TANAGER ENERGY INC.
Financial Statements
December 31, 2015
(Expressed in Canadian Dollars)

Management's Responsibility for Financial Reporting

To the Shareholders of Tanager Energy Inc.:

Management is responsible for the preparation, integrity and fair presentation of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards and necessarily include amounts based on management's informed judgments and estimates within the acceptable limits of materiality. Financial information contained in management's discussion and analysis is consistent with the financial statements.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the financial statements.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

MNP LLP, an independent firm of Chartered Professional Accountants, who were appointed by the shareholders, is responsible for auditing the financial statements and expressing their opinion thereon and their report is presented separately. The external auditors have full and free access to, and meet regularly with, management and the Audit Committee.

April 29, 2016

("signed")
John Squarek
Chief Executive Officer

("signed")
Donna Hyshka
Chief Financial Officer

Independent Auditors' Report

To the Shareholders of Tanager Energy Inc.

We have audited the accompanying financial statements of Tanager Energy Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2015 and 2014, the statements of loss and comprehensive loss, cash flows and changes in shareholders deficiency for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for 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 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 an audit to obtain reasonable assurance whether the financial statements are free of 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 misstatement. 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.

Opinion

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

Emphasis of Matter – Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty which may cast significant doubt about the ability of Tanager Energy Inc. to continue as a going concern.

MNP LLP

Calgary, Alberta
April 29, 2016

Chartered Professional Accountants

Tanager Energy Inc.
Statements of Financial Position
(Expressed in Canadian Dollars)
As at

	December 31, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	**310**	143,712
Available-for-sale security (Note 4)	**192**	1,540
Amounts receivable and other assets	**133,433**	87,567
	133,935	232,819
Deposits (Note 5)	**396,859**	239,420
Exploration and evaluation assets (Note 6)	**-**	381,071
Property, plant and equipment (Note 7)	**929,415**	-
TOTAL ASSETS	**1,460,209**	853,310
LIABILITIES		
Current liabilities		
Accounts payable and other liabilities (Note 8)	**659,382**	469,597
Loans payable (Note 9)	**639,385**	135,042
	1,298,767	604,639
Decommissioning liabilities (Note 10)	**642,656**	467,467
TOTAL LIABILITES	**1,941,423**	1,072,106
Nature of operations and going concern (Note 1)		
Subsequent events (Note 22)		
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 11)	**19,460,327**	19,385,327
Contributed surplus	**2,726,515**	2,718,091
Accumulated other comprehensive loss	**(15,209)**	(13,861)
Deficit	**(22,652,847)**	(22,308,353)
Total shareholders' deficit	**(481,214)**	(218,796)
TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIENCY)	**1,460,209**	853,310

(signed) "John Squarek"
Director

(signed) "Hugh Loney"
Director

(Expressed in Canadian Dollars)

	2015	2014
Revenue		
Oil and gas sales	**142,033**	-
Royalties	**(37,920)**	-
	104,113	-
Expenses		
Interest	**36,040**	5.676
General and administration (Note 15)	**308,036**	827,969
Operating	**17,883**	-
Depletion	**26,597**	-
Accretion	**10,051**	-
Write down of deposit	**50,000**	-
Net loss for the year	**(344,494)**	(833,645)
Other comprehensive income (loss)		
Items that may be reclassified to profit or loss:		
Gain (Loss) on available for sale financial assets	**(1,348)**	-
Comprehensive income	**(345,842)**	(833,645)

Basic and diluted net loss per share (Note 13)	**(0.01)**	(0.02)
Weighted average number of common shares outstanding	**54,930,146**	50,551,600

Tanager Energy Inc.
Statements of Cash Flows
(Expressed in Canadian Dollars)
For the years ended December 31, 2015 and 2014

