Edge Resources Inc.

Condensed Interim Financial Statements

For the three and six months ended September 30, 2015

(unaudited)

The accompanying condensed interim financial statements for Edge Resources Inc. have been prepared by management in accordance with International Financial Reporting Standards. The Company discloses that its auditor has not reviewed the unaudited condensed interim financial statements as at and for the three and six months ended September 30, 2015.

Edge Resources Inc.

Condensed Interim Balance Sheets

(amounts in Canadian dollars)

(unaudited)

	Note	September 30, 2015	March 31, 2015
Assets			
Current assets			
Accounts receivable	3	510,260	836,329
Deposits and prepaid expenses		254,472	78,259
Total current assets		764,732	914,588
Non-current assets			
Exploration and evaluation assets		74,061	74,061
Property, plant and equipment	4	29,554,793	30,502,797
Total non-current assets		29,628,854	30,576,858
Total assets		$ 30,393,586	$ 31,491,446
Liabilities			
Current liabilities			
Bank overdraft		$ 34,994	$ 26,367
Accounts payable and accrued liabilities		1,074,982	2,191,432
Bank debt	5	7,680,000	6,420,000
Fair value of derivative instruments	15(c)	365,380	-
Total current liabilities		9,155,356	8,637,799
Loans payable	6	11,044,712	10,643,616
Decommissioning provisions	7	8,206,932	8,951,000
Total liabilities		28,625,890	28,232,415
Shareholders' Equity			
Share capital	8	36,561,341	36,111,048
Contributed surplus		2,773,152	2,701,935
Deficit		(37,566,797)	(35,553,952)
Total shareholders' equity		1,767,696	3,259,031
Total liabilities and shareholders' equity		$ 30,393,586	$ 31,491,446

Going concern	1
Commitments and contingency	13, 15(c)

See accompanying notes to the condensed interim financial statements.

APPROVED BY THE BOARD,

(signed) "Scott Reeves"	(signed) "Chris Cooper"
Director	Director

Edge Resources Inc.

Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)

(amounts in Canadian dollars)

(unaudited)

	Note	Three months ended September 30, 2015	Three months ended September 30, 2014	Six months ended September 30, 2015	Six months ended September 30, 2014
Revenue					
Oil and natural gas sales		$ 1,269,782	$ 2,356,740	$ 2,815,677	$ 5,831,131
Royalties		(210,279)	(389,349)	(449,493)	(1,059,315)
Revenue, net of royalties		1,059,503	1,967,391	2,366,184	4,771,816
Other income (losses)					
Realized gain (loss) on financial derivatives	15(c)	(100,796)	(112,294)	(183,387)	(310,387)
Unrealized gain (loss) on financial derivatives	15(c)	(365,059)	301,225	(584,270)	463,206
Gain on settlement of decommissioning provision		16,258	-	16,258	-
Other income		-	10,883	-	22,192
Total income, before expenses		609,906	2,167,205	1,614,785	4,946,827
Expenses					
Operating		652,184	917,721	1,280,227	1,835,696
Transportation		94,557	83,097	165,751	194,213
General and administrative		360,695	444,887	743,568	903,221
Depletion and depreciation	4	359,000	386,500	709,100	900,200
Finance	10	310,635	364,805	623,888	700,431
Stock-based compensation	9(b)	29,702	65,221	71,217	179,907
Capital taxes		16,378	22,916	33,879	62,670
Total expenses		1,823,151	2,285,147	3,627,630	4,776,338
Income (loss) and comprehensive income (loss) for the period		$ (1,213,245)	$ (117,942)	$ (2,012,845)	$ 170,489
Income (loss) and comprehensive income (loss) per share					
Basic and diluted	11	$ (0.01)	$ (0.00)	$ (0.01)	$ 0.00

See accompanying notes to the condensed interim financial statements.

Edge Resources Inc.

