drawn on the operating loan facility (December 31, 2014 – $nil). The Company has a letter of credit outstanding with a customer in the amount of $90 which reduces the amount which can be borrowed under the facility. The demand credit facility has a financial covenant which requires the Company to maintain an adjusted working capital ratio of not less than 1:1. The calculation allows for the undrawn portion of the demand credit facility to be added to current assets and the deduction of the current portion of the demand credit facility from current liabilities. The Company was in compliance with this covenant as at September 30, 2015.

The amount of the facility is subject to a borrowing base test performed on a periodic basis by the lender, based primarily on the Company's petroleum and natural gas reserves using commodity prices estimated by the lender as well as other factors.

Bridge loan facility

As a backstop for the funding required for the Greater Grimshaw asset acquisition (note 3), Canamax established a standby bridge loan facility with an arms-length lender which provided lending capability of up to $20,000. Canamax paid an upfront fee for establishment of the bridge facility in the amount of $1,185 comprised of a share component valued at $945 and a cash component of $240. The share component involved the issue of 1.532 million common shares to the lender at a market price of $0.62 per share. The total fee of $1,185 has been included in finance expense on the statement of income (loss) and comprehensive income (loss). No draws were made on this bridge loan facility as the Greater Grimshaw asset acquisition was funded by proceeds from the Company's private placement that closed on July 9, 2015 and proceeds from the Company's increased operating loan. This facility expired on August 31, 2015 at no further cost to Canamax.

7. Decommissioning obligations

	$
Balance, February 28, 2014	1,901
Obligations from acquisitions	5,804
Obligations disposed	(1,374)
Additions	666
Change in estimates	(297)
Change in risk free rate	619
Actual costs incurred	(51)
Accretion expense	124
Balance, December 31, 2014	7,392
Obligations from acquisitions (note 3 and note 5)	3,539
Additions	541
Change in discount rate, for acquisitions	3,203
Change in estimates	(8)
Change in risk free rate	185
Actual costs incurred	(10)
Accretion expense	117
Balance, September 30, 2015	**14,959**

(Unaudited - All amounts are in thousands of Canadian dollars, except as otherwise noted)

The Company's decommissioning obligations result from its ownership in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The total decommissioning obligation is based on the estimated costs to reclaim and abandon the Company's share of these wells and facilities and the estimated timing of the costs to be incurred in future years. The majority of these costs are expected to be incurred between 2020 and 2035, with a weighted average life of approximately 11 years.

The following significant assumptions were used to estimate the decommissioning obligations:

	September 30, 2015	**December 31, 2014**
Undiscounted, inflation adjusted cash flows	$20,216	$11,343
Risk free rate	0.5% - 1.99%	1.09% - 2.56%
Inflation rate	1.07%	1.5%
Timing of cash flows	1-51 years	1-52 years

The decommissioning obligations acquired pursuant to the acquisitions (note 3) were initially recognized using a fair value discount rate of 8%. They were subsequently revalued using the risk free rate of 0.5% - 1.99% resulting in an increase of $3,203.

8. Share capital

Authorized

Unlimited number of common shares without par value.

Unlimited number of preference shares, issuable in series of which the directors are authorized to fix the number of shares and determine designation, rights, privileges, restrictions and conditions attached to any series.

Financing

On July 9, 2015, the Company closed a brokered private placement of 21,724,268 subscription receipts at a price of $0.60 per subscription receipt and 3,618,893 flow-through common shares at a price of $0.65 per flow through share for aggregate gross proceeds of approximately $15,386. In accordance with their terms, each subscription receipt was exchanged for one common share of Canamax on July 21, 2015, after Canamax had satisfied certain conditions including:

- Closing of the Greater Grimshaw acquisition on July 15, 2015; and
- Obtaining a final receipt on July 20, 2015 for a short-form prospectus filed in certain provinces of Canada.

The Company incurred share issuance costs related to the financings of $1,153 for broker commissions, legal and other fees.

Stock Options

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, at any time. The Plan provides that it is solely within the discretion of the Board of Directors to determine which directors, employees and consultants may be awarded options under the Plan, and under what vesting terms they will be granted, as well as any amendments or variations to these terms. Options granted under the Plan will be for a term not exceeding ten years from the date the option is granted and the options will be exercisable at a price which is not less than the Market Price (as defined in the policies of the TSX Venture Exchange) of the Company's shares at the time the options are granted.