	2015	2014
Operating activities		
Net loss for the year	**(344,494)**	(833,645)
Adjustment for:		
Depletion and Depreciation	**26,597**	-
Share-based compensation	**8,424**	104,207
Write down of deposit	**50,000**	-
Non-cash working capital items:		
Amounts receivable and other assets	**(45,866)**	(75,045)
Accounts payable and other liabilities	**189,785**	173,588
Net cash used in operating activities	**(115,554)**	(630,895)
Investing activities		
Deposits	**(207,439)**	(89,420)
Proceeds on disposition of exploration and evaluation assets	**-**	343,713
Additions to oil and gas assets	**(399,752)**	(107,316)
Net cash provided by (used in) investing activities	**(607,191)**	146,977
Financing activities		
Proceeds from (repayments of) loans	**504,343**	(24,957)
Proceeds from shares issued	**75,000**	651,000
Net cash provided by financing activities	**579,343**	626,043
Net change in cash	**(143,402)**	142,125
Cash and cash equivalents, beginning of year	**143,712**	1,587
Cash and cash equivalents, end of year	**310**	143,712
Supplemental Information		
Interest paid	**472**	5,676

(Expressed in Canadian Dollars)

	Number of shares (#)	Share capital ($)	Contributed surplus ($)	Accumulated other comprehensive income ($)	Deficit ($)	Total shareholders' equity (deficit)
Balance, December 31, 2013	43,454,024	19,127,486	2,180,725	(13,861)	(21,474,708)	(180,358)
Common shares issued under private placement	10,456,944	691,000	-	-	-	691,000
Share-based compensation	-	-	104,207	-	-	104,207
Warrants	-	(433,159)	433,159	-	-	-
Net loss for the year	-	-	-	-	(833,645)	(833,645)
Balance, December 31, 2014	**53,910,968**	**19,385,327**	**2,718,091**	**(13,861)**	**(22,308,353)**	**(218,796)**
Common shares issued under private placement	**1,500,000**	**75,000**	-	-	-	**75,000**
Share-based payments	-	-	**8,424**	-	-	**8,424**
Available for sale financial assets	-	-	-	**(1,348)**	-	**(1,348)**
Comprehensive income	-	-	-	-	**(344,494)**	**(344,494)**
Balance, December 31, 2015	**55,410,968**	**19,460,327**	**2,726,515**	**(15,209)**	**(22,652,847)**	**(481,214)**

1. Nature of operations and going concern

Nature of operations

Tanager Energy Inc. ("the Company" or "Tanager") was incorporated in 1946. Pursuant to Articles of Amendment filed in fiscal 2013, the name of the Company was changed to "Tanager Energy Inc." Tanager is an exploration company, engaged in the acquisition, exploration and development of precious and base metal properties and oil and gas hydrocarbons in Alberta, Canada. The Company's common shares are listed on the TSX Venture Exchange under the symbol TAN.

The primary office is located at 3056 40 Ave S, Lethbridge, Alberta. The financial statements were approved by the Board of Directors on April 29, 2016.

Going concern

These financial statements, including comparatives, have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from December 31, 2015. The Company is subject to risks and challenges similar to companies in a comparable stage of exploration and development. As a result of these risks, there is significant doubt as to the appropriateness of the going concern assumption. There is no assurance that the Company's funding initiatives will continue to be successful and these financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statements of financial position classifications that would be necessary if the going concern assumption was inappropriate. As at December 31, 2015, the Company had a net loss of $344,494 (2014 - $833,645) and an accumulated deficit of $22,652,847 (2014 - $22,308,353). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

2. Basis of presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect at December 31, 2015.

(b) Basis of presentation

These audited financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments and share-based payment transactions that have been measured at fair value. They were prepared on a going concern basis and are presented in Canadian dollars, which is the Company's functional currency.

3. Significant accounting policies

(a) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid short-term investments with a maturity date of 90 days or less when acquired.

(b) Revenue recognition

Revenue from sale of oil and natural gas is recognized when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. This generally occurs when product is physically transferred into a vessel, pipe or other delivery mechanism at the sales point.

3. Significant accounting policies *(continued)*

(c) Jointly controlled assets

A portion of the Company's oil and natural gas activities involve jointly controlled assets and any related liabilities incurred. The financial statements include the Company's share of these jointly controlled assets and liabilities and a proportionate share of the relevant revenues and related costs, classified according to their nature.

