

GALILEO PETROLEUM LTD.
(An Exploration Stage Company)

**Condensed Consolidated Interim Financial Statements
(Unaudited)**

For the six months

ended

December 31, 2014

Galileo Petroleum Ltd.
Suite 915 – 700 West Pender Street
Vancouver, British Columbia, Canada V6C 1G8

Trading Symbol: GPL
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**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

GALILEO PETROLEUM LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars; Unaudited)

	Note	December 31, 2014	June 30, 2014
		(Unaudited)	(Audited)
ASSETS			
Current			
Cash		\$ 294	\$ 15,414
Amounts receivable		2,534	21,371
Prepaid expenses and deposits		33,835	16,419
		<u>36,663</u>	<u>53,204</u>
Non-current			
Petroleum and natural gas properties	7	326,868	351,430
		<u>326,868</u>	<u>351,430</u>
		<u>\$ 363,531</u>	<u>\$ 404,634</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities		83,186	203,996
Due to related parties	12	105,104	23,808
		<u>188,290</u>	<u>227,804</u>
Non-current			
Decommissioning obligation	9	77,816	77,816
		<u>77,816</u>	<u>77,816</u>
SHAREHOLDERS' EQUITY			
Share capital	10	4,433,423	4,406,246
Contributed surplus	10	1,277,793	1,277,793
Deficit		(5,613,791)	(5,585,025)
		<u>97,425</u>	<u>99,014</u>
		<u>\$ 363,531</u>	<u>\$ 404,634</u>

Going concern (Note 2)

These consolidated financial statements are authorized for issue by the Board of Directors on February 25, 2015.

They are signed on the Company's behalf by:

"David Hottman"

David Hottman, Director

"Mark T. Brown"

Mark Brown, Director

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

GALILEO PETROLEUM LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars; Unaudited)

		For the three months ended December		For the six months ended December,	
	Note	2014	2013	2014	2013
Revenue					
Petroleum and natural gas		\$ 18,513	\$ 7,148	\$ 45,951	\$ 21,361
Royalties		(1,678)	(160)	(5,375)	(789)
		<u>16,835</u>	<u>6,988</u>	<u>40,576</u>	<u>20,572</u>
Expenses					
General and administrative	11	38,813	16,106	62,895	49,127
Resource operating expenses		16,824	6,698	33,448	24,487
Depletion, depreciation and amortization	7, 8	19,194	18,223	38,388	36,445
		<u>74,831</u>	<u>41,027</u>	<u>134,731</u>	<u>110,059</u>
Other items					
Gain on extinguishment of debt	10	1,875	-	62,877	-
Gain on sale of resource assets interest	7	2,280	-	2,280	-
Other income		232	1,634	232	1,634
Unrealized loss on marketable securities	5	-	-	-	(1,578)
		<u>4,387</u>	<u>1,634</u>	<u>65,389</u>	<u>56</u>
Net income (loss) before income taxes		<u>(53,609)</u>	<u>(32,405)</u>	<u>(28,766)</u>	<u>(89,431)</u>
Total comprehensive income (loss) for the period		<u>\$ (53,609)</u>	<u>\$ (32,405)</u>	<u>\$ (28,766)</u>	<u>\$ (89,431)</u>
Loss per share		<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>
Weighted average number of common shares outstanding		<u>5,422,692</u>	<u>3,249,702</u>	<u>5,360,330</u>	<u>3,249,702</u>

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

GALILEO PETROLEUM LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars; Unaudited)