Condensed Interim Statements of Changes in Shareholders' Equity

(amounts in Canadian dollars)

(unaudited)

	Share Capital	Contributed surplus	Deficit	Total Shareholders' Equity
Balance at March 31, 2015	$ 36,111,048	$ 2,701,935	$ (35,553,952)	$ 3,259,031
Issue of common shares for cash	500,000	-	-	500,000
Share issue costs, cash paid	(49,707)	-	-	(49,707)
Stock-based compensation	-	71,217	-	71,217
Loss for the period	-	-	(2,012,845)	(2,012,845)
Balance at September 30, 2015	**$ 36,561,341**	**$ 2,773,152**	**$ (37,566,797)**	**$ 1,767,696**
Balance at March 31, 2014	$ 36,094,048	$ 2,425,249	$ (24,096,038)	$ 14,423,259
Issue of common shares on exercise of stock options	17,000	(6,000)	-	11,000
Stock-based compensation	-	179,907	-	179,907
Income for the period	-	-	170,489	170,489
Balance at September 30, 2014	**$ 36,111,048**	**$ 2,599,156**	**$ (23,925,549)**	**$ 14,784,655**

See accompanying notes to the condensed interim financial statements.

Edge Resources Inc.

Condensed Interim Statements of Cash Flows

(amounts in Canadian dollars)

(unaudited)

	Note	Three months ended September 30, 2015	Three months ended September 30, 2014	Six months ended September 30, 2015	Six months ended September 30, 2014
Cash flows provided by (used for):					
Cash flows generated from (used in) operating activities					
Income (loss)		$ (1,213,248)	$ (117,942)	$ (2,012,845)	$ 170,489
Items not affecting cash:					
Unrealized loss (gain) on financial derivatives		365,059	(301,225)	584,270	(463,206)
Gain on settlement of decommissioning provision		(16,258)	-	(16,258)	-
Foreign exchange loss (gain)		-	(553)	-	11
Depletion and depreciation		359,000	386,500	709,100	900,200
Accretion of decommissioning provisions		46,000	41,000	91,000	85,000
Stock-based compensation		29,702	65,221	71,217	179,907
Decommissioning expenditures		(87,810)	-	(93,328)	-
Changes in non-cash items	12(a)	199,417	26,250	282,674	368,998
Net cash generated from (used in) operating activities		(318,135)	99,251	(384,170)	1,241,399
Cash flows used in investing activities					
Property, plant and equipment expenditures		(142,418)	(190,507)	(468,578)	(553,678)
Changes in non-cash items	12(a)	(183,931)	(170,752)	(848,172)	(248,498)
Net cash used in investing activities		(326,349)	(361,259)	(1,334,750)	(802,176)
Cash flows from (used in) financing activities					
Proceeds from bank debt, net		390,000	40,000	1,260,000	140,000
Proceeds from issuance of common shares		500,000	-	500,000	11,000
Share issuance costs		(49,707)	-	(49,707)	-
Net cash from financing activities		840,293	40,000	1,710,293	151,000
Effect of exchange rates on cash and cash equivalents held in foreign currency		-	553	-	(11)
Net change in cash and cash equivalents (bank overdraft)		195,809	(221,455)	(8,627)	590,212
Bank overdraft, beginning of period		(230,803)	(7,643)	(26,367)	(819,310)
Bank overdraft, end of period		$ (34,994)	$ (229,098)	$ (34,994)	$ (229,098)

See accompanying notes to the condensed interim financial statements.

1. General business description

Edge Resources Inc. ("Edge" or the "Company") is engaged in the acquisition of, exploration for, development of and production of oil and natural gas. Edge is a publicly traded company on the TSX Venture Exchange under the symbol "EDE" and the Alternative Investment Market London Stock Exchange under the symbol "EDG", incorporated and domiciled in Canada. The address of business of the Company is Suite 1400, 717 – 7th Avenue SW, Calgary, Alberta, Canada, T2P 0Z3. These financial statements were approved and authorized for issuance by the Board of Directors on November 30, 2015.