(d) Exploration and evaluation assets

E&E assets include land acquisition costs, geological and geophysical costs, exploratory drilling, directly attributable expenses and activities relating to evaluating the technical feasibility and commercial viability of our resources. All other expenditures are recognized in income as incurred.

E&E costs are capitalized and are not depleted until such time as the exploration phase is complete and technical feasibility and commercial viability of extracting the resource has been demonstrated. Once demonstrated, E&E assets are tested for impairment and transferred to P&NG interests, and further development costs are capitalized to P&NG interests. E&E assets are also tested for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. If it is determined that technical feasibility and commercial viability has not been achieved in relation to a property, the resulting loss is included in income (loss).

(e) Property and equipment

All costs directly associated with the development of oil and natural gas interests are capitalized on an area-by-area basis as oil and natural gas interests and are measured at cost less accumulated depletion and net impairment losses. These costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include property acquisitions with proved and/or probable reserves, development drilling, completion, gathering and infrastructure, decommissioning liabilities and transfers of exploration and evaluation assets.

Costs of replacing parts of property and equipment are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in income as incurred. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are charged to income as incurred.

For divestitures of properties, a gain or loss is recognized in the statement of loss and comprehensive loss. Exchanges of properties are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured in which case the cost of the acquired asset is measured at the carrying value of asset given up. Where the exchange is measured at fair value, a gain or loss is recognized in the statement of loss and comprehensive loss.

Depletion and Depreciation

Oil and natural gas interests are depleted using the unit-of-production method by reference to the ratio of production in the year to the related proved and probable reserves, taking into account estimated future development costs. Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of natural gas to one barrel of oil. Changes in estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations are dealt with on a prospective basis.

Processing facilities and well equipment are depleted using the unit-of-production method along with the related reserves when the assets are designed to have a life similar to the reserves of the related wells with little to no residual value. Where facilities and equipment, including major components, have differing useful lives, they are depreciated separately on a straight-line basis over the estimated useful life of the facilities and equipment and other related components.

Furniture and fixtures are depreciated on a straight-line basis over periods ranging from two to five years.

3. Significant accounting policies *(continued)*

(f) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed for indicators of impairment at each reporting date. If indicators of impairment exist, the recoverable amount of the asset is estimated.

For the purposes of assessing impairment, exploration and evaluation assets and property and equipment are grouped into cash-generating units ("CGUs"), defined as the lowest levels for which there are separately identifiable independent cash inflows. Goodwill, if any, is allocated to the CGUs that are expected to benefit from the synergies of the business combination creating the goodwill. Exploration and evaluation assets are tested with the associated CGU for which the activity can be attributed or separately where an associated CGU does not exist for the exploration and evaluation activity.

The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction between knowledgeable and willing parties. Fair value less costs to sell may be determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs and including future development costs. These cash flows are discounted at an appropriate discount rate which would be applied by a market participant. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the cash-generating unit in its present form. These cash flows are discounted at a rate based on the time value of money and risks specific to the CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. An impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses are recognized in comprehensive loss.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized. A goodwill impairment loss is not reversed.

(g) Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, with a corresponding accretion charge to earnings.

(h) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3. Significant accounting policies *(continued)*

(i) Flow-through shares

The Company may, from time to time, issue flow-through shares to finance a portion of its exploration programs. Pursuant to the terms of flow-through share agreements, the Company agrees to incur qualifying expenditures and renounce the tax deductions associated with these qualifying expenditures to the flow-through subscribers at an agreed upon date.

Flow-through shares are reported at issue price. If the flow-through shares are issued at a premium to the market price of non-flow through shares, such premium or excess proceeds is reported as a liability on the statement of financial position. The subsequent renunciation of such qualifying expenditures incurred by the Company in favour of the flow-through subscribers, is reported as a reduction in the flow-through share liability on the statement of financial position and a corresponding reduction in deferred tax expense on the statement of net loss and comprehensive loss.

(j) Business combinations

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognized immediately in net income (loss). Transaction costs associated with a business combination are expensed as incurred.

(k) Share-based payment transactions

The fair value of equity-settled share options granted is recognized as an expense over the vesting period with a corresponding increase in equity.

