Amended and Restated

DEVIN ENERGY CORPORATION

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

DECEMBER 31, 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Devin Energy Corporation

We have audited the accompanying financial statements of Devin Energy Corporation, which comprise the statements of financial position as at December 31, 2014 and 2013 and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and 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 financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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, these financial statements present fairly, in all material respects, the financial position of Devin Energy Corporation as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

April 29, 2015

DEVIN ENERGY CORPORATION
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT DECEMBER 31

	2014	2013
ASSETS		
Current		
Cash and cash equivalents	$ 162,150	$ 187,188
Equipment (Note 4)	142,356	144,126
Exploration and evaluation assets (Note 5)	65,000	65,000
	$ 369,506	$ 396,314
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities	$ 1,848	$ 1,094
Due to related parties (Note 7)	547,288	445,821
	549,136	446,915
Shareholders' deficiency		
Share capital (Note 6)	1,916,135	1,916,135
Deficit	(2,095,765)	(1,966,736)
	(179,630)	(50,601)
	$ 369,506	$ 396,314

Nature and continuance of operations (Note 1)

Approved on behalf of the Board of Directors on April 29, 2015:

"Ira M. Patton" Director *"Gayle S. Patton"* Director

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

DEVIN ENERGY CORPORATION
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
YEARS ENDED DECEMBER 31
(Expressed in Canadian Dollars)

	2014	2013
Administration fees (Note 7)	$ 26,750	$ 25,213
Depreciation (Note 4)	1,770	2,529
Filing and exchange fees	5,889	6,993
Foreign exchange loss	42,351	27,954
Insurance fees (Note 7)	2,446	2,310
Office and miscellaneous expenses (Note 7)	1,494	1,580
Professional fees	16,300	18,075
Transfer agent fees	4,396	7,188
Wages (Note 7)	28,957	27,282
Finance income	(1,324)	(1,573)
Loss and comprehensive loss for the year	$ (129,029)	$ (117,551)
Basic and diluted loss per common share	$ (0.02)	$ (0.01)
Weighted average number of common shares outstanding	8,194,412	8,194,412

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

DEVIN ENERGY CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31
(Expressed in Canadian Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (129,029)	$ (117,551)
Items not affecting cash:		
Depreciation	1,770	2,529
Foreign exchange loss	42,351	27,954
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	754	455
Due to related parties	59,116	56,126
Net cash used in operating activities	(25,038)	(30,487)
Decrease in cash and cash equivalents for the year	(25,038)	(30,487)
Cash and cash equivalents, beginning of year	187,188	217,675
Cash and cash equivalents, end of year	$ 162,150	$ 187,188
Cash and cash equivalents consists of:		
Cash	$ 18,752	$ 5,115
Term deposits	143,398	182,073
	$ 162,150	$ 187,188
Cash paid/received for income taxes	$ -	$ -
Cash paid for interest	-	-

There were no significant non-cash transactions that affected cash flows from financing or investing activities during the years ended December 31, 2014 and 2013.

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

DEVIN ENERGY CORPORATION
STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIENCY)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in Canadian Dollars)

	Share Capital			
	Number	**Amount**	**Deficit**	**Total**
Balance, December 31, 2012	8,194,412	$1,916,135	$(1,849,185)	$ 66,950
Loss for the year	-	-	(117,551)	(117,551)
Balance, December 31, 2013	8,194,412	$1,916,135	$(1,966,736)	$(50,601)
Loss for the year	-	-	(129,029)	(129,029)
Balance, December 31, 2014	8,194,412	$1,916,135	$(2,095,765)	$(179,630)

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

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Devin Energy Corporation (the "Company") was incorporated under the Business Corporations Act of the Province of British Columbia. The Company's activities have focused on the acquisition, exploration, and development of oil and gas properties located in the United States.

The address of the Company's registered office is 201 South Christy Sumner, Illinois 62466.

At the date of these financial statements, the Company has not been able to identify reserves that are economically recoverable. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company being able to identify an economically recoverable reserve, to finance its exploration and evaluation costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the properties. To date, the Company has not earned revenues and is considered to be in the exploration stage.

These financial statements have been prepared using International Financial Reporting Standards ("IFRS") on a going-concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Management is actively targeting sources of additional financing through alliances with financial, development and resource entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration and evaluation programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statements of financial position. The financial statements do not include any adjustments relating to the recoverability and classification of asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

	December 31, 2014	December 31, 2013
Working deficiency	$ (386,986)	$ (259,727)
Deficit	(2,095,765)	(1,966,736)

2. BASIS OF PRESENTATION

Statement of compliance

These financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("ÌFRIC").

2. BASIS OF PRESENTATION (cont'd…)

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The financial statements are presented in Canadian dollars, unless otherwise stated, which is also the functional currency of the Company.

Critical accounting estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, shareholders' equity, and the disclosure of assets and liabilities, as at the date of the financial statements, and expenses for the years reported.

Critical Judgments

The preparation of the financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1 of these financial statements.