These condensed interim financial statements have been prepared on a going concern basis which presumes that the Company will be able to discharge its obligations and realize its assets in the normal course of business. The Company had a loss and comprehensive loss of $2.0 million for the six month period ended September 30, 2015. As at September 30, 2015, the Company had a working capital deficiency of $8.0 million (March 31, 2015 - $7.7 million) that includes $7.7 million (March 31, 2015 - $6.4 million) in bank debt (excluding derivative assets/liabilities if any).

As per note 5, the Company has a revolving credit facility with a $17.0 million limit, and as of September 30, 2015, there was $9.3 million available for use. However, given the amount available for use under the facility is also limited by the "senior debt to cash flow" ratio, the actual limit will vary on a period by period basis. The calculations of the applicable ratios as of September 30, 2015 are presented in note 16 and the senior debt to cash flow ratio was not met at September 30, 2015. The breach has been communicated to the bank however, because the Company is currently in the process of finalizing the terms of its lending facilities, no waiver will be sought for this breach. As a result of significantly weaker future commodity price forecasts, Management expects the lending limit on the revolving facility to be reduced although the amount of the reduction cannot be predicted at this time. As part of finalizing the terms of its lending facilities, Management is also in discussion with the bank as to appropriate future financial covenants including the senior debt to cash flow covenant. Management actively forecasts applicable cash flows and will conduct an appropriate capital program based on estimated future credit facility availability. Management believes, despite the current significant decrease in world oil prices and its effect on Company cash flows, that with its current expected credit facility, and its near-term future equity-raising plans, that the Company will generate sufficient cash flows to meet its foreseeable obligations in the normal course of operations. Management has significantly delayed the Company's capital programs until the pricing environment further improves and has and continues to work on strategies to reduce general and administrative and operating costs subsequent to September 30, 2015.

Management has been and continues to be active in seeking alternative sources of funding to help accelerate its planned capital expenditure program, and to ultimately reduce its total debt. The Company cannot provide any assurance that sufficient cash flows will be generated from operating activities to reduce its working capital deficiency and to carry out its planned capital expenditure program.

The above-noted factors describe matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations, generate sufficient funds to continue its exploration and development activities, to repay its debts as they come due, and continue to obtain sufficient capital from investors or other sources of financing to meet its current and future obligations.

Management considers the Company to be a going concern and has prepared the financial statements on a going concern basis.

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Certain information and disclosures normally included in the annual financial statements prepared in accordance with IFRS have been condensed or omitted.

The condensed interim financial statements should be read in conjunction with the Company's audited annual financial statements as at and for the year ended March 31, 2015 and the notes thereto. All accounting policies and methods of computation followed in the preparation of these condensed interim financial statements are consistent with those of the previous financial year.

(b) Management's judgements and estimates

The timely preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions based on currently available information that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities as at the balance sheet date and the reported amounts of revenues and expenses during the period. Accordingly, actual results may differ from these estimates. Estimates, underlying assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

In preparation of these condensed interim financial statements, the significant judgments made by Management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended March 31, 2015.

(c) Comparative financial statements

Certain prior periods' comparative figures have been restated to conform to the current year's presentation.

(amounts in Canadian dollars)

3. Accounts receivable

	September 30, 2015	March 31, 2015
Oil and natural gas marketers	$ 340,840	$ 687,445
Joint interest partners	35,544	137,023
Government agencies	133,875	11,861
Total accounts receivable	$ 510,259	$ 836,329

4. Property, plant and equipment

	Oil and natural gas interests	Corporate and other	Total
Cost			
Balance at March 31, 2014	$ 46,279,996	$ 70,805	$ 46,350,801
Capital expenditures	2,791,506	6,154	2,797,660
Change in decommissioning provisions	2,997,000	-	2,997,000
Balance at March 31, 2015	52,068,502	76,959	52,145,461
Capital expenditures	486,578	-	486,578
Change in decommissioning provisions (note 7)	(725,482)	-	(725,482)
Balance at September 30, 2015	$ 51,829,598	$ 76,959	$ 51,906,557
Accumulated depletion and depreciation and impairment losses			
Balance at March 31, 2014	$ 8,545,000	$ 37,764	$ 8,582,764
Depletion, depreciation and impairment	13,050,000	9,900	13,059,900
Balance at March 31, 2015	21,595,000	47,664	21,642,664
Depletion and depreciation	705,000	4,100	709,100
Balance at September 30, 2015	$ 22,300,000	$ 51,764	$ 22,351,764
Net carrying value:			
At March 31, 2015	$ 30,473,502	$ 29,295	$ 30,502,797
At September 30, 2015	$ 29,529,598	$ 25,195	$ 29,554,793