The fair value is measured at grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Management is required to estimate forfeitures, and revise its estimates of the number of equity-settled share options expected to vest each period. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the period. Management defines forfeitures as share-based payments for which the counterparty does not fulfill the vesting conditions.

(l) Taxes

Tax expense comprises current and deferred tax. Tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

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. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

3. Significant accounting policies *(continued)*

(m) Loss per share

Basic loss per share data is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

(n) Financial assets and liabilities

The Company's financial instruments consist of the following:

Financial assets:	**Classification:**
Cash and cash equivalents	Fair value through profit and loss ("FVTPL")
Amounts receivable and other assets	Loans and receivables
Available-for-sale security	Available-for-sale financial assets
Financial liabilities:	**Classification:**
Accounts payable and accrued liabilities	Other financial liabilities
Loan payable	Other financial liabilities

Fair value through profit and loss:

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the statements of loss and comprehensive loss.

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets:

Available-for-sale ("AFS") financial assets are non-derivative financial assets that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive loss and classified as a component of equity. AFS assets include investments in listed equity of other entities.

Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are recognized in other comprehensive loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive loss are included in profit and loss.

Other financial liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

3. Significant accounting policies *(continued)*

(n) Financial assets and liabilities

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted.

Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account.

When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and cash equivalents and available for sale security are measured based on Level 1. The carrying value of amounts receivable and other assets, accounts payable and other liabilities and loans payable approximates their fair value due to the short term nature of these balances.

(o) Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are regularly evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

3. Significant accounting policies *(continued)*

(o) Significant accounting judgments and estimates

The following are some of the areas requiring significant estimates and judgements:

Reserves Base

Proved and Probable oil and gas reserves are used in the units of production calculation for depletion as well as the determination of the timing of well closure costs and impairment analysis. There are numerous uncertainties inherent in estimating oil and gas reserves. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being adjusted.

Exploration and Evaluation Costs

Certain exploration and evaluation costs are initially capitalized with the intent to establish commercially viable reserves. The Company is required to make judgments about future events and circumstances and applies estimates to assess the economic viability of extracting the underlying resources. The costs are subject to technical, commercial and management review to confirm the continued intent to develop the project. Level of drilling success, or changes to project economics, resource quantities, expected production techniques, production costs and required capital expenditures, are important judgments when making this determination.

Development Costs

Management uses judgment to determine when exploration and evaluation assets are reclassified to Property and Equipment. This decision considers several factors, including the existence of reserves, appropriate approvals from regulatory bodies and the Company's internal project approval processes.

Decommissioning Liabilities

Decommissioning liabilities will be incurred by the Company at the end of the operating life of some of the Company's facilities and properties. The ultimate costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditures can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Fair Value Estimates

Estimates are made in determining the fair value of assets and liabilities including the valuation of separately identifiable intangibles acquired as part of an acquisition. These estimates may be further based on management's best assessment of the related inputs used in valuation models, such as future cash flows and discount rates.

Going Concern

The Financial Statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management uses judgement to assess the Company's ability to continue as a going concern and the existence of conditions that cast doubt upon the going concern assumption.

3. Significant accounting policies *(continued)*

(o) Significant accounting judgments and estimates

Stock based compensation

The Company provides share-based awards to certain employees in the form of stock options. The Company follows the fair-value method to record share-based payment expense with respect to stock options granted. The fair value of each option granted is estimated based on the date of grant and a provision for the costs is provided for with a corresponding credit to reserves in shareholders' equity over the vesting period of the option agreement. Share-based payment expense associated with options issued to employees, consultants, officers and directors of the Company are expensed. The consideration received by the Company on the exercise of share options is recorded as an increase to issued capital together with corresponding amounts previously recognized in reserves in shareholders' equity. Forfeitures are estimated for each tranche, and adjusted as required to reflect actual forfeitures that have occurred in the period.

In order to record share-based payment expense, the Company estimates the fair value of share options granted using assumptions related to interest rates, expected lives of the options, volatility of the underlying security, forfeitures and expected dividend yields.