	Number of shares	Share Capital	Contributed surplus	Deficit	Total Shareholders' Equity
Balance at June 30, 2013 (Audited)	3,249,702	\$ 4,237,854	\$ 1,277,793	\$ (5,198,181)	\$ 317,466
Net loss and comprehensive loss	-	-	-	(89,431)	(89,431)
Balance at December 31, 2013 (Unaudited)	3,249,702	4,237,854	1,277,793	(5,287,612)	228,035
Shares issued for debt settlement	1,871,027	168,392	-	-	168,392
Net loss and comprehensive loss	-	-	-	(297,413)	(297,413)
Balance at June 30, 2014 (Audited)	5,120,729	4,406,246	1,277,793	(5,585,025)	99,014
Shares issued for debt settlement	301,963	27,177	-	-	27,177
Net income and comprehensive income	-	-	-	(28,766)	(28,766)
Balance at December 31, 2014 (Unaudited)	5,422,692	\$ 4,433,423	\$ 1,277,793	\$ (5,613,791)	\$ 97,425

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

GALILEO PETROLEUM LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED DECEMBER 31
(Expressed in Canadian dollars; Unaudited)

	<u>2014</u>	<u>2013</u>
Cash provided by (used for):		
Operating Activities		
Net income (loss)	\$ (28,766)	\$ (89,431)
Items not involving cash:		
Depletion, depreciation and amortization	38,388	36,446
Gain on extinguishment of debt	(62,877)	(1,634)
Unrealized loss (gain) on marketable securities	-	1,578
Changes in non-cash working capital relating to operating activities	<u>11,961</u>	<u>66,130</u>
	<u>(41,294)</u>	<u>13,089</u>
Investing Activities		
Recovery of (additions to) exploration and evaluation assets	-	795
Recovery of (additions to) petroleum and natural gas properties	<u>(13,826)</u>	<u>(24,294)</u>
	<u>(13,826)</u>	<u>(23,499)</u>
Financing activities		
Shareholders' loans	<u>40,000</u>	<u>-</u>
	<u>40,000</u>	<u>-</u>
Net increase (decrease) in cash	(15,120)	(10,410)
Cash – beginning of period	<u>15,414</u>	<u>12,730</u>
Cash (Deficit) – end of period	<u>\$ 294</u>	<u>\$ 2,320</u>

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

1. NATURE OF OPERATIONS

Galileo Petroleum Ltd. (the "Company" or "Galileo") was incorporated on August 14, 2000 under the Business Corporations Act of the Province of British Columbia and trades under the symbol "GPL" on the TSX Venture Exchange. Its registered office is 19th Floor, 885 West Georgia Street, Vancouver, BC V6C 3H4. On October 20, 2014, the Company completed a three for one share consolidation (see *Note 10*). All references to number of shares and per share amounts have been retroactively restated to reflect the consolidation.

The Company is a junior oil and gas company, engaged in the production, development and exploration of crude oil and natural gas reserves in Alberta and Saskatchewan, Canada.

2. GOING CONCERN

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company incurred a net loss of \$28,766 for the six months ended December 31, 2014 (2013 – \$89,431). To date, the Company has not earned significant revenues and has accumulated losses of \$5,613,791. The continuation of the Company as a going concern is dependent upon the ability of the Company to obtain necessary equity or other financing to continue operations, and/or to attain sufficient profitable operations.

There are material uncertainties that cast significant doubt about the appropriateness of the going concern assumption. The current market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds. The outcome of these matters cannot be predicted at the present time. These factors raise substantial doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. If the going concern basis was not appropriate for these interim consolidated financial statements, adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statements of financial position classifications used.

3. BASIS OF PRESENTATION**(a) Statement of compliance**

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance and compliance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements, and the policies applied herein, were authorized for issue by the Board of Directors on February 25, 2015.

(b) Basis of preparation

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's June 30, 2014 consolidated annual financial statements.

3. BASIS OF PRESENTATION *(continued)***(c) Basis of measurement**

The condensed consolidated interim financial statements have been prepared under the historical cost method except for cash, short term investments, marketable securities and share-based transactions which are measured at fair value.

(d) Functional and presentation currency

The condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency of the Company's subsidiaries is Canadian dollars.

(e) Reporting entity

The condensed consolidated interim financial statements as at and for the periods ended December 31, 2014, December 31, 2013, and June 30, 2014 include the accounts of the Company and its inactive wholly owned subsidiary Portal Resources US Inc., and its formerly owned Argentinean subsidiary, Portal del Oro S.A. ("Portal S.A."). All significant inter-company transactions and balances have been eliminated.

