Junex Inc.

Interim Consolidated Financial Statements June 30, 2015 and 2014

Interim Consolidated Financial Statements

The interim consolidated financial statements of Junex Inc. for the second quarter ended June 30, 2015 as well as the corresponding comparative data were not subject to a review by the Company's auditor.

Junex Inc.

Consolidated Statements of Comprehensive Income

Three and six month periods ended June 30, 2015 and 2014

(in Canadian dollars)

	Three-month period ended June 30		Six-month period ended June 30	
	2015	2014	**2015**	2014
	$	$	**$**	$
Revenues from ordinary activities	**47,611**	45,963	**167,966**	149,962
Cost of sales	**(99,562)**	(257,175)	**(220,794)**	(531,923)
Gross margin	**(51,951)**	(211,212)	**(52,828)**	(381,961)
Administrative expenses	**(394,317)**	(348,511)	**(782,273)**	(675,853)
Management fees	**6,371**		**22,408**	
Gain (loss) on disposal of property, plant and equipment	**5,131**		**5,131**	18,335
Operating loss	**(434,766)**	(559,723)	**(807,562)**	(1,039,479)
Interest income on loans and receivables	**13,622**	60,993	**30,770**	87,039
Finance costs	**(1,094)**	(1,134)	**(8,525)**	(2,305)
Loss before income taxes	**(422,238)**	(499,864)	**(785,317)**	(954,745)
Income taxes (Note 8)				
Deferred				42,577
Net loss	**(422,238)**	(499,864)	**(785,317)**	(912,168)
Other comprehensive income (net of taxes)				
Element that will be reclassified subsequently to profit or loss:				
Unrealized loss on available-for-sale financial assets (net of taxes)				
Other comprehensive income after taxes				
Comprehensive income	**(422,238)**	(499,864)	**(785,317)**	(912,168)
Basic and diluted net earnings per share (Note 5)	**(0.006)**	(0.008)	**(0.012)**	(0.014)
Weighted average number of common shares outstanding	**66,194,928**	66,194,928	**66,194,928**	66,194,928

The accompanying notes are an integral part of the consolidated financial statements and Note 6 and Note 17 provide other information on profit or loss.

Junex Inc.

Consolidated Statements of Changes in Equity

Six month period ended June 30, 2015 and 2014

(in Canadian dollars)

	Share capital	Contributed surplus	Available-for-sale financial assets	Deficit	Total equity
	$	$	$	$	$
Balance as at January 1, 2015	**59,688,972**	**5,096,801**	**(50,070)**	**(21,232,499)**	**43,503,204**
Share-based employee compensation and other share-based payments		**202,102**			**202,102**
Transactions with owners		**202,102**			**202,102**
Net loss for the period				**(785,317)**	**(785,317)**
Other comprehensive income					
Unrealized losses on available-for-sale financial assets (net of taxes)					
Comprehensive income				**(785,317)**	**(785,317)**
Balance as at June 30, 2015	**59,688,972**	**5,298,903**	**(50,070)**	**(22,017,816)**	**42,919,989**
Balance as at January 1, 2014	59,688,972	4,678,988	(40,056)	(10,910,454)	53,417,450
Share-based employee compensation and other share-based payments		81,224			81,224
Transactions with owners		81,224			81,224
Net loss for the period				(912,168)	(912,168)
Other comprehensive income					
Unrealized losses on available-for-sale financial assets (net of taxes)					
Comprehensive income				(912,168)	(912,168)
Balance as at June 30, 2014	59,688,972	4,760,212	(40,056)	(11,822,622)	52,586,506

The accompanying notes are an integral part of the consolidated financial statements.

Junex Inc.
Consolidated Statements of Cash Flows
Three and six month periods ended June 30, 2015 and 2014
(in Canadian dollars)

	Three-month period ended June 30		Six-month period ended June 30	
	2015	2014	**2015**	2014
	$	$	**$**	$
OPERATING ACTIVITIES				
Net loss	**(422,238)**	(499,864)	**(785,317)**	(912,168)
Non-cash items				
Amortization of property, plant and equipment	**32,485**	73,827	**64,896**	146,242
Gain on disposal of property, plant and equipment	**(5,131)**		**(5,131)**	(18,335)
Deferred income taxes				(42,577)
Share-based compensation	**61,815**	12,731	**123,630**	25,462
Net change in working capital items (Note 7)	**(77,185)**	(28,104)	**261,836**	(256,912)
Cash flows from operating activities	**(410,254)**	(441,410)	**(340,086)**	(1,058,288)
INVESTING ACTIVITIES				
Property, plant and equipment	**(147,344)**	(4,736)	**(149,514)**	(54,311)
Disposal of property, plant and equipment	**5,500**	20,625	**5,500**	20,625
Exploration and evaluation assets	**(766,053)**	(389,853)	**(2,412,184)**	(966,667)
Tax credits on exploration expenses received		3,682,469		
Partners' contributions	**186,135**		**721,072**	3,682,469
Cash flows from investing activities	**(721,762)**	3,308,505	**(1,835,126)**	2,682,116
FINANCING ACTIVITIES				
Cash flows from financing activities	**-**	-	**-**	-
Net change in cash	**(1,132,016)**	2,867,095	**(2,175,212)**	1,623,828
Cash, beginning of period	**6,278,336**	8,597,574	**7,321,532**	9,840,841
Cash, end of period	**5,146,320**	11,464,669	**5,146,320**	11,464,669

The accompanying notes are an integral part of the consolidated financial statements.

Junex Inc.

Consolidated Statements of Financial Position

June 30, 2015 and December 31, 2014

(in Canadian dollars)

	2015-06-30	2014-12-31
	$	$
ASSETS		
Current		
Cash	**5,146,320**	7,321,532
Receivables (Note 9)	**395,527**	1,268,146
Tax credits receivable	**1,519,470**	1,130,449
Inventories	**41,436**	41,436
Prepaid expenses	**247,651**	75,489
	7,350,404	9,837,052
Non-current		
Investment (Note 10)		
Property, plant and equipment (Note 11)	**2,567,042**	2,569,416
Exploration and evaluation assets (Note 12)	**33,543,832**	32,311,305
Goodwill	**198,951**	198,951
	43,660,229	44,916,724
LIABILITIES		
Current		
Trade and other payables (Note 13)	**740,240**	1,413,520
Non-current		
Deferred income taxes (Note 8)		
	740,240	1,413,520
EQUITY		
Share capital (Note 14)	**59,688,972**	59,688,972
Contributed surplus	**5,298,903**	5,096,801
Other comprehensive income	**(50,070)**	(50,070)
Deficit	**(22,017,816)**	(21,232,499)
	42,919,989	43,503,204
	43,660,229	44,916,724

The accompanying notes are an integral part of the consolidated financial statements.

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

The Company is incorporated under the *Business Corporations Act* (Québec) and is the group's parent company. The main activity of Junex Inc. and its subsidiary (hereinafter, the “Company”) is oil and natural gas exploration in Quebec and in the State of Texas in the United States through its subsidiary. It also carries out certain complementary activities such as the sale of brine and oil and gas well drilling services. Occasionally, it provides geophysics and geology consulting services to some of its partners operating in oil and gas exploration. Its registered office and principal place of business is located at 2795 Laurier Boulevard, suite 200, Québec City, Quebec, G1V 4M7. Junex Inc.'s common shares are listed on the TSX Venture Exchange.