Asset Impairment and Reversals

Management applies judgment in assessing the existence of impairment and impairment reversal indicators based on various internal and external factors.

The recoverable amount of CGUs and individual assets is determined based on the higher of fair value less costs to sell or value-in-use calculations. The key estimates the Company applies in determining the recoverable amount normally include estimated future commodity prices, expected production volumes, future operating and development costs, discount rates, tax rates, and refining margins. In determining the recoverable amount, management may also be required to make judgments regarding the likelihood of occurrence of a future event. Changes to these estimates and judgments will affect the recoverable amounts of CGUs and individual assets and may then require a material adjustment to their related carrying value.

Determination of Cash Generating Units ("CGUs")

A CGU is defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures, and the way in which management monitors the operations. Management has determined that the Company has one CGU.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

(p) Future accounting policies

I. IFRS 9 financial instruments

IFRS 9 addresses requirements for the classification and measurement of financial instruments, impairment methodology and hedge accounting. The IASB set a mandatory effective date for annual periods beginning on or after January 1, 2018. The Company continues to assess this new standard, but does not expect it to have a significant impact.

3. Significant accounting policies *(continued)*

(p) Future accounting policies

II. IFRS 15 revenue from contracts with customers

IFRS 15 replaces the existing revenue recognition guidance with a new framework to determine the timing and measurement of revenue, providing users of the financial statements more information and relevant disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company continues to assess this new standard, but does not expect it to have a significant impact.

III. IFRS 16 Leases

Under IFRS 16 a single recognition and measurement model will apply for all lessees which will require recognition of assets and liabilities for most leases. The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption.

4. Available-for-sale security

Marketable securities consist of 3,850 (2014- 3,850) common shares of Damara Gold Corp (formerly Solomon Resources Ltd.), a publicly held Canadian company. The securities have been recorded at market value with a corresponding change reflected in other comprehensive income.

5. Deposits

During the year ended December 31, 2012, the Company provided a deposit to acquire certain oil and gas assets amounting to $150,000. The counter party to the transaction was determined to be in breach and as a result the Company has commenced litigation to have the deposit returned. The Company anticipates future collection of this amount but have recorded a $50,000 allowance towards this account in 2015.

The remainder of the deposits relate to payments to the Alberta Energy Regulator as security deposits in connection with well license transfers.

6. Exploration and evaluation assets

	2015	2014
Balance, beginning of year	381,071	-
Additions		381,071
Transfer	(381,071)	-
Balance, end of year	-	381,071

During the year ended 2014, the Company acquired certain shut-in oil and gas wells (“Joffre”) for $1,184,935. The consideration paid consisted of cash of $100,000, decommissioning liabilities of $934,935 and an account payable of $150,000 to be settled by way of enhanced royalties to the vendor. The Company also capitalized $63,603 of costs relating to well exploration activities. In November 2014, the Company sold 50% of its working interest in the Joffre property to Viking Investments Group Inc. for $400,000 plus 50% of the decommissioning liability, amounting to $467,467 As at December 31, 2015, all outstanding balances have been received.

During 2015 it was determined that the exploration and evaluation assets qualified as property and equipment with identifiable reserves and they were subsequently tested for impairment and transferred to property and equipment.

7. Property and equipment

Year ended December 31, 2015	***Oil and gas properties***
Cost	
Beginning balance	-
Additions	521,747
Transferred from E&E	381,071
Ending balance	902,818
Accumulated Depletion	
Beginning balance	
Depletion and depreciation	26,597
Ending balance	26,597
Book Value	**$929,415**

Depletion

During the year ended December 31, 2015, $8,200,000 of future development costs were included in costs subject to depletion

Impairment

At December 31, 2015, the Company determined that the reduction in commodity prices was an indication of impairment and tested its cash-generating units for impairment. The recoverable amount of the CGUs was estimated based on the higher of the value in use and the fair value less costs to sell. The estimate of fair value less costs to sell was determined using a cost of sale of 2 percent, a discount rate of 15% and forecasted cash flows, with escalating prices and future development costs, as obtained from an independent reserves engineer for the Company's proved plus probable reserves. As a result, the Company has concluded that there is no impairment of its oil and gas properties at December 31, 2015.