(f) Significant accounting judgments and estimates

The timely preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Accordingly, actual amounts may differ from these estimates. Estimates and underlying assumptions are viewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below.

Reserves

Estimation of reported recoverable quantities of proved and probable reserves include judgmental assumptions regarding production profile, commodity prices, exchange rates, remediation costs, timing and amount of future development costs, and production, transportation and marketing costs for future cash flows. It also requires interpretation of geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economical, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying values of the Company's petroleum and natural gas properties, the calculation of depletion and depreciation, the provision for decommissioning obligations, and the recognition of deferred tax assets due to changes in expected future cash flows. The recoverable quantities of reserves and estimated cash flows from the Company's petroleum and natural gas interests are independently evaluated by reserve engineers at least annually.

Identification of cash-generating units

The Company's assets are aggregated into cash-generating units, for the purpose of calculating impairment, based on their ability to generate largely independent cash flows. By their nature, these estimates and assumptions are subject to measurement uncertainty and may impact the carrying value of the Company's assets in future periods.

Share based payments

All equity-settled, share-based awards issued by the Company are fair valued using the Black-Scholes option-pricing model. In assessing the fair value of equity based compensation, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

3. BASIS OF PRESENTATION *(continued)***(f) Significant accounting judgments and estimates** *(continued)**Decommissioning obligations*

The Company estimates future remediation costs of production facilities, wells and pipelines at different stages of development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires judgment regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

Impairment of petroleum and natural gas assets

For the purposes of determining whether impairment of petroleum and natural gas assets has occurred, and the extent of any impairment or its reversal, the key assumptions the Company uses in estimating future cash flows are future petroleum and natural gas prices, expected production volumes and anticipated recoverable quantities of proved and probable reserves. These assumptions are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates. Changes in the aforementioned assumptions could affect the carrying amounts of assets, and impairment charges and reversal will affect profit or loss.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The carrying amount of the Company's exploration and evaluation assets is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists.

Income taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods.

Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in the statement of comprehensive loss in the period in which the change occurs.

4. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended June 30, 2014. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the six month period ended December 31, 2014 are not necessarily indicative of the results that may be expected for the year ending June 30, 2015.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)***Accounting standards issued but not yet applied**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

- In May 2013, the IASB issued amendments to IAS 36 "Impairment of Assets" which reduces the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarifies the disclosures required when an impairment loss has been recognized or reversed in the period. The amendments are required to be adopted retrospectively for fiscal years beginning January 1, 2014, with earlier adoption permitted. The adoption of this standard will only impact the Company's disclosures in the notes to the consolidated financial statements in periods when an impairment loss or impairment reversal is recognized.
- In May 2013, the IASB issued IFRIC 21 "Levies" ("IFRIC 12"), which was developed by the IFRS Interpretations Committee ("IFRIC"). IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that no liability should be recognized before the specified minimum threshold to trigger that levy is reached. IFRIC 21 is required to be adopted retrospectively for fiscal years beginning January 1, 2014, with earlier adoption permitted. The adoption of this standard may have an impact on the Company's accounting for production and similar taxes, which do not meet the definition of an income tax in IAS 12 "Income Taxes." The Company is currently assessing and quantifying the effect on its consolidated financial statements.
- IFRS 9, "Financial instruments" ("IFRS 9"). In November 2013, IFRS 9 was amended with significant changes to hedge accounting. In addition, an entity can now apply the "own credit requirement" in isolation without the need to change any other accounting for financial instruments. The standard is effective for annual periods beginning on or after January 1, 2018. The full impact of the standard on the Company's consolidated financial statements will not be known until the project is complete. The IASB has undertaken a three-phase project to replace IAS 39 "Financial Instruments: Recognition and Measurement" with IFRS 9 "Financial Instruments." In November 2009, the IASB issued the first phase of IFRS 9, which details the classification and measurement requirements for financial assets. Requirements for financial liabilities were added to the standard in October 2010. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.
- IFRS 3, "Business combinations" ("IFRS 3"). The amendments to IFRS 3, issued in December 2013, clarify the accounting for contingent consideration in a business combination. At each reporting period, an entity measures contingent consideration classified as an asset or a financial liability at fair value, with changes in fair value recognized in profit or loss. The amendments are effective for business combinations for which the acquisition date is on or after July 1, 2014.

