TRINITY VALLEY ENERGY CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD ENDED JUNE 30, 2015

UNAUDITED

TRINITY VALLEY ENERGY CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note	June 30, 2015	December 31, 2014
		$	$
ASSETS			
CURRENT ASSETS			
Cash		38,809	66,838
Other receivable		770	42
		39,579	66,880
EXPLORATION AND EVALUATION ASSETS			
Exploration and evaluation asset	4	1,596,124	1,596,124
		1,635,703	1,663,004
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	5	52,550	52,550
Due to related parties	7	201,750	201,750
		254,300	254,300
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	6	17,547,267	17,547,267
Share based payment reserve	6	4,289,158	4,289,158
Deficit		(20,455,022)	(20,427,721)
		1,381,403	1,408,704
		1,635,703	1,663,004

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)
SUBSEQUENT EVENT (Note 10)

Approved on Behalf of the Board:

"Jeffrey Cocks"	*"Michael Dake"*
Director, Jeffrey Cocks	Director, Michael Dake

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

TRINITY VALLEY ENERGY CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPRENENSIVE INCOME AND LOSS
(Expressed in Canadian dollars)

	Note	Three months ended June 30		Six months ended June 30	
		2015	2014	2015	2014
		$	$	$	$
ADMINISTRATIVE EXPENSES					
Management fees	7	-	49,000	2,000	142,000
Office and administration		435	1,238	925	1,908
Penalties and interest		-	84	-	135
Professional fees		2,150	2,773	2,150	5,973
Travel and promotion		540	2,039	540	2,774
Transfer agent and filing fees		20,416	4,961	21,686	10,639
LOSS BEFORE OTHER ITEMS		(23,541)	(60,095)	(27,301)	(163,429)
NET AND COMPREHENSIVE LOSS		(23,541)	(60,095)	(27,301)	(163,429)
LOSS PER SHARE - BASIC AND DILUTED		(0.00)	(0.00)	(0.00)	(0.00)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC AND FULLY DILUTED		34,765,160	34,765,160	34,765,160	34,765,160

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

TRINITY VALLEY ENERGY CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Three months ended June 30		**Six months ended June 30**	
	2015	2014	2015	2014
	$	$	$	$
Cash flow provided by (used in)				
Operating activities				
Net Income (loss)	(23,541)	(60,094)	(27,301)	(163,429)
Changes in non-cash operating working capital items				
Other receivable	(433)	582	(728)	1,421
Accounts payable and accrued liabilities	-	(12,501)	(0)	(18,820)
	(23,974)	(72,013)	(28,029)	(180,828)
Financing activities				
Due to related parties	-	-	-	37,500
Increase (decrease) in cash	(23,974)	(72,013)	(28,029)	(143,328)
Cash, beginning	62,782	141,862	66,838	213,177
Cash, ending	38,809	69,849	38,809	69,849

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

TRINITY VALLEY ENERGY CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EQUITY
(Expressed in Canadian dollars)

	Common Shares				
	Number of shares	Share capital	Share based payment reserve	Deficit	Total
		$	$	$	$
Balance December 31, 2013	34,765,160	17,547,267	4,289,158	(20,211,939)	1,624,486
Net and comprehensive loss				(163,429)	(163,429)
Balance, June 30, 2014	34,765,160	17,547,267	4,289,158	(20,375,368)	1,461,057
Balance December 31, 2014	34,765,160	17,547,267	4,289,158	(20,427,721)	1,408,704
Net and comprehensive loss				(27,301)	(27,301)
Balance, June 30, 2015	34,765,160	17,547,267	4,289,158	(20,455,022)	1,381,403

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

1. Nature of Operations and Basis of Presentation

Trinity Valley Energy Corp. (the "Company") was incorporated on May 17, 1966, under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition, exploration and development of mineral and oil and gas properties in Canada and the United States. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "TE".

Pursuant to a resolution passed by the directors of the Company on September 27, 2013, effective October 7th, 2013 the Company has changed its name to Trinity Valley Energy Corp. from Britannica Resources Corp.

The head office, principal address and the registered and records office of the Company are located at 551 Howe Street, Suite 200 Vancouver, B.C. V6C 2C2.

These condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at June 30, 2015, the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its exploration activities on its exploration and evaluation assets and its ability to attain profitable operations and generate funds there from and/or raise equity capital to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with the private placement of common shares.

2. 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 annual consolidated financial statements for the year ended December 31, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended December 31, 2014. The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2014.

These financial statements were approved by the board of directors for use on August 28, 2015.

3. Significant Accounting Policies

Basis of measurement
The consolidated financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments which are measured at fair value. The consolidated financial statements are presented in Canadian Dollars.