Forward prices used to evaluate indicators of impairment:

		Oil price ($US/Bbl)		Natural gas price ($CDN/Mcf)
2016	$	42.00	$	2.25
2017	$	47.50	$	2.65
2018	$	55.00	$	2.80
2019	$	62.50	$	3.25
2020	$	70.00	$	3.50

Business combination

During the year ended December 31, 2014, the Company completed a property acquisition and determined that it constitutes a business combination.

On May 15, 2015, the Company completed the acquisition of certain oil and gas properties located in the Alberta (the "Assets") with an effective date of April 1, 2015. On completion of the transaction, the Company paid cash of $110,000 for the Assets and assumed the associated liability for abandonment and site remediation costs. Although the acquisition was effective on April 1, 2015, as per IFRS 3, the acquisition date is determined to be on May 15, 2015, the date the Company obtained control of the Assets. As a result, the purchase price has been adjusted by $9,895, which represents the April and May, 2015 operating results of the Assets.

7. Property and equipment

Fair value of net assets acquired:

Petroleum and natural gas interests	$	244,847
Decommissioning liabilities		(124,952)
	$	119,895
Fair value of consideration, net of operating income		119,895
	$	-

The estimated fair value of the Assets acquired was based on an internal estimate of reserve value and negotiated purchase price with the third party seller as an independent reserve evaluation at the date of acquisition was not readily available. The decommissioning liabilities assumed were determined using the timing and estimated costs associated with the abandonment, restoration, and reclamation of the wells and facilities acquired.

If the acquisition had been effective January 1, 2015, the effect on production revenue would be insignificant.

8. Accounts payable and other liabilities

	2015	2014
Accounts payable and other liabilities	**377,508**	163,585
Due to related parties	**243,569**	156,012
Payable re Joffre acquisition	**38,305**	150,000
	659,382	469,597

9. Loans payable

	2015	2014
Due to shareholder	**449,385**	135,042
Loan from joint venture partner	**190,000**	-
	639,385	135,042

The amount due to shareholder bears interest at 12% per annum and has no fixed terms of repayment. Of the total,

$225,000 is secured by assets of the Company.

The loan from the joint venture partner is non-interest bearing, unsecured and due on demand.

10. Decommissioning liabilities

The following table presents the reconciliation of the carrying amount of the obligation associated with the reclamation and abandonment of the Company's oil and gas properties:

	2015	*2014*
Beginning balance	**$ 467,467**	$ -
Additions	**124,952**	467,467
Accretion	**10,051**	-
Change in estimate	**40,186**	-
Ending balance	**$ 642,656**	$ 467,467

The undiscounted obligation, estimated as $773,373, has been discounted to the carrying amount based on an inflation rate of 2%, a discount rate of 2.1% with anticipated reclamation expenditures taking place over the next 10 to 15 years.

11. Share capital

(a) *Authorized share capital*

At December 31, 2015, the authorized share capital consisted of unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

(b) *Common shares issued*

The change in issued share capital is as follows:

	Number of common shares	Amount
Balance December 31, 2013	**43,454,024**	**19,127,486**
Shares issued (i)	10,456,944	257,841
Balance December 31, 2014	**53,910,968**	**19,385,327**
Shares issued (ii)	1,500,000	75,000
Balance, December 31, 2015	**55,410,968**	**19,460,327**

(i) During 2014 the Company issued 10,456,944 common shares for cash proceeds of $651,000, and $40,000 as settlement of debt. Of the shares issued, 10,012,500 were issued as units with warrants attached. 5,000000 of the warrants are exercisable into common shares at $0.10 per share until December 2015. The remaining warrants are exercisable at $0.15 per share until July and October, 2016.

The warrant value of $433,159 has been added to contributed surplus.

(ii) During 2015 the Company issued 1,500,000 common shares for $75,000 cash.

12. Stock options

The Company has a Stock Option Plan (the "Plan") to provide incentive for the directors, officers, employees, consultants and service providers of the Company. The total number of options granted to any one individual in any 12 month period, will not exceed 5% of the issued common shares of the Company.