2 - GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

The consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting.* They do not include all of information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the Company's financial statements for the year ended December 31, 2014.

The accounting policies described in Note 3 have been used to prepare the consolidated financial statements for the quarter ended June 30, 2015 as well as the comparative information.

The consolidated financial statements for the quarter ended June 30, 2015 (including comparatives) were approved and authorized for issue by the Board of Directors on August 20, 2015.

3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements have been prepared using the historical cost method, except for financial instruments measured at fair value. In this respect, refer to the "*Financial Assets and Liabilities Measurement Basis"* accounting policy.

Principles of consolidation

These consolidated financial statements include the accounts of the parent company and its wholly-owned subsidiary, Junex USA LLC. Junex Inc. controls the subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

All transactions and balances between group companies are eliminated on consolidation, including unrealized gains and losses on inter-company transactions.

Foreign currency

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the parent company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the rates in effect at the date of the consolidated statements of financial position are recognized in the consolidated statements of comprehensive income.

Non-monetary items valued at historical cost are translated at the rates in effect at the transaction date.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities measurement basis

Initial measurement

Financial assets and liabilities are recorded when the Company becomes a party to the terms of the financial instruments. On initial recognition, all financial assets and liabilities are measured and recorded at fair value plus transaction costs, except for financial assets and liabilities measured at fair value through profit or loss which are initially measured at fair value.

Subsequent measurement

Subsequent to their initial recognition, the Company's financial assets and liabilities are measured as follows:

– Available-for-sale financial assets

  The investment, which is a share investment in public companies, is classified as an available-for-sale financial asset. Available-for-sale financial assets are measured at their fair value. Related unrealized gains or losses are recognized in other comprehensive income until these gains or losses are realized or when there is objective evidence that the asset is impaired, at which time the gains and losses are reclassified to profit or loss and presented separately. Fair value is determined using the bid price in an open market corresponding to a Level 1 fair value hierarchy as defined in IFRS 13, *Fair Value Measurement*.

– Loans and receivables

  Cash, trade receivables and a partner's contributions receivable are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, which is generally the initially recognized amount, less any allowance for doubtful accounts. Discounting is omitted where the effect of discounting is immaterial. The Company recognizes an allowance for trade receivables and the partner's contributions receivable when it has objective evidence that it will not be able to collect amounts due under the original terms and conditions of agreements with customers and the partner. Major financial difficulties of the customers or partner, the growing possibility of their bankruptcy or financial reorganization and payment defaults or delays are considered to be indicators that trade receivables and the partner's contributions receivable are impaired. Interest income on loans and receivables is recognized in profit or loss and presented separately.

– Financial liabilities

  Trade and other payables are classified as other financial liabilities. Subsequent measurements are recognized at amortized cost using the effective interest method. Any interest expense is recognized separately in the consolidated statements of comprehensive income, as applicable.

Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or when the financial assets and all significant risks and rewards are transferred.

Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expired.

Cash and cash equivalents

The Company's policy is to present cash and temporary investments having a term of three months or less from the acquisition date, that are highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value with cash and cash equivalents.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from the sale of hydrocarbons and brine is recognized when the important risks and rewards of ownership are transferred, revenue can be measured reliably, the costs incurred (or to be incurred) for the transaction can be measured reliably and recovery is reasonably certain. Generally, these conditions are satisfied when the product is delivered to the customer. Revenue is measured at the fair value of the consideration received or receivable resulting from the sale of hydrocarbons and brine.

Revenue from drilling and consulting fees is recorded using the percentage of completion method when the following conditions have been satisfied: i) the amount of revenue can be measured reliably; ii) it is probable that the economic benefits associated with the transaction will flow to the Company; iii) the stage of completion can be measured reliably; and iv) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. Under this method, contract revenues and profit are recognized according to the degree of completion of work. The degree of completion of work is determined based on direct labour cost incurred at the date of the consolidated financial statements compared to estimated total direct labour costs. Losses are recorded once they can be estimated.

Investment income is recognized as it is earned.

Inventory valuation

Inventories, which comprise mainly brine, are valued at the lower of cost and net realizable value. Cost is determined by the weighted average cost method. The net realizable value represents the estimated sales price in the ordinary course of business less the costs necessary to make the sale.

Exploration and evaluation assets

Costs incurred prior to the acquisition of the legal rights to undertake exploration and evaluation activities are recognized through profit or loss as incurred.

Exploration and evaluation assets include the acquisition costs of exploration rights and expenses directly related to the exploration and evaluation of oil and gas properties incurred once the legal rights to undertake exploration and evaluation activities are acquired. These assets are recognized as intangible assets in “Exploration and evaluation assets” and are presented at cost less accumulated impairment losses recognized and related refundable tax and other credits.

Interests in oil and gas rights and expenses related to exploration and evaluation activities incurred once the legal rights are acquired are included in the cost of exploration and evaluation assets on a property-by-property basis pending determination of the technical feasibility and commercial viability of the project involving extracting an oil or gas resource. Incidental revenues earned over the exploration and evaluation period are recognized in profit or loss as management fees or as a reduction of exploration and evaluation assets for income from interest and income from production tests, as the case may be. No amortization is recognized during the exploration and evaluation phase. Costs capitalized include topographical, geological, geochemical and geophysical studies, exploration drilling, sampling and technical feasibility and commercial viability activities involving extracting an oil or gas resource.

If an oil or gas property were no longer considered viable, or if the project were abandoned, the capitalized amounts would be written down to their recoverable amounts and the difference would then be immediately recognized in profit or loss. Refer to the accounting policy “Impairment of goodwill and other non-financial assets” in this regard.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Although the Company has taken steps to verify the title to the oil and gas properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's titles. Oil and gas property titles may be subject to unregistered prior agreements and non-compliance with regulatory acquirements.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses and are depreciated over their estimated useful lives according to the following methods, period and annual rates:

	Method	Period and rates
Automotive equipment	Diminishing balance	30%
Computer equipment	Diminishing balance	30%
Machinery and tools	Diminishing balance and straight-line	10% or 20% and 15 years
Other equipment	Diminishing balance	10%

Significant estimates regarding the residual value and useful life as well as the depreciation method are reviewed as required, at least once a year.

Property, plant and equipment are derecognized on disposal or when no future economic benefits are expected from their use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the proceeds of disposition and the carrying amount of the asset, and is recognized through profit or loss and presented separately.

The depreciation of property, plant and equipment begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be operated in the manner intended by management and ceases at the earlier of the following dates: i) the date at which the asset is classified as held for sale, or ii) the date that the asset is derecognized.

When the technical feasibility of commercial viability of extraction from an oil or gas property is demonstrated, oil and gas rights and the related expenses from exploration and evaluation are reclassified as “Oil and gas assets under construction” in property, plant and equipment. Upon such classification, these assets are tested for impairment (refer to the accounting policy "Impairment of goodwill and other financial assets" in this regard), and any loss is recognized through profit or loss before reclassification and presented separately, as applicable.