3. Significant Accounting Policies (continued)

Consolidation
The financial statements consolidate the accounts of the Company and its wholly owned subsidiary, Clairmont Gold Inc. ("Clairmont") which was incorporated in Canada. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Loss per share
The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Foreign currency:
Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary assets and liabilities are translated at rates in effect on the date of the transaction. Revenues and expenses are translated at exchange rates at the date of transaction. Exchange gains or losses arising from translation are included in the statement of loss and comprehensive loss.

Financial instruments
The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are 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.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3. Significant Accounting Policies (continued)

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Share-based payments
The fair value of stock options granted to employees is measured at the grant date and recognized over the vesting period with a corresponding increase in equity. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is credited to the share-based payment reserve vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Exploration and evaluation assets
Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

Exploration and evaluation expenditures are capitalized. The Company capitalizes costs to specific blocks of claims or areas of geological interest. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. The Company's criterion for testing impairment includes, but is not limited to, when:

i) Exploration rights for a specific area expired or are expected to expire in the near future and these rights are not expected to be renewed;
ii) Substantive expenditures on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned;
iii) Exploration for and evaluation of resources in the specific area have not led to the discovery of commercially viable quantities of resources and the Company has decided to discontinue such activities in the specific area;
iv) Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

After technical feasibility and commercial viability of extracting a resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible development assets according to the nature of the asset.

Impairment of assets
The carrying amount of the Company's assets (which include exploration and evaluation assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

3. Significant Accounting Policies (continued)

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. 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 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, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Restoration and environmental obligations
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 plant and other site preparation work is capitalized to the related asset 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 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 the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of restoration costs, are charged to the statement of loss and comprehensive loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to the statement of loss and comprehensive loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

Income taxes
Current income tax:

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 countries where the Company operates and generates taxable income.

3. Significant Accounting Policies (continued)

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:
Deferred tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising 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 tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred 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.

Use of estimates and judgments:
The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are noted below with further details of the assumptions contained in the relevant note.

i) Exploration and evaluation costs: Exploration and evaluation costs are initially capitalized as intangible exploration assets with the intent to establish commercially viable reserves. The Company is required to make estimates and judgments about the future events and circumstances regarding whether the carrying amount of intangible exploration assets exceeds its recoverable amount (see Note 4).
ii) Share-based payments: Charges for share-based payments are based on the fair value at the date of the award. Stock options are valued using the Black-Scholes model, and inputs to the model include assumptions on share price volatility, discount rates and expected life outstanding (see Note 6).
iii) The measurement of income taxes payable and deferred tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. Deferred tax assets require management to assess the likelihood that the Company will generate taxable income in future periods in order to utilize recognized deferred tax assets (see Note 10).
iv) Going concern presentation of the consolidated financial statements as discussed in Note 1, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

Changes in Accounting Policies and Disclosures
There was one new standards and interpretation effective from January 1, 2014, that the Company applied for the first time in the current year. The nature and impact of each new relevant standard and/or amendment is described below. Other than the changes described below, the accounting policies adopted are consistent with those of previous financial years.

3. Significant Accounting Policies (continued)

IFRS 9 (2013) Financial Instruments - replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") and addresses accounting for financial instruments including hedge accounting. The adoption of IFRS 9 did not have a material impact on the Company's Consolidated Financial Statements.

Standards Issued but Not Yet Effective
Standards issued but not yet effective up to the date of issuance of the Company's financial statements that are likely to have an impact on the Company are listed below. Other than those listed below the accounting standards or amendments to existing standards that have been issued but have future effective dates are either not applicable or

(Expressed in Canadian dollars)

are not expected to have a significant impact on the Company's consolidated financial statements. The Company intends to adopt these standards when they become effective.

IFRS 9 (2014) - Financial Instruments ("IFRS 9 (2014)") - The standard is effective for annual periods beginning on or after January 1 2018, with early application permitted. Retrospective application may be required however, transition reliefs are provided (including no restatement of comparative period information). IFRS 9 (2014) uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules under IAS 39.