On June 24, 2013, at the Company's Annual and Special Meeting, the shareholders passed a resolution approving and ratifying the "2008 Stock Option Plan". Under the 2008 Stock Option Plan, options may be granted to directors, officers, key employees and consultants of the Company. The 2008 Stock Option Plan is a "rolling" stock option plan reserving for issuance upon the exercise of options granted pursuant to the plan a maximum of 10% of the issued and outstanding shares of the Company at any time, less any shares required to be reserved with respect to options granted by the Company prior to the implementation of the 2008 Stock Option Plan.

Under TSX Venture Exchange policies, a "rolling" stock option plan which sets the number of common shares issuable under the plan at a maximum of 10% of the issued and outstanding common shares at the time of the grant must be approved and ratified by shareholders on an annual basis.

The following table reflects the continuity of stock options for the years ended December 31, 2015 and December 31, 2014:

	Number of options	Weighted average exercise price ($)
Outstanding December 31, 2014 and 2013	4,300,000	$ 0.05
Cancelled	(500,000)	(0.05)
Granted	635,000	0.05
Outstanding December 31, 2015	4,435,000	$ 0.05

12. Stock options *(continued)*

Date of grant	**Number outstanding**	**Weighted average exercise price**	**Weighted average remaining contractual life in years**	**Options exercisable**
Dec 23, 2013	3,800,000	0.05	0.99	3,800,000
Feb 26, 2015	635,000	0.05	2.16	211,666
	4,435,000			4,011,666

The Company calculated stock based compensation expense for the year ended December 31, 2015 is $8,424 (2014 – $104,207).

The Black-Scholes option pricing model, with the following assumptions, were used to fair value the 2015 options granted:

	2015
Risk free rate	.48%
Expected life	3 years
Expected volatility	171%
Expected dividend	-
Forfeiture rate	.0%
Fair value of option	$0.04

13. Net loss per common share

The calculation of basic and diluted loss per share for the year ended December 31, 2015 was based on the loss attributable to common shareholders of $344,494 (2014- $833,645) and the weighted average number of common shares outstanding of 54,930,146 (2014 - 50,551,600).

14. Warrants

The following table reflects the continuity of warrants for the years ended December 31, 2015 and December 31, 2014 of which the value is recorded in contributed surplus:

	Number of warrants
Balance, December 31, 2013	-
Expired	10,012,500
Balance, December 31, 2014	10,012,500
Expired	(5,000,000)
Balance, December 31, 2015	5,012,500

15. General and administrative

	2015	2014
Administrative and general	**147,754**	531,915
Consulting fees	**66,000**	58,000
Reporting issuer costs	**85,858**	133,847
Stock-based compensation	**8,424**	104,207
	308,306	827,969

16. Related party transactions

Related parties include the Board of Directors, senior management and enterprises that are controlled by these individuals.

Related party transactions are conducted in the normal course of operations under normal market conditions and terms.

The Company entered into the following transactions with related parties:

The Company paid $12,500 (2014 - $24,000) for services provided by the former Chief Financial Officer ("CFO"). As at December 31, 2015, the current CFO was owed $18,600.

The Company paid $50,400 (2014 - $20,500) for geological consulting and management services provided by a company of a director of Tanager. In addition, the director was owed $12,000 (2014 – $12,000) as at December 31, 2015.

The Company owes the President and Chief Operating Officer $60,000 (2014 - $Nil) for services and $6,000 (2014 - $12,000) for director fees.

The Company also owes other directors fees of $6,000 each for $12,000 total for 2015 (2014 - $12,000).

Key management personnel include the Company's senior management and all of the Company's directors. The Company recorded the following amounts in its Financial Statements relating to key management personnel compensation in 2015 and 2014.