Following the transfer of exploration and evaluation assets to the “Oil and gas assets under construction” category, all subsequent equipment and infrastructure construction, installation and completion costs are capitalized in that category. Upon conclusion of the development phase, all assets in the “Oil and gas assets under construction” category are transferred to the “Oil and gas assets” category and depreciated over their useful lives.

Stock options

The Company can grant stock options under the stock option plan to employees, officers, directors and consultants of the Company. None of the Company's plans includes cash payout options.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

All goods and services received in exchange for the grant of any share-based payment are measured at fair value, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. When employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is measured at the grant date and excludes the impact of non-market vesting conditions.

Share-based compensation is ultimately recognized as an expense in earnings or capitalized in exploration and evaluation assets, according to the nature of services received. The consideration is recognized in contributed surplus.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if the number of share options ultimately exercised is different from that expected upon vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs and the value accrued in contributed surplus for these options are recognized in share capital.

Tax credits

The Company is entitled to receive refundable tax credits on eligible expenses incurred by oil and gas companies in the province of Quebec. These refundable tax credits are applied against expenses incurred or exploration and evaluation assets.

A valuation allowance is applied against tax credits claimed or received when recovery is not considered more likely than not.

Income taxes

Deferred income taxes are calculated according to the liability method of accounting for income taxes based on temporary differences between the carrying amounts and tax bases of assets and liabilities.

Deferred tax assets or liabilities are calculated, without discounting, at the tax rates that are expected to apply to their respective period of realization, based on tax rates enacted or substantively enacted by the end of the reporting period.

However, deferred income taxes are not accounted for upon initial recognition of goodwill or any asset or liability, unless it arises from a business combination or the corresponding transaction has an impact on taxable earnings or net earnings.

Deferred tax assets are accounted for to the extent that it is probable that the tax loss or underlying deductible temporary difference will offset a future taxable profit.

The Company offsets deferred tax assets and liabilities only when it has the right and intention to offset current tax assets against current tax liabilities arising from the same taxation authorities.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in deferred tax assets or liabilities are recognized in earnings as deferred income taxes, unless they relate to items recognized in other comprehensive income or directly in equity, in which case the corresponding deferred taxes are accounted for in other comprehensive income or in equity, respectively.

Under the provisions of tax regulations regarding flow-through investments, the Company must renounce deductions relating to exploration activities to the benefit of investors. When the Company satisfies this transfer obligation, that is when the Company has incurred eligible expenses and renounced its right to tax deductions, a deferred income tax liability is recognized for the taxable timing difference attributable to the fact that the carrying amount of eligible expenses recognized in assets in the consolidated statements of financial position differs from the tax basis.

Impairment of goodwill and other non-financial assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less its cost to sell and its value in use. To determine the value in use, management estimates expected future cash flows from each asset or cash-generating unit, and then determines an appropriate interest rate for the calculation of the expected present value of the cash flows.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata on the basis of the carrying amount of each asset in the cash-generating unit. With the exception of goodwill, all the assets are subsequently re-assessed to identify any indication that an impairment loss recognized in prior periods may no longer exist. An impairment charge is reversed if the asset’s or cash-generating unit’s recoverable amount exceeds its carrying amount.

Provisions, contingent liabilities and contingent assets

Provisions are recognized when present obligations, as a result of a past event, will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes, decommissioning, restoration and similar liabilities, or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no contingent liability is recognized, unless it was assumed in the course of a business combination.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets and, as a result, are not accounted for.

Retirement obligations

The Company's operations are governed by governmental environment protection laws and regulations. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. At this time, the Company's operations are in compliance with current laws and regulations. Any payment resulting from mining property restorations would be charged to the cost of the oil and gas properties when the following criteria are met: i) the Company has a present obligation (legal or constructive) as a result of a past event; ii) it is probable that an outflow of resources embodying future economic benefits will be required to settle the obligation, and iii) a reliable estimate can be made of the amount of the obligation. If these conditions are not met, no provision is recognized.

To date, all such costs have been met on a progressive basis during exploration activities and have been accounted for under "Write-off of exploration and evaluation assets and allowance for abandoning wells" as they were incurred. Management believes that no additional asset retirement obligations exist for active wells and no amount has been recorded in this regard in the consolidated financial statements.

Segment information

In accordance with IFRS 8 *Operating Segments*, it is mandatory for the Company to present and disclose segment information in accordance with information that is regularly assessed by the chief operating decision makers in order to determine the performance of each segment.

The Company's operating segments were determined based on information reported to the Executive Chairman and the Board of Directors. This information is predominantly based on activity segments which are managed separately.

All intersegment transactions are carried out at arm's length prices. The valuation methods the Company uses for segment reporting in accordance with IFRS 8 are identical to those used in the consolidated financial statements.

Equity

Share capital is the amount received on issuance of shares less issue costs, net of any tax benefit on the underlying profit relating to these issue costs. If the shares are issued on the exercise of stock options or warrants, this item also includes the compensation expense previously recognized in contributed surplus.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the relative fair values.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Flow-through investments

A flow-through share issue is, in essence, the issuance of common shares and the sale of a right to tax deductions for investors. At the time of the issuance of flow-through shares, the sale of a right to a tax deduction is deferred and recognized in other liabilities in the consolidated statements of financial position. Revenues from the issuance of flow-through units are allocated among shares and other liabilities using the residual value method. Revenues are first applied to shares based on the quoted market price on the issuance date and the residual amount is allocated to other liabilities. When eligible expenses are incurred and the Company has renounced its right to the tax deductions, the amount recognized in other liabilities is reversed and recognized in net profit or loss as a deduction from deferred income tax expense.

Other equity components

Accumulated other comprehensive income includes the reserve entitled “Available-for-sale financial assets”, which is used to recognize gains and losses on financial assets classified as available for sale.

Contributed surplus includes compensation expenses related to share options and warrants. When the options and warrants are exercised, the corresponding compensation expense is transferred to share capital.

The deficit includes all undistributed gains and losses in the current and prior years.

New and revised standards

A number of new and revised standards are effective for annual periods beginning on or after January 1, 2014. Information on new standards relevant to the Company are presented below.

IFRIC 21, Levies

IFRIC 21 clarifies that :

- The obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on a specific date within an accouting period then the entire obligation is recognised on that date;

- The same recognition principles apply in the annual and interim financial statements.

IFRIC 21 has been applied retrospectively in accordance with its transitional provisions and had no material effect on the consolidated statements for any period presented.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

These amendments clarify that an entity is required to disclose the recoverable amount of an asset (or cash-generating unit) whenever an impairment loss has been recognised or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired assets is based on fair value less costs of disposal, including:

- Additional information about fair value measurement including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made.

- The discount rates used if fair value less costs of disposal is measured using a present value technique.

The amendments have been applied retrospectively in accordance with their transitional provisions.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future accounting changes

IFRS standards are constantly changing and the following amendments could have an impact on the Company's consolidated financial statements. Certain other new standards and interpretations have been published, but the Company does not foresee any significant impact on the consolidated financial statements.