5. Bank debt

As at September 30, 2015, the Company had lending facilities with a Canadian chartered bank consisting of a $17 million revolving demand operating credit facility, of which $7.7 million was drawn ($0.7 million on the prime-based facility and $7.0 million drawn under guaranteed notes). The revolving facility is a borrowing base facility that is determined based on, among other things, the Company's current reserve report, the results of operations, current and forecasted commodity prices and the current economic environment. The revolving credit facility contains standard commercial covenants for facilities of this nature. The Company also has available a risk management facility which allows the Company to conduct certain financial risk management options. The interest rate on the facility is bank prime plus 1.75% per annum. Guaranteed notes are subject to a 2.75% acceptance fee plus an applicable market interest rate. The facilities are secured by a general security agreement covering all assets of the Company including a subordination agreement with the lender in note 6, and repayments are interest only, subject to the bank’s right of demand. The revolving credit facility provides that advances may be made by way of direct advances, guaranteed notes, or standby letters of credit/guarantee.

The revolving facility has the following financial covenant requirements (calculations are presented in note 16):

- The working capital ratio must be maintained above 1.0 to 1. The working capital ratio is defined as current assets (excluding derivative assets if any) plus the undrawn availability of the revolving facility to current liabilities (excluding the current portion of bank debt and derivative liabilities if any).
- The senior debt to cash flow ratio must not exceed 3.0 to 1. The senior debt to cash flow ratio is defined as the amount drawn under the bank facility to net income for the trailing one year period from the balance sheet date adjusted for non-cash items, and less dividends declared and repayments of shareholder loans.

As per note 16, the senior debt to cash flow ratio was not met at September 30, 2015. The breach has been communicated to the bank however, because the Company is currently in the process of finalizing the terms of its lending facilities, no waiver will be sought for this breach. As a result of significantly weaker future commodity price forecasts, Management expects the lending limit on the revolving facility to be reduced although the amount of the reduction cannot be predicted at this time. As part of finalizing the lending facilities, Management is also in discussion with the bank as to appropriate future financial covenants including the senior debt to cash flow covenant.

In addition, the Company may not enter into any risk management agreements with a term greater than two years or for a volume greater than 60% of its forecasted production from proved producing reserves.

6. Loan payable

As at September 30, 2015, the Company has a loan payable with a principal amount of $8 million and which bears interest at 10% per annum. The loan is secured against all the assets of the Company as a second charge to the Company's lending facility (note 5), and is due January 31, 2017. Any interest and principal repayments for this loan are subject to the bank's prior approval. The loan payable is due to a company that is also a shareholder of the Company, and is repayable early at any time without penalty.

(amounts in Canadian dollars)

The following table summarizes changes in the loans payable:

Principal	
Balance March 31 and September 30, 2015	$ 8,000,000
Interest	
Balance March 31, 2015	$ 2,643,616
Interest expense	401,096
Balance September 30, 2015	$ 3,044,712
Total loan payable at September 30, 2015	$ 11,044,712

7. Decommissioning provisions

The Company's decommissioning provisions are an estimate of the reclamation and abandonment costs arising from the Company's ownership interest in oil and natural gas properties including well sites, batteries and gathering systems. The total undiscounted cash flows required to settle the liabilities is approximately $19.7 million at September 30, 2015 (March 31, 2015 - $19.9 million), which has been discounted using a risk-free interest rate of 2.21% at September 30, 2015 (March 31, 2015 - 1.99%).