The number of options outstanding and related information is as follows:

	Number of options	**Weighted average exercise price**	**Weighted average remaining life (years)**
Balance, February 28, 2014	1,797,666	$0.96	4.21
Granted	2,069,999	$1.34	
Forfeited	(200,000)	$1.08	

(Unaudited - All amounts are in thousands of Canadian dollars, except as otherwise noted)

Exercised	(280,999)	$0.75	
Balance, December 31, 2014	3,386,666	$1.20	3.96
Granted	7,295,000	$0.43	
Cancelled	(282,222)	$1.19	
Forfeited	-	-	
Exercised	-	-	
Balance, September 30, 2015	**10,399,444**	**$0.66**	**2.76**
Unvested	8,257,777	$0.52	2.67
Exercisable, September 30, 2015	**2,141,667**	**$1.20**	**3.10**

Details of options outstanding as at September 30, 2015 are as follows:

Expiry date	**Exercise price**	**Remaining life (years)**	**Options outstanding**	**Unvested**	**Vested**
April 9, 2016	$1.36	0.53	50,000	-	50,000
November 7, 2016	$1.36	1.11	50,000	12,500	37,500
February 6, 2017	$0.60	1.36	145,834	-	145,834
March 29, 2017	$0.60	1.50	116,667	-	116,667
October 16, 2018	$1.08	3.05	895,833	220,833	675,000
April 10, 2019	$1.36	3.53	822,777	266,111	556,666
April 15, 2017	$0.60	1.54	1,032,500	1,032,500	-
April 15, 2018	$0.60	2.54	1,032,500	1,032,500	-
April 15, 2019	$0.60	3.54	1,032,500	1,032,500	-
April 15, 2017	$0.30	1.54	1,399,167	1,399,167	-
April 15, 2018	$0.30	2.54	1,399,167	1,399,167	-
April 15, 2019	$0.30	3.54	1,399,166	1,399,166	-
May 5, 2019	$1.42	3.60	73,333	-	73,333
August 5, 2019	$1.69	3.85	510,000	170,000	340,000
November 7, 2019	$0.88	4.11	440,000	293,333	146,667
	$0.66	**2.76**	**10,399,444**	**8,257,777**	**2,141,667**

The weighted average fair value of the options granted during the nine months ended September 30, 2015 was $0.22. The fair value of these options was determined using an option pricing model using the following assumptions:

	2015	**2014**
Risk free interest rate	0.40% - 0.58%	1.20%
Expected life	1.63 – 3.73	5 years
Expected volatility	100%	100%
Expected dividends	Nil	Nil

The Company recorded share-based compensation expense of $358 for the three months and $831 for the nine month periods ended September 30, 2015 (three and nine month periods ended August 31, 2014 - $510 and $1,243, respectively).

(Unaudited - All amounts are in thousands of Canadian dollars, except as otherwise noted)

Warrants

The number of share purchase warrants outstanding and related information is as follows:

	Number of warrants	Weighted average exercise price	Weighted average remaining life (years)
Balance, February 28, 2014	6,693,174	$1.00	1.61
Issued	7,575,152	$2.31	1.18
Exercised	(1,261,363)	$0.60	-
Balance, December 31, 2014	13,006,963	$1.80	1.04
Expired	(4,517,709)	$0.68	-
Balance, September 30, 2015	**8,489,254**	**$2.40**	**0.50**

Details of warrants outstanding and exercisable as at September 30, 2015 are as follows:

Expiry date	Number of warrants outstanding	Exercise price	Weighted average remaining life (years)
March 31, 2016	8,489,254	$2.40	0.50

Per share amounts

Basic per share amounts have been calculated based on the weighted average number of common shares outstanding. For the three and nine months ended September 30, 2015 these were 95,053,756 and 60,037,397, respectively, (three and nine months ended August 31, 2014 – 41,479,430 and 33,142,845, respectively). For the three and nine months ended September 30, 2015 and August 31, 2014, all outstanding stock options and warrants were anti-dilutive.

9. Risk management and financial instruments

Fair value of financial instruments

The Company's exposure under its financial instruments is limited to financial assets and liabilities, all of which are included in these condensed interim consolidated financial statements. The fair values of the financial assets and liabilities included in the statement of financial position approximate their carrying amounts.

The Company is required to present information about financial instruments measured at fair value in accordance with a three-level hierarchy as follows:

- Level 1 – quoted prices are available in active markets for identical assets or liabilities;
- Level 2 – pricing inputs other than quoted prices in active markets included in level 1, which are observable either directly and/or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

Canamax's commodity price contract is classified as Level 2 as the estimation of fair value incorporates forward market prices. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the financial instrument's placement in the hierarchy.

Commodity price risk

The Company is exposed to fluctuating commodity prices. However, if commodity prices are hedged to protect from downside price risk, future gains from rising commodity prices would be forfeited to varying degrees depending on the nature and degree of hedging. Commodity prices for petroleum and natural gas are impacted not only by the relationship between the Canadian and United States dollars but also global economic events that dictate the levels of supply and demand.