IFRS 9, Financial Instruments (2014)

The International Accounting Standards Board (IASB) recently released IFRS 9, *Financial Instruments* (2014), representing the completion of its project to replace IAS 39, *Financial Instruments: Recognition and Measurement.* The new standard introduces extensive changes to IAS 39’s guidance on the classification and measurement of financial assets and introduces a new “expected credit loss” model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Company’s management have yet to assess the impact of IFRS 9 on these consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 *Revenue,* IAS 11 *Construction Contracts,* and several revenue-related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after January 1, 2017. The Company’s management have not yet assessed the impact of IFRS 15 on these consolidated financial statements.

4 - ESTIMATES, JUDGMENTS AND ASSUMPTIONS

When preparing the consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is discussed below.

ESTIMATION UNCERTAINTY

Tax credit receivable

Calculating refundable tax credits for eligible exploration expenses incurred involves a certain degree of estimation and judgment with respect to specific items whose tax treatment cannot be determined with certainty until a notice of assessment has been issued by the tax authorities to which they report and payment has been received. Variances between the actual result following the final resolution of some of these items and the assumptions retained could require that adjustments be made to the refundable tax credits, credits on duties refundable, exploration and evaluation assets and income tax expenses in future years.

4 - ESTIMATES, JUDGMENTS AND ASSUMPTIONS (Continued)

Exploration and evaluation assets

Technical feasibility and commercial viability

Decisions with regard to technical feasibility and commercial viability of exploration and evaluation assets require a certain number of assumptions, such as estimated reserves, projections on resource prices, expected production volumes and discounting rates, which are all subject to important changes in the future.

Impairment of property, plant and equipment and exploration and evaluation assets

Assessment of facts and circumstances as indications of an impairment loss or of a reversal of an impairment loss is a subjective process requiring judgment and, often, estimates, assumptions and interpretations.

For exploration and evaluation assets, management must assess the following in order to determine if an impairment test must be performed: the period over which the Company has a right to explore in a specific area has expired during the period or will expire in the near future, and is not expected to be renewed; substantive expenditures for further exploration or evaluation of mineral resources in a specific area are neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

If an indication of impairment loss or reversal of an impairment loss exists, the recoverable amount of the individual asset or cash-generating unit must be evaluated. Identification of cash-generating units requires a considerable amount of judgment by management.

In order to do so, management has to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. In such a case, impairment losses or reversals of impairment losses may differ and significant adjustments to the Company’s assets and earnings may be required in the next year (see Note 12).

Certain properties were not tested for impairment despite the fact that the carrying amount of the Company's net assets is greater than its market capitalization and despite the fact that no significant work was performed on these properties. Management deemed there was no reason to test these properties for impairment this year because despite the temporary halt in the activities, the Company has sufficient financing to meet its current obligations and has the intention and the ability to keep these properties.

Share-based compensation

The estimation of share-based compensation costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen and these inputs require estimates based on historical data and future estimates. The Company has made estimates as to the volatility of its own shares, and the probable life and time of exercise of share options granted. The model used by the Company is the Black-Scholes valuation model.

(in Canadian dollars)

4 - ESTIMATES, JUDGMENTS AND ASSUMPTIONS (Continued)

Provisions and contingent liabilities

Judgment is used to determine whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying such liabilities often involves judgments and estimates. These judgments are based on a number of factors, including the nature of the claim or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized. Several of these factors are sources of estimating uncertainty.

JUDGMENTS

Exploration and evaluation assets

Probability of cost recovery upon initial capitalization

According to the Company's significant accounting policies, once legal rights for exploration and evaluation are obtained, costs related to the acquisition of exploration rights, expenses related to exploration and evaluation of oil and gas properties, as well as related refundable tax and other credits are included in the cost of exploration and evaluation assets to the extent that management considers it is probable that the costs incurred will be recovered by future development of the site or upon the sale of the property. The evaluation of the probability of recovering the capitalized costs related to exploration and evaluation requires judgment in order to determine if future economic benefits are probable, which can be based on assumptions and estimates made by management concerning future events.

The assumptions and estimates may change if new information becomes available. If, after capitalization of exploration and evaluation expenses, information becomes available demonstrating that the recoverability of the costs is uncertain, capitalized amounts will be written-down to their recoverable amount in the period when this information becomes available (refer to the section on accounting estimates, judgments and assumptions with regard to impairment of property, plant and equipment and exploration and evaluation assets).

Deferred taxes

The assessment of probability of future taxable profits involves judgement. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

5 - EARNINGS PER SHARE

Basic earnings per common share are calculated by dividing profit or loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated taking into account the dilution which could result if stock options and warrants for the issuance of common shares were exercised or converted into common shares at the later of the following dates: the beginning of the period or the time of issuance.

The stock options and the warrants mentioned in Note 14 were not included in the calculation of diluted earnings per share since the Company suffered losses and the inclusion of these stock options and these warrants would have an antidilutive effect.

6 - INFORMATION INCLUDED IN PROFIT OR LOSS

	2015-06-30	2014-06-30
	$	$
Share-based compensation to be settled in equity instruments for which services rendered do not meet the conditions to be capitalized as assets	**123,630**	25,462
Depreciation of property, plant and equipment	**64,896**	146,242

(in Canadian dollars)

7 - INFORMATION INCLUDED IN CASH FLOWS

The net change in working capital items is detailed as follows:

	2015-06-30	2014-06-30
	$	$
Receivables, except for partners' contributions	**504,764**	(21,347)
Inventories		
Prepaid expenses	**(172,162)**	(75,622)
Trade and other payables, except for trade payables relating to exploration and evaluation assets	**(70,766)**	(159,943)
	261,836	(256,912)

Non-cash items are detailed as follows:

	2015-06-30	2014-06-30
	$	$
Depreciation of property, plant and equipment capitalized in exploration and evaluation assets	**86,623**	
Share-based compensation payments capitalized in exploration and evaluation assets	**78,472**	55,762
Trade and other payables relating to exploration and evaluation assets	**406,011**	220,106
Tax credits receivable relating to exploration and evaluation assets	**389,021**	243,988
Partner's contributions receivable relating to exploration and evaluation assets	**107,491**	

8 - INCOME TAXES

Relationship between the expected income tax expense and the tax expense presented in earnings

The relationship between the expected income tax expense calculated on the basis of the combined federal and provincial rate in Canada and the tax expense presented in the consolidated statements of comprehensive income is reconciled as follows:

	2015-06-30	2014-06-30
	$	$
Expected income tax expense calculated on the basis of the combined federal and provincial rate in Canada of 26.9%	**(211,250)**	(256,826)
Adjustments for the following items:		
Share-based payments	**54,365**	6,849
Non-deductible expenses	**3,661**	2,808
Unrecognized deferred income tax assets	**156,594**	206,425
Other	**(3,370)**	(1,833)
Deferred income tax expense	**-**	(42,577)

(in Canadian dollars)

8 - INCOME TAXES (Continued)

Deferred income tax assets and liabilities and change in amounts recognized during the year