The following table summarizes changes in the decommissioning provisions:

	September 30, 2015	March 31, 2015
Decommissioning provisions, beginning of period	$ 8,951,000	$ 6,044,000
New provisions recognized	-	43,000
Abandonment completed	(109,586)	(262,000)
Accretion expense	91,000	172,000
Change in discount rate	(725,482)	3,019,000
Change in cash flow estimates	-	(65,000)
Decommissioning provisions, end of period	$ 8,206,932	$ 8,951,000

The risk-free rate used in the calculation of the net present value of cash flow estimates has a significant impact on the carrying value of the decommissioning provisions. A 0.5% increase in the risk-free rate would decrease the Company's decommissioning provisions by $1.4 million at September 30, 2015.

(amounts in Canadian dollars)

8. Share capital

(a) Authorized

Unlimited number of voting common shares without par value
Unlimited number of preferred shares issuable in series

(b) Issued and outstanding

Common Shares	Number of Shares	Stated Value
Balance as at March 31, 2014	163,802,246	$ 36,094,048
Issue of common shares on exercise of stock options	50,000	17,000
Balance as at March 31, 2015	163,852,246	$ 36,111,048
Issue of common shares for cash (note 8(c))	6,250,000	500,000
Share issue costs paid in cash	-	(49,707)
Balance as at September 30, 2015	170,102,246	$ 36,561,341

(c) In July 2015, the Company closed a private placement whereby 6,250,000 common shares were issued at a price of $0.08 per share, for gross cash proceeds of $500,000 ($450,000 net of finder’s fees and other issuance costs).

(amounts in Canadian dollars)

9. Stock-based compensation

(a) Stock option plan

The Company has a stock option plan under which it is authorized to issue stock options to employees, officers, directors and consultants for up to 10% of the total issued and outstanding number of common shares.

The following table summarizes the changes in the stock options outstanding and information about the stock options outstanding:

	September 30, 2015		March 31, 2015	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding, beginning of period	13,325,000	$ 0.17	12,325,000	$ 0.20
Granted		-	2,550,000	0.07
Exercised		-	(50,000)	0.22
Expired unexercised		-	(1,500,000)	0.30
Outstanding, end of period	13,325,000	$ 0.17	13,325,000	$ 0.17
Exercisable, end of period	9,750,000	$ 0.19	8,931,250	$ 0.19

The following table summarizes information about the Company's stock options outstanding and exercisable at September 30, 2015:

	Options Outstanding		Options Exercisable	
Exercise Price	**Number**	**Weighted Average Remaining Term (Years)**	**Number**	**Weighted Average Remaining Term (Years)**
$0.06	2,300,000	4.3	725,000	4.3
$0.11	5,100,000	3.1	3,400,000	3.1
$0.15	250,000	3.6	125,000	3.6
$0.22	2,975,000	1.8	2,975,000	1.8
$0.28	1,100,000	0.9	1,100,000	0.9
$0.30	700,000	2.1	525,000	2.1
$0.36	900,000	0.3	900,000	0.3
	13,325,000	2.6	9,750,000	2.3

(amounts in Canadian dollars)

(b) Stock-based compensation expense

Compensation costs of $29,702 for the three month period ended September 30, 2015 (September 30, 2014 - $46,081) have been recorded in the statement of income (loss) and resulted in a corresponding increase in contributed surplus.

Compensation costs of $71,217 for the nine month period ended September 30, 2015 (September 30, 2014 - $225,988) have been recorded in the statement of income (loss) and resulted in a corresponding increase in contributed surplus.

10. Finance expenses

	Three months ended		Six months ended	
	September 30, 2015	**September 30, 2014**	**September 30, 2015**	**September 30, 2014**
Interest expense on bank debt and loans payable	$ 264,635	$ 250,670	$ 532,888	$ 542,296
Financing fees	-	73,135	-	73,135
Accretion of decommissioning provisions (note 7)	46,000	41,000	91,000	85,000
Total finance expenses	$ 310,635	$ 364,805	$ 623,888	$ 700,431

11. Income (loss) per share

The following table summarizes the common shares used in calculating basic and diluted income (loss) per share:

	Three months ended		Six months ended	
Weighted Average Common Shares Outstanding	**September 30, 2015**	**September 30, 2014**	**September 30, 2015**	**September 30, 2014**
Basic	168,200,072	163,852,246	166,038,038	163,833,940
Diluted	168,200,072	163,852,246	166,038,038	165,315,657

For the six month period ended September 30, 2014, 5,925,000 options with a weighted average exercise price of $0.26 per share have been excluded from the diluted income (loss) per share calculation as they were out of the money.