The Company may utilize commodity price contracts to manage market and commodity price risks. Effective April 1, 2015, the Company entered into a financial commodity price contract for 1,000 GJ per day of natural gas at CAD $2.77 per GJ with a termination date of December 31, 2015. For the three months ended September 30, 2015, the Company recognized a net loss on this commodity price contract of $7, composed of an unrealized loss of $8 and a realized gain of $1. For the nine months ended September 30, 2015, the Company recognized a net gain on this commodity price contract of $40, composed of an unrealized gain of $16 and a realized gain of $24.

Credit risk

Substantially all of the Company's accounts receivable are with customers, joint interest partners, and oil and natural gas marketers, and are subject to normal industry credit risks. Receivables from customers, joint interest partners and oil and natural gas marketers are generally collected within one to three months. The Company attempts to mitigate this risk by entering into transactions with longstanding and reputable organizations and by obtaining partner approval of significant capital expenditures and payment of cash advances whenever possible. Further risk exists with joint interest partners as disagreements occasionally arise and may increase the potential for non-collection. Receivables related to oil and natural gas purchasers are normally collected on the 25th day of the month following the month in which these commodities were sold. To mitigate the risk on these receivables the Company will predominantly establish relationships with large purchasers that have strong credit ratings and solid reputations. Historically, the Company has not experienced any issues in collection from these purchasers.

The Company considers all amounts outstanding for more than 90 days as past due. Currently there is no indication that amounts are non-collectable; thus, an allowance for doubtful accounts has not been set up. As at September 30, 2015, $198 (December 31, 2014 - $506) of accounts receivables are greater than 90 days.

10. Commitments

During January 2015, the Company entered into a Royalty Arrangement with Maple Leaf 2013 Oil & Gas Income Limited Partnership ("Maple Leaf"). Under terms of the Royalty Arrangement, Maple Leaf advanced Canamax $2,550 during the nine months ended September 30, 2015 to acquire an overriding royalty from six vertical wells (the "Royalty Wells") that Canamax was required to drill on the Company's Flood property by September 30, 2015. Canamax fulfilled its obligation by drilling the Royalty wells prior to the September 30, 2015 deadline.

Canamax accounted for this transaction as a disposal of property. The value of the property disposed was based on the proportion of the discounted cash flows of the aggregate royalties sold to the total discounted cash flows from the Royalty Wells (excluding the royalty), multiplied by the total capital costs of the Royalty Wells. Based on this calculation, the value of the property sold was determined to be $1,264. Given the sale proceeds of $2,550, the gain recorded on this sale was $1,286.

Flow-through shares

On July 9, 2015, the Company closed a brokered private placement of 3,618,893 flow-through common shares at a price of $0.65 per flow through share (note 8). The flow-through common shares were issued in respect of Canadian development expenses ("CDE") for aggregate gross proceeds of $2,352. As at September 30, 2015, the Company had incurred the entire amount with respect to the qualifying expenditures. A deferred tax recovery of $181 was recognized in the three months ended September 30, 2015 related to the premium on the flow-through shares issued.

11. Management of capital risk

The Company's objective when managing capital is to maintain a flexible capital structure, which will allow it to execute its capital expenditure program and corporate and property acquisitions. The Company monitors the level of risk incurred in its expenditure program and acquisitions to balance the proportion of debt and equity in its capital structure. At September 30, 2015, the Company had a $1,336 working capital deficit which included $nil drawn on the operating loan facility.

The Company manages its capital structure, consisting of share capital, contributed surplus and warrants, and makes adjustments to it in light of changes in economic conditions, the risk characteristics of the Company's petroleum and natural gas assets, the depth of its investment opportunities, current and forecasted net debt levels, current and forecasted commodity prices and other factors that influence the Company's operating cash flows.

In order to facilitate the management of its capital requirements, the Company considers its forecasted funds from operations while attempting to finance an acceptable capital expenditure program (including acquisition opportunities) using the availability of sources of debt, the sale of assets and issue of new equity, if available, on favorable terms.

The Company's capital structure is not subject to external restrictions, other than the $21,000 limit and the working capital covenant on the operating loan facility (note 6). The covenant requires that the Company maintain a working capital ratio, as defined by the bank, of not less than 1:1. The calculation allows for the undrawn portion of the demand operating loan facility to be added to current assets and the deduction of the current portion of the demand operating loan facility from current liabilities. The Company was in compliance with this covenant as at September 30, 2015. In order to maximize ongoing development efforts and conserve capital, the Company does not pay out dividends.