The following differences between the carrying amounts and tax bases arising from unused temporary differences, tax losses and tax credits resulted in the recognition of the following deferred income tax assets and liabilities:

	2015-06-30	2014-12-31
	$	$
Deferred income tax liabilities resulting from the following items:		
Tax credits on exploration and evaluation assets	**408,738**	304,090
Exploration and evaluation assets	**1,096,125**	1,017,039
Property, plant and equipment	**182,506**	171,902
	1,687,369	1,493,031
Deferred income tax assets resulting from the following items:		
Tax losses	**1,618,474**	1,420,966
Equity instrument issue expenses	**20,765**	23,935
Investments	**7,780**	7,780
Other	**40,350**	40,350
	1,687,369	1,493,031
Net deferred income tax liabilities recognized	**-**	-

	Balance as at January 1, 2015	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Balance as at June 30, 2015**
	$	**$**	**$**	**$**
Recognized amounts				
Tax credits on exploration and evaluation assets	**(304,090)**	**(104,648)**		**(408,738)**
Exploration and evaluation assets	**(1,017,039)**	**(79,086)**		**(1,096,125)**
Property, plant and equipment	**(171,902)**	**(10,604)**		**(182,506)**
Investments	**7,780**			**7,780**
Tax losses	**1,420,966**	**197,508**		**1,618,474**
Equity instrument issue expenses	**23,935**	**(3,170)**		**20,765**
Other	**40,350**			**40,350**
Net deferred income tax liabilities recognized	**-**	**-**	**-**	**-**

	Balance as at January 1, 2014	Recognized in profit or loss	Recognized in other comprehensive income	Balance as at December 31, 2014
	$	$	$	$
Recognized amounts				
Tax credits on exploration and evaluation assets	(990,583)	686,493		(304,090)
Exploration and evaluation assets	(2,551,850)	1,534,811		(1,017,039)
Property, plant and equipment	(152,869)	(19,033)		(171,902)
Investments	6,224		1,556	7,780
Tax losses	3,575,718	(2,154,752)		1,420,966
Equity instrument issue expenses	30,433	(6,498)		23,935
Other	40,350			40,350
Net deferred income tax liabilities recognized	(42,577)	41,021	1,556	-

(in Canadian dollars)

8 - INCOME TAXES (Continued)

A deferred income tax asset of $1,618,474 is recognized for tax losses of $6,016,632. The Company also has tax losses of $9,006,846 for which no deferred income tax asset has been recognized.

As at December 31, 2014, available tax losses are as follows:

	Federal	Provincial	Foreign
	$	$	$
Loss carry-forwards expiring in the following years:			
2026	1,068,456	820,779	
2027	1,864,974	1,859,474	
2028	386,983		
2029	2,020,903	2,015,145	
2030	2,226,762	2,207,964	
2031	1,056,173	1,052,049	
2032	1,912,533	1,911,609	
2033	1,728,491	1,727,845	138,259
2034	1,713,674	1,703,582	86,153
	13,978,949	13,298,447	224,412

9 - RECEIVABLES

	2015-06-30	2014-12-31
	$	$
Trade receivables (a) (b)	**144,800**	471,140
Partners' contributions receivable (a) (b)	**151,485**	589,869
Other	**57,233**	57,233
Commodity taxes receivable	**42,009**	149,904
	395,527	1,268,146

(a) No amount of doubtful account expense was recognized for the six-month period ended June 30, 2015 ($0 in 2014). As at June 30, 2015, the balance of the doubtful accounts allowance is $118,578 ($118,578 in 2014).

(b) The age of partners' contributions receivable and of trade receivables is less than three months except for a partner's contributions. Moreover, there is an overdue account written down as at June 30, 2015 and December 31, 2014.

10 - INVESTMENT

	2015-06-30	2014-12-31
	$	$
Gastem inc.		
578,500 common shares at fair value (cost of $57,850)	**-**	-

(in Canadian dollars)

11 - PROPERTY, PLANT AND EQUIPMENT

	Automotive equipment	Computer equipment	Exploration equipment: Machinery and tools	Exploration equipment: Other equipment	Total
	$	**$**	**$**	**$**	**$**
Gross carrying amount					
Balance as at January 1, 2015	**602,714**	**238,214**	**4,957,423**	**555,566**	**6,353,917**
Additions		**6,354**	**143,160**		**149,514**
Disposals	**(26,000)**				**(26,000)**
Balance as at June 30, 2015	**576,714**	**244,568**	**5,100,583**	**555,566**	**6,477,431**
Depreciation and impairment					
Balance as at January 1, 2015	**495,460**	**179,235**	**2,728,583**	**381,223**	**3,784,501**
Depreciation	**16,058**	**9,277**	**117,467**	**8,717**	**151,519**
Disposals	**(25,631)**				**(25,631)**
Balance as at June 30, 2015	**485,887**	**188,512**	**2,846,050**	**389,940**	**3,910,389**
Carrying amount as at June 30, 2015	**90,827**	**56,056**	**2,254,533**	**165,626**	**2,567,042**

	Automotive equipment	Computer equipment	Exploration equipment: Machinery and tools	Exploration equipment: Other equipment	Total
	$	$	$	$	$
Gross carrying amount					
Balance as at January 1, 2014	651,222	190,895	4,611,459	555,566	6,009,142
Additions	20,250	47,319	389,925		457,494
Disposals	(68,758)		(43,961)		(112,719)
Balance as at December 31, 2014	602,714	238,214	4,957,423	555,566	6,353,917
Depreciation and impairment					
Balance as at January 1, 2014	516,975	155,902	2,533,216	361,852	3,567,945
Depreciation	40,428	23,333	219,812	19,371	302,944
Disposals	(61,943)		(24,445)		(86,388)
Balance as at December 31, 2014	495,460	179,235	2,728,583	381,223	3,784,501
Carrying amount as at December 31, 2014	107,254	58,979	2,228,840	174,343	2,569,416

All depreciation and impairment charges are included in the cost of sales except for depreciation related to specific exploration projects which are capitalized as exploration and evaluation assets. An amount of $86,623 was capitalized as exploration and evaluation assets during the six-month period ended June 30, 2015 ($86,300 in 2014).

(in Canadian dollars)

12 - EXPLORATION AND EVALUATION ASSETS

The carrying amount is detailed as follows:

	Balance as at January 1, 2015	Additions	Tax credits on exploration costs	Write-offs, disposals and impairment	Income from interest	Balance as at June 30, 2015
	$	$	$	$	$	$
Summary						
Drilling and exploration fees	**28,690,142**	**1,837,576**	**(389,021)**		**(353,217)**	**29,785,480**
Exploration rights	**3,621,163**	**137,189**				**3,758,352**
	32,311,305	**1,974,765**	**(389,021)**		**(353,217)**	**33,543,832**

	Balance as at January 1, 2014	Additions	Tax credits on exploration costs	Write-offs, disposals and impairment	Income from interest	Balance as at December 31, 2014
	$	$	$	$	$	$
Summary						
Drilling and exploration fees	33,794,049	5,241,772	(1,130,449)	(8,390,647)	(824,583)	28,690,142
Exploration rights	3,798,546	166,636		(344,019)		3,621,163
	37,592,595	5,408,408	(1,130,449)	(8,734,666)	(824,583)	32,311,305

Some of these properties are subject to royalties in the event they are brought into commercial production. Other disclosures concerning commitments to oil and gas properties are presented in Note 15.