For the three month periods ended September 30, 2015 and 2014 and the six month period ended September 30, 2014, all options have been excluded from the calculation of diluted income (loss) per share as they would be anti-dilutive due to the Company being in a loss position.

(amounts in Canadian dollars)

12. Supplemental cash flows information

(a) Changes in non-cash working capital is comprised of:

	Three months ended		Six months	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Source/(use) of cash:				
Accounts receivable	$ 190,616	$ 372,758	$ 326,069	$ 560,337
Deposits and prepaid expenses	(125,960)	(173,859)	(176,213)	(167,853)
Accounts payable and accrued liabilities	(250,813)	(545,044)	(1,116,450)	(673,080)
Loan payable and accrued interest	201,643	201,643	401,096	401,096
	$ 15,486	$ (144,502)	$ (565,498)	$ 120,500
Related to:				
Operating	$ 199,417	$ 26,250	$ 282,674	$ 368,998
Investing	(183,931)	(170,752)	(848,172)	(248,498)
Changes in non-cash working capital	$ 15,486	$ (144,502)	$ (565,498)	$ 120,500
Interest paid	$ 62,992	$ 49,027	$ 131,792	$ 141,200
Capital taxes paid	$ 47,188	$ 53,126	$ 75,583	$ 75,926

13. Commitments and contingency

(a) Office lease

The Company has an office lease agreement which expires in August 2019. The lease requires future payments inclusive of estimated operating costs as follows:

2016	$ 52,000
2017	127,000
2018	130,000
2019	132,000
2020	55,000
	$ 496,000

(b) In March 2014, the Company received an invoice from a third party for approximately $456,000 related to production volume discrepancies. In September 2015, the third party filed a legal claim seeking the above amount plus interest. The amount has not been recognized in the Company's accounts as the legitimacy of the invoice or any amounts owing thereunder cannot be ascertained at this time and the Company plans to defend its position that the amount is not legitimate.

14. Related party transactions

The Company had the following transactions with related parties:

(i) For the three month period ended September 30, 2015, the Company incurred $40,500 (2014 - $46,251) in management and engineering consulting fees from a private company in which a director and officer of the Company is the private company's principal shareholder. These fees have been included in general and administrative expenses.

For the six month period ended September 30, 2015, the Company incurred $81,000 (2014 - $92,502) in management and engineering consulting fees from a private company in which a director and officer of the Company is the private company's principal shareholder. These fees have been included in general and administrative expenses.

As at September 30, 2015, $Nil is included in accounts payable with respect to these fees.

(ii) For the three month period ended September 30, 2015, the Company incurred $16,444 (2014 - $17,558) in legal fees from a law firm in which a director of the Company is a principal. The fees have been recorded as follows: $NIL (2014 - $9,899) as finance expenses, $5,556 (2014 - $Nil) as share issuance costs, with the remaining $10,888 (2014 - $7,659) being included in general and administrative expenses.

For the six month period ended September 30, 2015, the Company incurred $16,444 (2014 - $23,750) in legal fees from a law firm in which a director of the Company is a principal. The fees have been recorded as follows: $NIL (2014 - $9,899) as finance expenses, $5,556 (2014 - $Nil) as share issuance costs, with the remaining $10,888 (2014 - $13,851) being included in general and administrative expenses

Accounts payable and accrued liabilities as at September 30, 2015 includes $9,841 with respect to these fees.

15. Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies. There have been no changes to these policies since March 31, 2015.

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about changes to the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

(a) Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation.

During the six month period ended September 30, 2015, the Company has not experienced any collection issues with its oil and natural gas marketers or joint interest partners.