4. Exploration and Evaluation Assets – Mineral

	Balance, December 31, 2012	Additions (Impairment)	Balance, December 31, 2013	Additions	Balance, June 30, 2015 December 31, 2014
	$	$	$	$	$
Mineral properties					
Wedding Lake and Tavernier					
Acquisition	138,000	-	138,000	-	138,000
Impairment	-	(138,000)	(138,000)	-	(138,000)
	138,000	(138,000)	-	-	-
Bluebird and Chassignole-Eagle					
Acquisition	10,268	-	10,268	-	10,268
Exploration expenditures:					
Maintenance	7,462	-	7,462	-	7,462
Geologist and geophysics	20,609	-	20,608	-	20,608
Disposal	(9,836)	-	(9,836)	-	(9,836)
Impairment	-	(28,503)	(28,502)	-	(28,502)
	28,503	(28,503)	-	-	-
Oil and gas property					
Days Chapel Project					
Exploration expenditures					
Survey and Mapping	-	-	-	36,056	36,056
Acquisition	-	1,560,068	1,560,068	-	1,560,068
	-	1,560,068	1,560,068	-	1,596,124
Total	166,503	1,393,565	1,560,068	36,056	1,596,124

4. Exploration and Evaluation Assets – Mineral (continued)

Wedding Lake and Tavernier Properties
On March 12, 2012, the Company completed the acquisition of the Wedding Lake and Tavernier properties in the province of Quebec. During the year ended December 31, 2013 the Company wrote down the carrying value to $nil, resulting in an impairment charge of $138,000.

Bluebird and Chassignole-Eagle Properties
The Company had a 100% interest in the Bluebird property and Chassignole Eagle property in Quebec. During the year ended December 31, 2013 the Company wrote down the carrying value to $nil, resulting in an impairment charge of $28,503.

Days Chapel Project

On February 7, 2013, the Company entered into a farm-in agreement with Anderson County Land Company ("ACLC") to earn a 33.33% working interest in the Days Chapel enhanced oil recovery project (the "Project") located in Anderson County, Texas, subject to a total royalty burden of up to 20%. In order to earn into the Project, the Company was to fund a US$1,500,000 work program.

During the year ended December 31, 2013, the Company paid the US$1,500,000 ($1,524,068) and earned its 33.33% interest in the Project. The Company also paid a finder's fee of 450,000 shares with a fair value of $36,000.

The Company has an option to acquire up to an additional 17.67% working interest (in 1% increments) of the Project. The price paid to acquire each additional 1% increment will be determined based on resulted of the independent engineering modeling. Under the agreement:

1) If the independent engineering modeling recommends the inverted 7-spot vertical technology production method, then the purchase price will utilize the value of proven plus probable oil reserves at a 20% discounted present value, subject to a maximum price of $509,434 per each 1% undivided working interest.

2) If the independent engineering modeling recommends a steam-assisted gravity drainage production method, or a variation thereof, that increases the recovery factor of the original oil-in-place then it will utilize the value of proven plus probable oil reserves at a 20% discounted present value, subject to a maximum price of $721,697 per each 1% undivided working interest.

The purchase price can be paid by up to two thirds in shares of the Company based on the prior 60 trading day weighted average market price with the remainder in US currency. Closing of this acquisition will occur no later than 60 days after receipt of election by ACLC from the Company subject to the Company depositing a non-refundable deposit of 5% of the purchase price with legal counsel for ACLC.

5. Accounts payable and accrued liabilities

	June 30, 2015 $	December 31, 2014 $
Accounts payable	52,550	52,550
Accrued liabilities	-	-
	52,550	52,550

6. Share Capital

Authorized: An unlimited number of common shares without par value
An unlimited number of preferred shares without par value

During the year ended December 31, 2013, the Company closed a non-brokered private placement of 14,358,000 units at $0.05 per unit for gross proceeds of $717,900. Each unit consists of one common share and one common share purchase warrant. Each purchase warrant is exercisable for one common share of the Company at $0.10 for a period of 24 months following the closing of the offering. The fair value of the warrants issued was estimated to be $247,355 using the Black-Scholes option pricing model with the following assumptions: volatility of 142%, expected life of 24 months and a risk free interest rate of 1%. The Company paid $34,928 cash in commissions on the private placement, along with 568,800 non-transferable finder's warrants, each entitling its holder to acquire one common share at $0.10 for a 24-month period after closing of the financing. The fair value of the 719,000 finders' warrants issued was estimated to be $28,674 using the following assumptions: estimated volatility of 142%, expected life of 24 months and a risk free interest rate of 1%.

(Expressed in Canadian dollars)

During the year ended December 31, 2013, the Company issued 450,000 common shares with a fair value of $36,000 as finder's fees in connection to the Days Chapel Project (Note 4).

Stock Options

The Company has a "rolling' stock option plan whereby it can issue up a number of stock options up to 10% of the issued and outstanding shares at the grant date. The plan allows for a maximum term of ten years, and the vesting period is determined by the board of directors. Each option permits the holder to purchase one common share of the Company.

	Number of options outstanding
June 30, 2015 and December 31, 2014 and 2013	800,000

The weighted average life remaining and price of options outstanding as at June 30, 2015 are 2.44 years and $0.10, respectively.

Warrants

	Number warrants outstanding
June 30, 2015, December 31, 2014 and 2013	15,077,800

The weighted average life and weighted average exercise price of the warrants are 0.14 years and $0.10, respectively.