5. MARKETABLE SECURITIES

The Company owns 150,000 shares of Pengram Corporation ("Pengram"). At December 31, 2014, the fair value of the Pengram shares was \$Nil (June 30, 2014 - \$Nil). During the six months ended December 31, 2014, the Company recorded a net unrealized loss of \$Nil with respect to these shares (2013 - \$1,578).

6. EXPLORATION AND EVALUATION ASSETS

Balance June 30, 2013	\$	319,065
Dispositions		(424)
Impairment		(318,641)
Balance June 30, 2014		-
Additions		-
Impairment		-
Balance December 31, 2014	\$	-

Provost

In February, 2012, the Company acquired a 50% ownership in 928 acres (1.5 square miles) of exploratory land at Provost, Alberta.

During the year ended June 30, 2014, the Company performed an impairment analysis on the Provost assets and concluded there was impairment due to the upcoming expiry of the leases on these properties. The Company therefore recorded an impairment of \$79,967 of project expenditures.

As at December 31, 2014, the Company has recorded total expenditures of \$Nil (June 30, 2014 - \$Nil) on the Provost project.

Bigwave Joint Venture

On May 21, 2013, the Company sold its 28.5% share of certain land rights for aggregate proceeds of \$14,535. The Company recorded a loss on disposition of exploration and evaluation assets of \$28,995 as a result of this transaction.

During the year ended June 30, 2014, the Company performed an impairment analysis on the Bigwave assets and concluded there was impairment as the remainder leases on these properties had expired. The Company therefore recorded an impairment of \$238,674 (2013 - \$355,813) of project expenditures.

As at December 31, 2014 the Company has recorded a total expenditures of \$Nil (June 30, 2014 - \$Nil) on the Bigwave project.

Border Play

As at June 30, 2013, the Company had recorded an impairment of \$31,150 of project expenditures. The carrying value is \$Nil as at December 31, 2014 (June 30, 2014 - \$Nil).

Manito Joint Venture

As at June 30, 2013, the Company had recorded an impairment of \$18,000 of project expenditures. The carrying value is \$Nil as at as at December 31, 2014 (June 30, 2014 - \$Nil).

7. PETROLEUM AND NATURAL GAS PROPERTIES

Cost:

Balance, June 30, 2013	\$	1,892,392
Additions		19,854
Change in estimate		661
Balance, June 30, 2014	\$	1,912,907
Additions		13,826
Balance, December 31, 2014	\$	1,926,733

Accumulated depletion and depreciation and impairment losses:

Balance, June 30, 2013	\$	(1,503,806)
Depletion and depreciation expense		(57,671)
Balance, June 30, 2014	\$	(1,561,477)
Depletion and depreciation expense		(38,388)
Balance, December 31, 2014	\$	(1,599,865)

Net book value:

June 30, 2013	\$	388,586
June 30, 2014	\$	351,430
December 31, 2014	\$	326,868

The depletion and depreciation of petroleum and natural gas properties are recognized in depletion, depreciation and amortization in the statement of comprehensive loss. Future development costs of \$318,800 (June 30, 2014 - \$318,800) are included in the depletion calculation. The impairment of petroleum and natural gas properties, and any eventual reversal thereof, are recognized in impairment on petroleum and natural gas properties in the statement of comprehensive loss.