(amounts in Canadian dollars)

The Company's aged accounts receivable are aged as follows:

Aging		September 30, 2015		March 31, 2015
Current (less than 90 days)	$	398,793	$	786,864
Past due (more than 90 days)		111,467		49,465
Total	$	510,260	$	836,329

The Company does not have an allowance for doubtful accounts as at September 30, 2015 or March 31, 2015 and did not provide for any doubtful accounts nor was it required to write-off any accounts receivable during the six month period ended September 30, 2015 or September 30, 2014. Management believes that all receivables will be collected. The majority of the balance past due at September 30, 2015 has been subsequently collected.

The carrying amount of $510,260 represents the maximum credit exposure related to accounts receivable.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company prepares annual capital expenditure budgets which are regularly monitored and updated as considered necessary. The Company also utilizes authorization for expenditures on both operated and non-operated projects to further manage capital expenditures. The Company's ongoing liquidity is impacted by various external events and conditions, including commodity price fluctuations and global economic conditions.

The Company has a credit facility to facilitate the management of liquidity risk. See note 5 for credit facility disclosure. The Company is required to meet certain financial covenants as described in note 5. The Company is also required to meet certain financial commitments as described in notes 13, and 15(c).

The Company's credit facility is a demand loan and as such the bank could demand repayment at any time. However, Management is not aware of any indications that the bank would demand repayment in the next 12 months. The main indicator considered is current discussions with the bank as the bank is in the process of finalizing the terms of the lending facilities. The Company further ensures that it will have sufficient cash on hand to meet immediate obligations by actively monitoring its credit facilities through coordinating payment cycles with revenue cycles on the 25th of each month and an active hedging program to mitigate commodity price risk and secure cash flows.

As per note 5, the Company has a revolving demand operating credit facility with a $17.0 million limit and, as of September 30, 2015, there was $9.3 million available for use. However, given the amount available for use under the facility is also limited by the "senior debt to cash flow" ratio, the actual limit will vary on a period by period basis. The calculations of the applicable ratios as of September 30, 2015 are presented in note 16 and the senior debt to cash flow ratio was not met at September 30, 2015. The breach has been communicated to the bank however, because the Company is currently in the process of finalizing the terms of the lending facility, no waiver will be sought for this breach. As a result of significantly weaker future commodity price forecasts, Management expects the lending limit on the revolving facility to be reduced although the amount of the reduction cannot be predicted at this time. As part of finalizing the terms of the lending facilities, Management is also in discussion with the bank as to appropriate future financial covenants including the senior debt to cash flow covenant. Management has significantly delayed the Company's capital programs until the pricing environment improves and has and continues to work on strategies to reduce general and administrative and operating costs subsequent to September 30, 2015. Management has been and continues to be active in seeking alternative sources of funding to help accelerate its planned capital expenditure program, and to ultimately reduce its total debt. The Company cannot provide any assurance that sufficient cash flows will be generated from operating activities to reduce its working capital deficiency and to carry out its planned capital expenditure program.

(amounts in Canadian dollars)

The Company's financial liabilities on the balance sheet consist of bank overdraft, accounts payable and accrued liabilities, bank debt and loans payable. As at September 30, 2015, the Company had $9.3 million available under its revolving credit facility (note 5) and a negative working capital position of $0.3 million (excluding bank debt and derivative instruments if any).

The following table details the Company's financial liabilities excluding derivative instruments as at September 30, 2015:

	< 1 year	> 1 year
Bank overdraft	$ 34,994	$ -
Accounts payable and accrued liabilities	1,074,982	-
Bank debt	7,680,000	-
Loans payable	-	11,044,712
	$ 8,789,976	$ 11,044,712

(c) Market risk

Market risk is the risk that fluctuations in foreign currency exchange rates, interest rates and commodity prices will affect a Company's profit or loss or the value of its financial assets and liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. There have been no changes to the Company's policies for managing market risk during the six month period ended September 30, 2015.