The Company wrote off and wrote down exploration and evaluation assets in the amount of $8,734,666 in 2014. This amount comprises two components.

First, the Company wrote off $1,102,188 in exploration and evaluation assets as a result of its decision not to renew certain exploration permits in the St. Lawrence Lowlands.

Secondly, the Company completely wrote down its exploration and evaluation assets relating to the natural gas exploration project in the St. Lawrence Lowlands (shale gas) by $7,632,478 to reduce them to their value-in-use. The Company considers that the discovery of natural gas in the Utica Shale is still a promising project for the future, but because of the socio-economic climate related specifically to this project, it has recognized that recovery of its investments in the project in the near term is unlikely. If necessary, the impairment of exploration and evaluation assets recognized during the year could be reversed in the coming years (in whole or in part), if there is any indication that the impairment loss recognized may no longer exist and that the recoverable amount of impaired assets exceeds its carrying amount. The value of impaired assets would be re-evaluated based on the items to be included in the next Quebec Energy Policy.

Note that there has been no shale gas exploration in Quebec since 2010. The Quebec Government is currently completing a strategic environmental assessment on hydrocarbons, in particular on shale gas development, which is expected to be delivered in the fall of 2015. This will result in a new energy policy that will outline the Quebec government's strategy on oil and gas production in the province, particularly on the use of hydraulic fracturing.

Junex still believes that the Quebec government will authorize the project to produce natural gas from the Utica Shale, which would make it possible to leverage the Company's past investments. However, because of the numerous delays since 2010 and the resulting political uncertainty, it prefers to adopt a prudent approach and wrote down the exploration and evaluation assets relating to this project as required by accounting standards. The Company remains convinced of the considerable value of its permits in the St. Lawrence Lowlands, considering, among others, the natural gas resources discovered in the Utica Shale.

(in Canadian dollars)

12 - EXPLORATION AND EVALUATION ASSETS (Continued)

The Company invested in good faith, while respecting every regulation in effect and with the tacit comprehension that resources discovered could be produced, very risky exploration equity to discover these resources which, in a production context, may have a very significant market value.

It intends to use every means at its disposal to ensure that the value of these assets is recognized and will materialize in the future.

As at June 30, 2015, exploration and evaluation assets of $472,942 ($450,834 in 2014) are located in the United States, in the State of Texas, with the balance being located in Quebec.

The additions of $1,837,576 have been reduced by income from production tests of $235,497 on Galt#4.

13 - TRADE AND OTHER PAYABLES

	2015-06-30	2014-12-31
	$	$
Trade payables	**315,467**	920,599
Salaries payable	**166,174**	84,951
Benefits payable	**24,337**	79,198
Other	**234,262**	328,772
	740,240	1,413,520

14 - SHARE CAPITAL

Authorized
Unlimited number of shares without par value

Common shares, voting and participating

Class “B” shares, non-voting and non-participating, preferential non-cumulative dividend varying between 1% and 12%, redeemable at the paid-up capital amount

Class “C” shares, non-voting and non-participating, preferential non-cumulative monthly dividend of 1% of the redemption price, redeemable or retractable at the fair value of the consideration received upon issuance under certain conditions. The maximum redemption cannot exceed one third of the shares held, provided that the Company's working capital is greater than $1,000,000

	Number of shares	$
Issued and fully paid		
Balance as at January 1, 2014	66,194,928	59,688,972
Balance as at December 31, 2014 and as at June 30, 2015	66,194,928	59,688,972

Common stock options

In 2002, the Company implemented a stock option plan for its employees, officers, directors and consultants for up to 20% of the issued and outstanding shares at the grant date. The maximum number set by the Board of Directors as at June 30, 2015 was 6,000,000 options. The exercise price of each option is equivalent to the price set at the time that each option is awarded. This price cannot be less than the share price at the grant date. Each option has a maximum term of 10 years and stock options can only be settled by issuance of share capital.

During the year ended December 31, 2014, the Company granted 1,725,000 stock options with a weighted exercise price of $0.59 to its employees, officers and directors.

(in Canadian dollars)

14 - SHARE CAPITAL (Continued)

The features of the outstanding stock options and options that are exercisable as at June 30, 2015 are as follows:

	Outstanding options			Exercisable options	
	Number	Weighted average remaining contractual life	Weighted average exercise price	Number	Weighted average exercise price
		years	$		$
Employees, officers and directors	**1,725,000**	**9.1**	**0.59**	**345,000**	**0.59**
	1,209,000	**7.4**	**0.71**	**483,600**	**0.71**
	200,000	**2.6**	**0.75**	**200,000**	**0.75**
	1,280,000	**3.7**	**0.88**	**1,280,000**	**0.88**
	50,000	**2.2**	**0.97**	**50,000**	**0.97**
	21,666	**1.3**	**1.18**	**21,666**	**1.18**
	40,000	**0.8**	**1.28**	**40,000**	**1.28**
	100,000	**3.1**	**2.84**	**100,000**	**2.84**
	4,625,666	**6.6**	**0.77**	**2,520,266**	**0.89**
Consultants	**600,000**	**2.7**	**1.68**	**600,000**	**1.68**
	5,225,666	**6.1**	**0.87**	**3,120,266**	**1.04**

Options are vested either when options are granted or on the basis of 20% per year.

The fair value of each option granted is $0.43 and was estimated at the grant date using the Black-Scholes valuation model based on the following information:

	2014-08-21
Expected volatility	75 %
Risk-free interest rate	2.08 %
Expected term	10 years
Expected dividend	None
Share price	$0.55
Exercise price	$0.59

(in Canadian dollars)

14 - SHARE CAPITAL (Continued)

The features of the outstanding stock options and options that are exercisable as at December 31, 2014 are as follows:

	Outstanding options			Exercisable options	
	Number	Weighted average remaining contractual life	Weighted average exercise price	Number	Weighted average exercise price
		years	$		$
Employees, officers and directors	1,725,000	9.6	0.59	345,000	0.59
	1,209,000	7.9	0.71	483,600	0.71
	200,000	3.1	0.75	200,000	0.75
	1,430,000	4.2	0.88	1,430,000	0.88
	75,000	2.7	0.97	75,000	0.97
	21,666	1.8	1.18	21,666	1.18
	65,000	1.3	1.28	65,000	1.28
	125,000	3.6	2.84	125,000	2.84
	4,850,666	6.9	0.79	2,745,266	0.91
Consultants	600,000	3.2	1.68	600,000	1.68
	5,450,666	6.5	0.89	3,345,266	1.05

The changes in the stock options granted by the Company are as follows:

	2015-06-30		2014-12-31	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
		$		$
Outstanding, beginning of the period	**5,450,666**	**0.89**	3,938,666	1.02
Granted			1,725,000	0.59
Waived	**(225,000)**	**1.15**	(113,000)	0.88
Expired			(100,000)	0.88
Outstanding, end of the period	**5,225,666**	**0.87**	5,450,666	0.89

15 - COMMITMENTS

Operating leases as lessee

The Company has entered into lease agreements maturing until February 2018, which call for a lease payment of $399,700 for the rental of equipment and a building. Minimum lease payments for the next four years are $144,837 in 2015, $120,837 in 2016, $114,880 in 2017 and $19,146 in 2018.