	2015	2014
Short-term benefits	127,569	156,012
Stock-based compensation	8,424	104,207
	135,993	260,219

17. Income taxes

Income taxes recorded differ from the amounts that would be computed by applying the federal and provincial statutory income tax rates of 26% (2014 - 25%). The reasons for the differences are as follows:

	2015	2014
Loss before income taxes	**(344,494)**	(833,645)
Income tax recovery, at combined federal and provincial tax rates	**(89,568)**	(208,411)
Stock-based compensation	**8,424**	26,052
Deferred tax benefits not recognized	**81,144**	182,395
	-	-

The temporary differences that would give rise to significant portions of the future tax assets and future tax liabilities at December 31, were as follows:

	2015	2014
Non-capital losses carry forward	**4,384,800**	4,048,730
Capital losses carry forward	**8,688**	8,688
Share issue costs	**229,544**	229,544
Resources property pools	**7,115,907**	7,114,559
Other	**642,656**	467,467
Gross temporary differences	**12,381,595**	11,868,988

17. Income taxes *(continued)*

The Company has $4,384,800 in non-capital losses which will begin to expire in 2026.

The Company manages its capital to ensure that funds are available or are scheduled to be raised to provide adequate funds to carry out the Company's defined exploration programs and to meet its ongoing administrative costs. The Company considers its capital to be equity, which comprises share capital, contributed surplus, accumulated other comprehensive loss and deficit, which at December 31, 2015, totaled $481,214 (2014 - $ 218,796 deficiency).

Capital management is achieved by the Board of Directors' review and acceptance of exploration budgets that are achievable within existing resources and the timely matching and release of the next stage of expenditures with the resources made available from private placements or other fund raisings.

18. Capital Risk Management

The Company is not subject to any material externally imposed capital requirements or covenants.

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

There were no changes in the Company's approach to capital management during the year ended December 31, 2015.

19. Financial risk management

Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Cash is held with select major Canadian chartered banks, from which management believes the risk of loss to be minimal.

Financial instruments included in amounts receivable consist of sales tax receivable from government authorities in Canada and trade receivables from industry partners. Amounts receivable are in good standing and management believes that the credit risk with respect to financial instruments included in accounts receivable is minimal.

19. Financial risk management

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company.

The Company generates cash flow primarily from its financing activities. As at December 31, 2015, the Company had cash and cash equivalents of $310 (2014 - $143,712) to settle current liabilities of $1,298,767 (2014 - $604,639). All of the Company's financial liabilities have contractual maturities one year or less and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity. Management believes that the arrangement disclosed in note 22 will positively affect its liquidity.

(iii) 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

The Company has cash balances and interest-bearing debt. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of major Canadian chartered banks. The interest bearing debt is at fixed rates and not subject to rate fluctuations. The Company regularly monitors compliance to its cash management policy.

(b) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As at December 31, 2015, the Company is not exposed to any foreign currency risk.

(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, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Due to its limited current production, a 5% change in the price of oil would have minimal effect on the reported net loss.

20. Categories of financial instruments

	2015	2014
Financial assets		
FVTPL:		
Cash and cash equivalents (Level 1)	**310**	143,712
Available-for-sale security (Level 1)	**192**	1,540
Loans and receivables:		
Amounts receivable and other assets	**133,433**	87,567
Financial liabilities		
Accounts payable and other liabilities	**659,382**	469,597
Loans payable	**639,385**	135,042

21. Subsequent events

On April 27, 2016 Tanager announced a proposal to complete a non-brokered private placement offering of 10% secured convertible debentures in the principal amount of up to CDN$1,225,000.

Tanager also announced that it has entered into an asset purchase, with respect to the purchase of an undivided 50% interest in certain lease holdings, including well lease holdings, and a 50% participation right in certain wells to be drilled on those leases, exercisable upon written notice to the Sellers, in the drilling of wells in the approximately 200,000 acre (312.5 square mile) geographical area in Polk County and Tyler County, Texas to formations which include the Eagleford/Woodbine and the Yegua sandstones.

Tanager also announced the amendment to the loan from Mr. John Squarek, the President, Chief Executive Officer and a director of the Corporation, previously announced on July 22, 2015, subject to approval of the TSX Venture Exchange. Pursuant to the amendment, the principal amount of the loan would be increased to CDN$445,000 and would be repayable on September 30, 2016, rather than being payable on demand.