The significant risks affecting the Company are as follows:

(amounts in Canadian dollars)

Commodity price and foreign currency risk

During the six month period ended September 30, 2015, the Company entered into cash settled contracts to fix the price (or component of price) on certain notional volumes of production and gross revenue as well as the foreign exchange rate on certain notional amounts of US dollars. The Company does not enter into derivative contracts other than to manage its commodity price and foreign currency risk. At September 30, 2015, the Company had the following fixed contracts outstanding:

Term	Notional Amount	Fixed Price/Rate	Settlement Index
October 2015 - March 2016	200 to 215 bbl/d	($14.75) USD/bbl	WCS differential to WTI
April 2016 - March 2017	160 to 190 bbl/d	($15.70) USD/bbl	WCS differential to WTI
October 2015 - April 2017	$240,000 to $280,000 USD/month	$1.25 CDN/USD	Bank of Canada rate

The estimated fair value of the derivative contracts has been determined as the amounts the Company would receive or pay to terminate the contracts at period-end. At September 30, 2015, the amount the Company would pay to terminate the contracts would be approximately $580,000.

The fair value of WCS differential derivative contracts at September 30, 2015 would have been impacted as follows had the forward price curves used to estimate the fair value changed by:

As at September 30, 2015	Effect of an increase in differential on after-tax income	Effect of a decrease in differential on after-tax income
CDN $1.00/bbl change in the differential	$ 114,000	$ (114,000)

The fair value of foreign exchange derivative contracts at September 30, 2015 would have been impacted as follows had the forward exchange curves used to estimate the fair value changed by:

As at September 30, 2015	Effect of an increase in rate on after-tax income	Effect of a decrease in rate on after-tax income
CDN $0.05 change in the foreign exchange rate	$ (246,000)	$ 246,000

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its credit facility, which bears a floating rate of interest. A 1% change in the interest rate on the bank debt drawn under prime-based loans would have a minimal impact on loss after tax for the three and six month periods ended September 30, 2015.

(amounts in Canadian dollars)

16. Capital management

The Company's capital management policy is to maintain a strong capital base that optimizes the Company's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its shareholders. The Company monitors capital based on its current working capital, available bank line of credit, projected cash flow from operating activities and anticipated capital expenditures. The Company considers its capital structure to include shareholders' equity, bank debt and loans payable.

There have been no changes to the Company's management of capital during the three and six month periods ended September 30, 2015.

The Company monitors capital based on three financial ratios: net debt to amount of available credit facility, working capital ratio, and senior debt to cash flow ratio.

Net debt to amount of available credit facility

	September 30, 2015	March 31, 2015
Net debt [1]		
Current assets	$ 764,732	$ 914,588
Current liabilities	(8,789,976)	(8,637,799)
Total net debt	(8,025,244)	(7,723,211)
Revolving credit facility available	17,000,000	17,000,000
% of credit facility utilized	47%	45%

[1] Net debt is defined as current assets minus current liabilities excluding derivative instruments.

Working capital ratio

Under the Company's credit facility, the Company is required to maintain a working capital ratio of greater than 1.0 to 1.0. The working capital ratio is defined as "the ratio of current assets (including undrawn available credit under the revolving demand facility and excluding derivative instruments) divided by current liabilities (less the current portion of bank debt, and derivative liabilities)". At September 30, 2015, the working capital ratio was 9.1 to 1.0 (March 31, 2015 – 5.2 to 1.0). The ratio increased from March 31, 2105 due to reduced current liabilities at September 30, 2015.

Senior debt to cash flow ratio

The Company is required to maintain a senior debt to cash flow ratio of less than 3.0 to 1. The senior debt to cash flow ratio is defined as the amount drawn under the bank facility to net income for the trailing one year period from the balance sheet date adjusted for non-cash items and interest accrued on subordinated debt, and less dividends declared and repayments of shareholder loans. The ratio as of September 30, 2015 was 10.0 to 1.0 (March 31, 2015 – 2.9 to 1.0). The ratio increased from March 31, 2015 due to both decreased cash flows and increased draws on the credit facility.