15 - COMMITMENTS (Continued)

Lease payments recognized as an expense during the period amount to $78,381 ($73,440 as at June 30, 2014). Of this amount, $27,191 ($26,981 as at June 30, 2014) was capitalized in exploration and valuation assets. This amount represents minimum lease payments. No sublease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under lease agreements are used exclusively by the Company.

The Company's operating leases do not contain any contingent rent clauses, nor are there any purchase options, escalation clauses or restrictions, such as those concerning dividends, additional debt and further leasing. According to the operating lease for the building (maturing in February 2018), the Company has a renewal option for an additional five-year period, which can be exercised by giving a twelve-month notice.

Annuities related to research permits

Under the terms of research permits granted by the Ministère des Ressources naturelles et de la Faune, in order to keep its permits valid, the Company must pay annuities of $841,430 until 2019. Minimum payments are $168,286 from 2015 to 2019.

In addition, the Company is required to carry out, each year, on the land covered by its permits, work for a minimum cost which varies according to the age of the permit: for the first year, such work must be no less than the greater of $0.50 per hectare or $3,000 and, for the fifth year of the permit, it must be no less than the greater of $2.50 per hectare or $15,000. For subsequent renewal years, minimum costs are the greater of $2.50 per hectare or $20,000. Under a new law in force as of June 13, 2014, the research permit holder is exempt from the requirement to undertake the minimum work required under the *Mining Act* for an indefinite period.

Royalties on commercial production

In connection with its activities, the Company assigned interests in certain wells and permits to partners. These partners share exploration expenses based on their participating interest in the projects. In exchange, some partners will be entitled to a share in profits or a royalty on any commercial production, if applicable. No liability was recognized in this regard since there is currently no commercial production; this is a potential future obligation in the event that future commercial production would occur.

16 - CONTINGENCIES

The Company's operations are governed by government environmental protection legislation. Environmental consequences are difficult to identify in terms of results, timetable and impact. At this time, to management's best knowledge, the Company's operations are in compliance with current laws and regulations.

A legal claim was brought against the Company during the year 2013. Management considers this claim to be unjustified and the probability that it will require settlement at the Company’s expense to be remote. This evaluation is consistent with external independent legal advice.

Further information on this contingency is omitted so as not to seriously prejudice the Company.

(in Canadian dollars)

17 - EMPLOYEE COMPENSATION

Salaries and employee benefit expenses

Salaries and employee benefit expenses included in the consolidated statements of comprehensive income are detailed as follows:

	2015-06-30	2014-06-30
	$	$
Salaries	**826,798**	675,995
Employee benefits	**147,290**	121,705
Share-based compensation	**202,102**	81,224
	1,176,190	878,924
Less: share-based compensation capitalized in exploration and evaluation assets	**(78,472)**	(55,762)
Less: salaries and employee benefits capitalized in exploration and evaluation assets	**(647,704)**	(394,224)
Salaries and employee benefits	**450,014**	428,938

Information on share-based compensation is presented in Note 14.

18 - RELATED PARTY TRANSACTIONS

The Company's related parties include key management, as described below, as well as shareholders exercising a significant influence over the Company.

Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantees were given or received.

Transactions with key management personnel

Key management personnel of the Company are members of the Board of Directors, as well as members of the Management Committee. Key management personnel compensation includes the following expenses:

	2015-06-30	2014-06-30
	$	$
Short-term employee benefits		
Salaries, including bonuses and benefits	**268,651**	255,852
Employee benefits	**28,858**	27,484
Total short-term employee benefits	**297,509**	283,336
Share-based compensation	**164,058**	47,028
Total compensation	**461,567**	330,364

The total compensation of key management personnel includes an amount of $165,893 ($155,528 as at June 30, 2014), which was capitalized in exploration and valuation assets.

(in Canadian dollars)

18 - RELATED PARTY TRANSACTIONS (Continued)

Other transactions concluded with related parties

	2015-06-30	2014-06-30
	$	$
Company exercising significant influence		
Exploration and evaluation assets	**16,532**	
Cost of sales – warehouse rental	**7,085**	22,184

19 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to various financial risks resulting from both its operating and investing activities. The Company's management manages financial risks. The Company does not enter into financial instrument agreements, including derivative financial instruments for speculative purposes.

The Company's main financial risk exposure and its financial risk management policies are as follows:

Credit risk

Credit risk is the risk that a debtor fails to fulfil an obligation towards the Company.

Credit risk associated with trade receivables and partners' contributions receivable is generally limited because customer relations and accounts balances are analyzed on an ongoing basis.

Cash also exposes the Company to credit risk. Additionally, the Company is exposed to a credit risk concentration because its cash is held by three financial institutions in proportions of 47%, 42% and 11% respectively.

Additionally, at the dates of the consolidated statements of financial position, 82% of trade receivables (74% as at December 31, 2014) is receivable from one customer.

The following table summarizes the Company's credit risk exposure:

	2015-06-30	2014-12-31
	$	$
Cash	**5,146,320**	7,321,532
Trade receivables	**144,800**	471,140
Partner' contributions receivable	**151,485**	589,869
	5,442,605	8,382,541

The Company's management considers that the credit quality of all of the financial assets described above that are not impaired or overdue at each reporting date is good.

(in Canadian dollars)

19 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

Liquidity risk is the risk that the Company is unable to fulfil its financial obligations. Liquidity risk management serves to maintain a sufficient amount of cash and short-term investments and to ensure that the Company has sufficient financing sources for its operations. The Company establishes budget and cash estimates for this purpose on an annual basis.

Current trade and other payables maturing in less than six months are detailed as follows:

	2015-06-30	2014-12-31
	$	$
Trade and other payables	**549,729**	1,249,371

The Company's cash significantly exceeds cash outflow needs estimated for the foreseeable future.

20 - CAPITAL MANAGEMENT

The Company's objectives in managing its capital are the following:

– Obtain the necessary capital to allow it to pursue its partnership strategy to develop its properties;

– Maintain a flexible capital structure so it can obtain financing to maintain its land position and pursue its exploration activities;

– Maintain the necessary cash to address any risks that could affect its financial situation.

The Company's capital consists of equity.

The Company is not subject to any capital requirements imposed by external parties.

To ensure the attainment of its objectives, the Company prepares, submits to the Board of Directors and monitors short- and long-term financial forecasts.