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

7. Related Party Transactions

The following amounts were due to related parties as at June 30, 2015 and December 31, 2014:

	June 30, 2015 $	December 31, 2014 $
Companies controlled by a director of the Company	116,500	116,500
An officer and director of the Company	85,250	85,250
	201,750	201,750

(Expressed in Canadian dollars)

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Key management personnel compensation

	2015 $	2014 $
Management fees	2,000	142,000

8. Financial Instruments and Financial Risk Management

Financial risk management
The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. 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 one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

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. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Currency risk
Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's exposure to currency risk is considered minimal.

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 not exposed to significant interest rate risk.

8. Financial Instruments and Financial Risk Management (continued)

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	June 30, 2015 $	December 31, 2014 $
Loans and receivables:		
Cash	38,809	66,838

(Expressed in Canadian dollars)

Financial liabilities included in the statement of financial position are as follows:

	June 30, 2015 $	December 31, 2014 $
Accounts payable	52,550	52,550
Due to related parties	201,750	201,750

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments classified as level 1 include cash.

9. Capital Management

The Company manages its capital, consisting of share and working capital, in a manner consistent with the risk characteristic of the assets it holds. All sources of financing are analyzed by management and approved by the Board of Directors. The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern and to support the exploration and development of its exploration and evaluation assets and to sustain future development of its business. The Company is meeting its objective of managing capital through preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity. The Company is not subject to any externally imposed capital restrictions. There were no changes in the Company's approach to capital management during the year.

10. Subsequent Event

On July 17, 2015 the Company closed a private placement with Texas General Oil & Gas, LP ("Texas Oil"). In connection with the closing of the private placement the Company issued into escrow 34,765,160 common shares ("Common Shares") of the Company at a price of CDN$0.043 per Common Share for gross proceeds of US$1,250,000 and 100 preferred shares ("Preferred Shares") of the Company with no par value at a price of US$10,000 per Preferred Share for gross proceeds of US$1,000,000.

All of the Common Shares, Preferred Shares and US$2,250,000 will be held in escrow and released in accordance with the Company's and Texas Oil's joint instructions on the completion of certain conditions precedent set out in the escrow agreement among the Company, Texas Oil and the escrow agent.

The Preferred Shares will have the following rights and restrictions:

- non-voting, non-convertible into common shares;

- annual dividend of fifteen percent (15%) of the Redemption Price. No dividends shall be paid on any common shares unless dividends are paid according to the terms herein on all of the Preferred Shares;

- maximum total return: accumulated total return to a maximum of two hundred percent (200%) of the Redemption Price less the amount of any dividends paid on the Preferred Shares from the date of issuance, relative to the other equity shareholders of the Company, which will be paid out on the Automatic Redemption Date (defined below), subject to the Company's ability to make such payment in accordance with applicable laws;

- nonsubordinable to the issuance of any additional shares, common shares or preferred, debt or any other issuance whatsoever by the Company. The Preferred Shares cannot be diluted under any circumstances without the prior written consent of Texas Oil;

- preference in the event of liquidation or winding up of the Company (entitled to receive—in preference to the holders of common shares—the Redemption Price plus any accrued but unpaid dividends as of the date of the winding up or liquidation or the guaranteed minimum return, whichever is greater. The remaining balance of the proceeds from the liquidation will then be allocated to the common shareholders on an as-converted basis. At the option of the holders of the Preferred Shares, a merger, sale of all or substantially all of the assets of the Company, reorganization or other transaction in which majority control of the Company is transferred may be treated as a liquidation, dissolution or winding up for purposes of the liquidation preference. Notwithstanding anything to the contrary herein, it is specifically understood that Texas Oil's acquisition of fifty percent (50%) of the Company's common stock will not be treated as a liquidation, dissolution or winding up for purposes of the liquidation preference;

- the Company will redeem the Preferred Shares from Texas Oil on the earlier of: (i) the seventh (7th) anniversary after the original date of issuance of the Preferred Shares; or (ii) sixty (60) days from the date the Company achieves proved developed reserves of one million (1,000,000) barrels of oil (the "**Automatic Redemption Date**"); and

- transferable without restriction or consent of Company or other subsequent investors, to any third party and for any reason whatsoever, including but not limited to, pledging the Preferred Shares as collateral, subjecting the Preferred Shares to a lien, or selling all or a portion of the Preferred Shares to a closely-held entity.

The issuance of the Common Shares and Preferred Shares to Texas Oil created a Control Person (as defined in the TSX Venture Exchange Policy Manual). The Company received disinterested shareholder approval for the creation of the Control Person at its annual general and special meeting held on July 16, 2015.