At June 30, 2014, the Company tested its CGU's for impairment. The recoverable amount of the CGU was 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 (2%) was determined using a discount rate of 10% 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. The forecast prices used to estimate the fair value less cost to sell are those used by the independent reserves engineer. The impairment loss during the year ended June 30, 2014 was \$nil (2013 - \$880,000). The following represent the prices that were used in the June 30, 2014 impairment tests.

	Average price forecast	Average price forecast
Year	Oil	Gas
2014	76.40	4.46
2015	72.40	4.46
2016	72.40	4.64
2017	73.50	4.94
2018	74.60	5.14
2019	75.70	5.38

8. EQUIPMENT

Cost:

Balance, June 30, 2013	\$	112,359
Balance, June 30, 2014	\$	112,359
Balance December 31, 2014	\$	112,359

Accumulated depletion and depreciation:

Balance, June 30, 2013	\$	(111,547)
Depreciation expense		(812)
Balance, June 30, 2014	\$	(112,359)
Depreciation expense		-
Balance December 31, 2014	\$	(112,359)

Net book value:

June 30, 2013	\$	812
June 30, 2014	\$	-
December 31, 2014	\$	-

9. DECOMMISSIONING OBLIGATIONS

Balance June 30, 2012	\$	76,882
Accretion		1,658
Change in estimate		(3,434)
Balance June 30, 2013		75,106
Accretion		2,049
Change in estimate		661
Balance June 30, 2014	\$	77,816

The decommissioning obligations are estimated based on the Company's net ownership in all wells and facilities, the estimated cost to restore and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. The Company estimates the undiscounted cash flows related to its decommissioning liabilities is approximately \$93,000 (June 30, 2014 - \$93,000). The fair values of these obligations were calculated using a risk free rate between 1.83% and 2.78% (June 30, 2013 – 2.69% and 3.55%), an inflation rate of 2% (June 30, 2013 – 2%) and an expected abandonment date of 2017 to 2022.

10. SHARE CAPITAL

a. Authorized

There are an unlimited number of common shares without par value.

On October 17, 2014, the TSX-V approved a common share consolidation on the basis of three pre-consolidation common shares for one post-consolidation common share of the Company. The consolidation was made effective on October 20, 2012. All references to the number of shares and per share amounts have been retroactively restated to reflect the consolidation.

10. SHARE CAPITAL *(continued)*

b. Detail of issuance of common shares

On June 26, 2014, the Company issued a total of 1,871,027 common shares at a fair value of \$168,392, based on the Company's share price on the date of issue, in settlement for certain debts owed by the Company for an aggregate amount of \$282,538. The Company recorded a gain on extinguishment of debt of \$114,146.

On August 7, 2014, the Company issued a total of 301,963 common shares at a fair value of \$27,177, based on the Company's share price on the date of issue, in settlement for certain debts owed by the Company for an aggregate amount of \$45,295. The Company recorded a gain on extinguishment of debt of \$18,118.

b. Share Purchase Option Compensation Plan

The Company established a 10% rolling stock option plan whereby the Board of Directors may from time to time grant options to individual eligible directors, officers, employees or consultants. The maximum term of any option is five years. The exercise price of an option is not less than the closing price on the last trading day preceding the grant date, less allowable discounts in accordance with the policies of the Exchange. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options granted under the Stock Option Plan are subject to a minimum one year vesting schedule whereby 25% of each option will vest on each of the three month anniversaries of the date of grant, up to and including the end of the first year after such grant, or such other more restrictive vesting schedule as the administrator of the Stock Option Plan may determine.