(in Canadian dollars)

21 - SEGMENT INFORMATION

	Three-month period ended June 30, 2015					
	Oil and natural gas	Brine	Drilling	Other (a)	Eliminations	Total
	$	$	$	$	$	$
Revenue from ordinary activities						
External clients	34,950		12,661			47,611
Intersegment			28,248		(28,248)	
	34,950		40,909		(28,248)	47,611
Cost of sales						
Depreciation of property, plant and equipment	(12,079)		(59,442)	45,014		(26,507)
External purchases	(10,220)	(5,022)	(192,710)	134,897		(73,055)
	(22,299)	(5,022)	(252,152)	179,911		(99,562)
Gross margin	12,651	(5,022)	(211,243)	179,911	(28,248)	(51,951)
Administrative expenses, excluding depreciation and impairment of property, plant and equipment						
External purchases				(388,339)		(388,339)
Depreciation of property, plant and equipment				(5,978)		(5,978)
Gain on disposal of property, plant and equipment				5,131		5,131
				(389,186)		(389,186)
Interest income on cash (loans and receivables)				13,622		13,622
Finance costs				(1,094)		(1,094)
Management fees				6,371		6,371
				18,899		18,899
Profit (loss) before income taxes	12,651	(5,022)	(211,243)	(190,376)	(28,248)	(422,238)

(in Canadian dollars)

21 - SEGMENT INFORMATION (Continued)

	Three-month period ended June 30, 2014					
	Oil and natural gas	Brine	Drilling	Other (a)	Eliminations	Total
	$	$	$	$	$	$
Revenue from ordinary activities						
External clients	27,372		18,591			45,963
Intersegment						
	27,372		18,591			45,963
Cost of sales						
Depreciation of property, plant and equipment	(8,940)		(57,120)			(66,060)
External purchases	(34,737)	(7,399)	(148,979)			(191,115)
	(43,677)	(7,399)	(206,099)			(257,175)
Gross margin	(16,305)	(7,399)	(187,508)			(211,212)
Administrative expenses, excluding depreciation of property, plant and equipment						
External purchases				(340,744)		(340,744)
Depreciation of property, plant and equipment				(7,767)		(7,767)
				(348,511)		(348,511)
Interest income on cash (loans and receivables)				60,993		60,993
Finance costs				(1,134)		(1,134)
				59,859		59,859
Profit (loss) before income taxes	(16,305)	(7,399)	(187,508)	(288,652)		(499,864)

(a) Amounts under “Other” are primarily administrative expenses, incidental income, investments and the capitalization of work performed by the drilling division on exploration and evaluation assets and the write-off and gains related to these assets.

(in Canadian dollars)

21 - SEGMENT INFORMATION (Continued)

	Six-month period ended June 30, 2015					
	Oil and natural gas	Brine	Drilling	Other (a)	Eliminations	Total
	$	$	$	$	$	$
Revenue from ordinary activities						
External clients	69,988		97,978			167,966
Intersegment			224,393		(224,393)	
	69,988		322,371		(224,393)	167,966
Cost of sales						
Depreciation of property, plant and equipment	(20,784)		(118,884)	86,623		(53,045)
External purchases	(26,631)	(10,274)	(436,147)	305,303		(167,749)
	(47,415)	(10,274)	(555,031)	391,926		(220,794)
Gross margin	22,573	(10,274)	(232,660)	391,926	(224,393)	(52,828)
Administrative expenses, excluding depreciation and impairment of property, plant and equipment						
External purchases				(770,422)		(770,422)
Depreciation of property, plant and equipment				(11,851)		(11,851)
Gain on disposal of property, plant and equipment				5,131		5,131
				(777,142)		(777,142)
Interest income on cash (loans and receivables)				30,770		30,770
Finance costs				(8,525)		(8,525)
Management fees				22,408		22,408
				44,653		44,653
Profit (loss) before income taxes	22,573	(10,274)	(232,660)	(340,563)	(224,393)	(785,317)

(a) Amounts under “Other” are primarily administrative expenses, incidental income, investments and the capitalization of work performed by the drilling division on exploration and evaluation assets and the related write-off of these assets.

(in Canadian dollars)

21 - SEGMENT INFORMATION (Continued)

	Six-month period ended June 30, 2014					
	Oil and natural gas	**Brine**	**Drilling**	**Other (a)**	**Eliminations**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenue from ordinary activities						
External clients	49,899		100,063			149,962
Intersegment						
	49,899		100,063			149,962
Cost of sales						
Depreciation of property, plant and equipment	(17,881)		(114,424)			(132,305)
External purchases	(48,773)	(19,962)	(330,883)			(399,618)
	(66,654)	(19,962)	(445,307)			(531,923)
Gross margin	(16,755)	(19,962)	(345,244)			(381,961)
Administrative expenses, excluding depreciation and impairment of property, plant and equipment						
External purchases				(661,916)		(661,916)
Depreciation of property, plant and equipment				(13,937)		(13,937)
Gain on disposal of property, plant and equipment			18,335			18,335
			18,335	(675,853)		(657,518)
Interest income on cash (loans and receivables)				87,039		87,039
Finance costs				(2,305)		(2,305)
				84,734		84,734
Profit (loss) before income taxes	(16,755)	(19,962)	(326,909)	(591,119)		(954,745)

(a) Amounts under “Other” are primarily administrative expenses, incidental income, investments and the capitalization of work performed by the drilling division on exploration and evaluation assets and the related write-off of these assets.

22 - EVENTS AFTER THE REPORTING PERIOD

On July 2, 2015, the Company has closed a private placement for an amount of $5,041,122.

This private placement consists of the issuance of units, each made up of one share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to subscribe for one common share at a price of $1.25 for a period of 24 months and $1.40 for the subsequent 12 months. Of the $5,041,122, $4,707,622.50 was raised through the issuance of flow-through units issued at $1.05 each and $333,499.50 through the issuance of non-flow through units issued at $0.90 each. The Company retained D&D Securities Inc. and Octagon Capital Corp. (the "Agents") to act on its behalf in connection with this portion of the private placement. In consideration of their services, the Company has paid a cash commission of $125,802.37 and issued a total of 139,780 broker's warrants, each entitling the holder to subscribe for one non-flow-through unit at price of $0.90 for a period of 24 months.

On July 21, 2015, the Company has closed a private placement for an amount of $10,000,000.

This placement includes an amount of $7,500,000 to be raised through the issuance of units at a price of $0.90 each, each unit made up of one share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to subscribe for one common share at a price of $1.25 for a period of 24 months and $1.40 for the subsequent 12 months. Moreover, an amount of $2,500,000 to be raised through the issuance of Series A Debentures and Series B Debentures, each in the aggregate principal amount of $1,250,000 and convertible into common shares at a price of $1.17 per share. The Debentures are also accompanied by a total number of 1,388,890 warrants. Each warrant will entitle the holder to subscribe for one common share at a price of $1.25 for a period of 24 months and $1.40 for the subsequent 12 months. Both debentures will mature after five years and bear interest at an annual rate of 12% payable semi-annually. Junex may elect to pay up to 50% of the interest charges in common shares, subject to the approval of the TSX Venture Exchange (the "TSXV"). Both Debentures will be redeemable in cash at all times at the Company's option (subject to payment of a 10% premium on the outstanding principal), subject to conversion at the holder's option if and when Junex elects to so redeem. The Series B Debenture will become convertible at Junex's option at a price of $1.17 per share if (a) the Company obtains a lease to produce petroleum with respect to its Galt project and (b) the 20-day volume weighted average price of the Company's shares is equal to or greater than $1.17.