Functional currency

The functional currency is the currency of the primary economic environment in which the entity operates . The functional currency for the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified *in IAS 21, The Effects of Changes in Foreign Exchange Rates.*

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the date of statement of financial position while nonmonetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of profit or loss.

Going Concern

Related party has agreed not to call their loan within twelve months and the Company has limited expenditures committed or expected.

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

2. BASIS OF PRESENTATION (cont'd…)

Critical accounting estimates and judgments (cont'd…)

Key Sources of Estimation Uncertainty (cont'd…)

Significant estimates made by management affecting the financial statements include:

Deferred tax Assets & Liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of oil and gas reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Recoverability of Exploration & Evaluation Assets

The Company is in the process of exploring and evaluating its exploration and evaluation assets and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future production or proceeds from the disposition thereof.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash is comprised of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Foreign currency translation

The functional currency of the Company is the Canadian dollar. The reporting currency of the Company is the Canadian dollar. Transactions denominated in foreign currency are translated into Canadian dollars at the rate of exchange in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the rate of exchange in effect at the statement of financial position date, while non-monetary assets and liabilities are translated at historical rates. Any gains or losses resulting from translation have been included in the statement of profit or loss.

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Equipment (cont'd...)

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to write off the cost of equipment, less its estimated residual value, using the declining balance method at the following rates per annum:

Computer equipment	30%
Vehicles	30%
Oil field equipment	25%

Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

Exploration and evaluation assets

Costs for exploring and evaluating oil and natural gas properties are capitalized within the exploration and evaluation assets. These exploration and evaluation costs include lease acquisition costs, geological and geophysical expenditures, costs of drilling and completion of wells, plant and production equipment costs and related overhead charged. Exploration and evaluation assets do not include costs of general prospecting or evaluation costs incurred prior to having obtained the legal right to explore an area, which are expensed as incurred.

Exploration and evaluation assets are not depleted or depreciated and are carried forward until technical feasibility and commercial viability is considered to be determined. The technical feasibility and commercial viability is generally considered to be determined when proved plus probable reserves are determined to exist and the commercial production of oil and gas has commenced. Upon determination of technical feasibility and commercial viability, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation asset, to development or property, plant, and equipment, as appropriate.

Future reclamation costs

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of reclamation of oil and gas interests (exploration and evaluation assets). The net present value of future rehabilitation cost estimates is capitalized to the related assets along with a corresponding increase in the reclamation provision in the year incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d…)

Future reclamation costs (cont'd...)

The Company’s estimates of reclamation 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 assets with a corresponding entry to the reclamation provision. The Company’s estimates are reviewed at the end of each reporting period 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 reclamation costs, are charged to profit and loss for the year.

For the years presented, the Company does not have any significant future reclamation costs.

Impairment of long-lived assets

At each financial position reporting date the carrying amounts of the Company’s long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the year.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Income tax

Income tax on profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax paid or payable in respect of previous years. Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the year that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. For diluted per share computations, assumptions are made regarding potential common shares outstanding during the year. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if, at the beginning of the year, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's common shares at their average market price during the year, thereby reducing the weighted average number of common shares outstanding. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

Financial instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified its financial instruments into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL") and (2) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Company has classified its cash and cash equivalents as FVTPL. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities, which are measured at amortized cost.

The Company provides the required disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

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

The carrying value of accounts payable and accrued liabilities, and due to related parties, approximate their fair values due to their short terms to maturity.

Cash and cash equivalents has been measured at fair value using Level 1 inputs.

Comprehensive income (loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the years presented, net loss was the same as comprehensive loss.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Adoption of new IFRS pronouncements

The adoption of the following new IFRS pronouncements did not have an effect on the Company's consolidated financial statements:

- IAS 32, "Financial Instruments: Presentation" was adopted by the Company on January 1, 2014. IAS 32 applies to the offsetting of financial assets and financial liabilities.

New accounting standards not yet adopted

The Company is currently evaluating the impact of these new standards and amended standards on its financial statements. The impact is not expected to have a material impact on the statements of financial position or results of operations.

- IAS 36, "Impairment of Assets" is effective for annual periods beginning on or after July 1, 2014.
- IFRS 7, "Financial Instruments: Disclosures" (amendments) is effective for annual periods beginning on or after January 1, 2015.
- IFRS 9, "Financial Instruments: Classification and Measurement" is effective for annual periods beginning on or after January 1, 2018.