The continuity of stock options for the six months ended December 31, 2014 is as follows:

Expiry date	Exercise Price (\$)	June 30, 2014	Granted	Exercised	Expired/ cancelled	December 31, 2014
January 17, 2015	2.25	1,333	-	-	-	1,333
September 9, 2015	2.10	6,667	-	-	-	6,667
Options outstanding		8,000	-	-	-	8,000
Options vested and exercisable		8,000	-	-	-	8,000
Weighted average exercise price (\$)		2.13	-	-	-	2.13

11. GENERAL AND ADMINISTRATIVE EXPENSES

The components of general and administrative expenses are as follows:

For the three months ended:	December 31, 2014	December 31, 2013
Consulting	\$ 9,365	\$ 6,045
Investor relations	2,138	400
Other	12,367	5,468
Professional fees	18,361	1,395
Rent	5,664	5,664
Salaries and benefits	15,000	30,155
	\$ 62,895	\$ 49,127

12. RELATED PARTY TRANSACTIONS

Payments to related parties were made in the normal course of operations and were valued at fair value as determined by management. Amounts due to or from related parties are unsecured, non-interest bearing and due on demand. All outstanding balances are unsecured, and there are no commitments or guarantees associated with the outstanding balances.

		Three months ended December 31, 2014		Year ended June 30, 2014	
		Total Charges	Balance Outstanding	Total Charges	Balance Outstanding
Amounts in accounts payable	Services for:				
A private company with a director in common with the Company	Accounting, finance, promissory note	\$ 27,526	\$ 27,526	\$ 80,525	\$ -
A public company with directors in common with the Company	Administrative fees, advances	6,541	8,878	13,083	1,308
Directors	Accrued salaries, expense reimbursement, loans	31,200	68,700	52,500	22,500
Total		\$ 65,267	\$ 105,104	\$ 146,108	\$ 23,808

During the six months ended December 31, 2014, the Company received a loan from a private company with a director in common for \$25,000. The loan is unsecured, non-interest bearing and has no fixed terms of repayment. As of December 31, 2014 the Company owes this private company \$25,000 (June 30, 2014 – \$Nil) in regards to this loan.

During the six months ended December 31, 2014, the Company received loans from certain directors of the Company for \$31,200. The loans are unsecured, non-interest bearing and have no fixed terms of repayment. As of December 31, 2014 the Company owes these certain directors \$31,200 (June 30, 2014 – \$Nil) in regards to these loans.

Key management personnel compensation includes all compensation paid to executive management and members of the board of directors of the Company.

	Six months ending December 31,	
	2014	2013
Short-term employee benefits	\$ 15,000	\$ 15,000
Share-based payments	-	-
Total	\$ 15,000	\$ 15,000

13. FINANCIAL INSTRUMENTS

The fair value of the Company's cash, short-term investments, marketable securities, amounts receivable, bank indebtedness and accounts payables and accrued liabilities approximate their carrying values.

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

13. FINANCIAL INSTRUMENTS *(continued)*

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash, bank indebtedness, short-term investments and marketable securities are measured using level 1 inputs.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest risk.

(a) Currency risk

The Company's formerly owned property interests in the United States made it subject to foreign currency fluctuations and inflationary pressures which may have adversely affected the Company's financial position, results of operations and cash flows. The Company was affected by changes in exchange rates between the Canadian Dollar and foreign functional currencies. The Company does not invest in foreign currency contracts to mitigate the risks, and has no foreign currency exposure at the balance sheet date.

(b) Credit risk

The Company's cash and short-term investments are held in a Canadian financial institution. The Company does not have any asset-backed commercial paper in its cash or short-term investments. The Company's amounts receivable consists primarily of recovered rent and office expense, and tax due from the federal government of Canada.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities are due within the current operating year.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short - term investments is limited because they are generally held to maturity.

(e) Commodity Price Risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices, affecting results of operations and cash generated from operating activities. Such prices may also affect the value of exploration and development properties and the level of spending for future activities. Prices received by the Company for its production are largely beyond the Company's control as oil and gas prices are impacted by world economic events that dictate the levels of supply and demand.

The Company did not have any commodity price contracts in place as at or during the six months ended December 31, 2014.

15. MANAGEMENT OF CAPITAL RISK

The Company manages its shareholders' equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral and oil and gas properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and short-term investments.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. There are no externally imposed requirements.

The Company expects its current capital resources will not be sufficient to carry its exploration plans and operations through its current operating period and that further equity financing will be required.