4. EQUIPMENT

	Computer Equipment	Vehicles	Oil Field Equipment	Total
Cost at December 31, 2012, 2013 and 2014	$ 6,259	$ 36,050	$ 138,225	$ 180,534
Accumulated depreciation at December 31, 2012	$ 4,141	$ 29,738	$ -	$ 33,879
Depreciation	635	1,894	-	2,529
Accumulated depreciation at December 31, 2013	4,776	31,632	-	36,408
Depreciation	444	1,326	-	1,770
Accumulated depreciation at December 31, 2014	$ 5,220	$ 32,958	$ -	$ 38,178
Net book value at December 31, 2013	$ 1,483	$ 4,418	$ 138,225	$ 144,126
Net book value at December 31, 2014	$ 1,039	$ 3,092	$ 138,225	$ 142,356

The oilfield equipment was purchased on June 19, 2007 and the Company has yet to use the equipment for its operation. Depreciation of the oilfield equipment will commence when it is capable of being operated in the manner intended by management and put into service.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

The Company has an 8.56% interest in the Siggins Oil Mining Project #1 located in Cumberland County, Illinois, U.S.A. The oil mining project is currently in the exploration stage and the Company does not contribute to the exploration costs. Upon production, the Company will have an 8.56% working interest in the project.

	December 31, 2014	December 31, 2013
Oil mining property, unproved	$ 65,000	$ 65,000

6. SHARE CAPITAL

Share issuances

There were no share transactions during the years ended December 31, 2014 and 2013.

Stock options

During the years ended December 31, 2014 and 2013, no stock options were granted. There were no stock options outstanding at December 31, 2014 and 2013.

Warrants

During the years ended December 31, 2014 and 2013, no warrants were granted. There were no warrants outstanding at December 31, 2014 and 2013.

7. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors, corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer, and Vice Presidents.

Remuneration accrued to key management personnel can be summarized as follows:

	Years Ended December 31, 2014	**2013**
Wages *	$ 28,957	$ 27,282

*This amount was billed to the Company by a company controlled by the President of the Company.

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS (cont'd...)

Other related parties

During fiscal 2014, the Company accrued administration fees, insurance, and office and miscellaneous expenses to a company controlled by the President of the Company in the amount of $30,407 (2013 - $28,844).

As of December 31, 2014, $547,288 (2013 - $445,821) is included in due to related parties, and is owed to the Company controlled by the President of the Company.

The amounts due to related parties are non-interest bearing, with no fixed terms of repayment.

8. INCOME TAXES

The reconciliation of income tax provision completed at statutory rates to the reported income tax provision is as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Basic, statutory and provincial income tax rate	26.00%	25.75%
Net loss for the year before income taxes	$ (129,029)	$ (117,551)
Income tax recovery at statutory tax rates	$ (34,000)	$ (30,000)
Impact of future income tax rates applied versus current statutory rate	-	(13,000)
Changes in unrecognized deductible temporary differences	37,000	44,000
Other	(3,000)	(1,000)
Income tax recovery	$ -	$ -

The Canadian income tax rate increased during the year due to changes in the law that increased corporate income tax rates in Canada.

The significant components of the Company's future tax assets after applying enacted corporate income tax rates, which have not been setup, are as follows:

	December 31, 2014	December 31, 2013
Non-capital losses	$ 275,000	$ 248,000
Capital assets	11,000	9,000
Exploration and evaluation assets	111,000	103,000
	397,000	360,000
Unrecognized deferred tax assets	(397,000)	(360,000)
Net future tax assets	$ -	$ -

(Expressed in Canadian Dollars)

8. INCOME TAXES (cont'd…)

The significant deductible temporary differences, unused tax losses and expiry dates are as follows:

	December 31, 2014		December 31, 2013	
Exploration and evaluation assets	$ 425,000	no expiry	$ 393,000	no expiry
Equipment	42,000	no expiry	36,000	no expiry
Non-capital losses available for future periods	1,056,000	2015 - 2034	982,000	2014 - 2033

Tax attributes are subject to review, and potential adjustment, by tax authorities.

9. FINANCIAL INSTRUMENTS

Risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is attributable to cash and equivalents. The credit risk from cash and cash equivalents is limited because they are held at major financial institutions.

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's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2014, the Company had a cash and cash equivalents balance of $162,150 to settle current liabilities of $549,136. Of the total current liabilities, $547,288 is owed to a company controlled by the President of the Company. The Company does not expect to have to repay this amount in the next 12 months. Management is actively pursuing options to enable it to meet its current liabilities as they become due.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

9. FINANCIAL INSTRUMENTS (cont'd…)

Risk management (cont'd...)

Market risk (cont'd...)

The Company has cash balances and hold interest-bearing cash equivalents. The interest earned on the cash equivalents approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of December 31, 2014, the Company held $143,398 in investment-grade short-term deposit certificates.

b) Foreign currency risk

The Company operates in the United States and is therefore subject to foreign currency risk as the United States dollar fluctuates with the Canadian dollar. The amounts due to related parties are denominated in $US. For each 10% change in the Canadian dollar versus the United States dollar a $55,000 approximate gain/loss would arise.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of oil and gas, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

10. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and development of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In the management of capital, the Company includes and components of shareholders' equity.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration or development and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2014. The Company is not subject to externally imposed capital requirements.

11. SEGMENTED INFORMATION

The Company operates in one reportable segment being the acquisition, exploration and evaluation of oil and gas resources. All of the Company's equipment and exploration and evaluation assets are located in the United States.